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BUDGET 2019

Budget Speech

Foundations for Growth, Jobs and Transformative Sustainable Development

Hon. Camillo Gonsalves
Minister of Finance

4 February 2019

Government of Saint Vincent and the Grenadines

The *Budget Speech* is delivered annually, and precedes the Parliamentary debate on the Appropriations Bill. *Budget 2019,* and its attendant *Estimates of Revenue and Expenditure for the year 2019* and *St. Vincent and the Grenadines Economic and Social Review: January to September 2018*, are prepared under the guidance of Mr. Edmond Jackson, Director-General of Finance and Planning, Mr. Recardo Frederick, Director of Planning (ag), and the entire staff of the Ministry of Finance, Economic Planning, Sustainable Development and Information Technology. The *Budget Speech* and the *Estimates* are published by the Government Printery.

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Cover Photos (from Top): Inaugural Flight of American Airlines from Miami to Argyle International Airport; Cottage village road and river defences; Modern Medical and Diagnostic Centre, Georgetown; The *Captain Hugh Mulzac* Coast Guard Vessel; Vegetables growing in the Montreal Greenhouse Park.

Contents

Executive Summary

Budget 2019 furthers the transformation of the Vincentian economy from one historically based on subsidised mono crop export and low-skill labour to a postcolonial one that is diverse, modern, competitive and fully engaged with international commerce.

Amid the challenges and opportunities of an uncertain global environment, Budget 2019 seeks to strengthen, diversify and grow the Vincentian economy, while increasing the Government's commitment to fiscal, social and environmental responsibility. As a jobs-focussed Budget, additional Government posts and increased opportunities for decent work are manifest in multiple sectors.

Budget 2019 seeks to build upon the fulfilled pledges of the previous budget, which included additional direct flights to the Argyle International Airport; acquisition of a Coast Guard Vessel of high quality and range; resolution of the foreign exchange challenges faced by small traders in Trinidad and Tobago; opening of the Modern Medical Complex at Georgetown; committing resources to our Contingencies Fund; finding new investors for the Buccament Bay Resort; and launching a new medicinal cannabis industry.

This year, Budget 2019 rests on 10 principles for jobs, growth and transformative sustainable development: Mainstreaming the Sustainable Development Goals; diversifying the bases of economic growth; investing in climate resilient infrastructure; focussing on climate change adaptation, environmental conservation and renewable energy; maintaining fiscal prudence; supporting job creation; reducing social inequality; attacking crime and the causes of crime; nurturing a healthy, vibrant private sector; and improving the delivery of quality health care.

These 10 principles are exemplified by 10 significant Government projects and five pivotal private sector initiatives, namely:

1. The Modern Cargo Port in Western Kingstown
2. The 10MW Geothermal in North Windward
3. The State-owned Hotels of Mt. Wynne and Diamond
4. The New Medicinal Cannabis Industry
5. The Pedestrian Access for Village Enhancement (PAVE) Programme
6. The Construction and Rehabilitation of 48km of Secondary Roads
7. The Acute Referral Hospital at Arnos Vale
8. The Reconstruction of the Lewis Punnett Home
9. The Sports Against Crime Initiative
10. The Renewal @40 Programme
11. The Clear Harbor Call Centre in Kingstown
12. The Refurbishment and Reopening of the Buccament Bay Resort
13. The Black Sands Resort in Peter's Hope

14. The Rainforest Seafoods Plant at Calliaqua
15. The Saint Vincent Cocoa Company

The unprecedented investments in infrastructure reflect the Government's focus on re-engineering economic growth. The US$100 million geothermal plant construction in North Windward; the US$50 million hotel construction at Mt. Wynne; the US$10 million hotel project at Diamond; the US$145 million cargo and ferry port construction project in Kingstown; the US$34 million in secondary and feeder road construction; and the US$5 million in village footpaths will cumulatively exceed the value of the construction work involved in the Argyle International Airport.

Budget 2019 makes provision for salary increases for Government workers that will increase pay in 2019 and 2020. With a backdated 1% increase and a 1.5% enhancement as of the start of 2019, plus an additional 2% allocated for January 1, 2020, Government workers have received commitments amounting to a 4.5% increase over their 2018 pay.

The acute need for pension reform requires decisive action in the near term. Various structures were put in place in 2018 to facilitate dialogue and decision-making on this matter in 2019.

A number of additional, significant policy and legislative reforms are underway to make the Vincentian economy more efficient and competitive. Recognising these reforms, the World Bank has agreed to advance a policy-based loan of US$30 million, to be used as budget support. This support will be received in 2019.

Preliminary numbers indicate that the economy of Saint Vincent and the Grenadines grew by approximately 2.5% in 2018. Similar growth is projected for 2019. To ensure accelerated growth and sustainable development, the Government is determined to improve its capacity to implement capital projects in a timely and efficient manner. Budget 2019 commits additional resources and administrative enhancements toward achieving this important goal.

While global uncertainties, the ever-present threat of climate change-related disasters, and the inherent limitations and vulnerabilities of Small Island Developing States all pose challenges, Budget 2019 is an optimistic and forward-looking developmental roadmap. It anticipates, and strengthens the foundations for, a stronger economy, more jobs, and increased fiscal, social and environmental responsibility. The journey of economic transformation continues to progress, in the interest of the Vincentian people.

I. INTRODUCTION

[Formal thanks and greetings]

The occasion of the traditional Budget Speech is not a ceremonial showcase of scripted rhetorical excess. Nor is it an excuse to shorten both memory and sight to peddle in an exhaustive wishlist of disjointed feel-good promises with dubious prospects of becoming reality. Instead, the occasion of this Budget Speech must been seen as both a yardstick and a roadmap; measuring our progress against past pledges and proclamations, while charting a detailed, implementable and sustainable path forward, in keeping with the times, the guiding lights of principle, and our longstanding developmental narrative.

Throughout today's Speech, and the debate that follows, we recognise that every principle, policy and plan embodied in these pages is centred on the wellbeing, growth and development of the Vincentian people. It is the citizens of Saint Vincent and the Grenadines, whose status as the constitutional cornerstone of nationhood is defined by birth, blood or a sustained commitment to our country and people, who must remain immutably and immovably at the heart of our budgetary process.

The people of Saint Vincent and the Grenadines have demonstrated, time and again, the God-given attributes of resistance, resilience and a sense of small island exceptionalism that have animated the greatest individual and collective triumphs of our Caribbean civilisation. We have stood tall in the face of colonisation, slavery and genocide. We have faced down volcanoes, hurricanes and natural disasters of epic scope and scale. We have confronted with clarity the sobering implications of climate change on our lives and livelihoods. And we have withstood the convulsions of a neoliberal order and financial architecture unconcerned with and unsuited to the needs and aspirations of small island states. Our collective achievements are a standing rebuke to those who question the viability of our state, the capacity of our people, or the certainty that our greatest triumphs are yet ahead of us.

It is in this spirit, and with this resolute focus on the needs and aspirations of the Vincentian people, that we are pleased to present to this Honourable House a Budget for the future of Saint Vincent and the Grenadines; a Budget that builds upon the foundations for all citizens to have better lives now and decades to come.

The lives of our people are lived far beyond the walls of this Parliament building. These lives – on farms, in offices, on the seas, in churches, at hospitals, in schools, at shops, on hardcourts and playing fields, and so on – rarely stop to contemplate parliamentary intrigue or Standing Orders or longwinded speeches. These Vincentians, immersed in activities connected to jobs, and families and recreation and daily struggles and hard-won successes and cherished dreams, turn to this Budget debate with three fundamental questions:

What have you accomplished?

What do you plan to do?

And what does it mean for my country, my family and me?

We will answer those questions today. We will present a Budget that strengthens, diversifies and grows our economy. A Budget that safeguards jobs and increases the opportunities for decent work. A Budget that makes us more resilient to climate change. A Budget committed to fiscal, social and environmental responsibility. A Budget that nurtures the green shoots of our post-crisis recovery, and puts all Vincentians in a better position to pursue their goals and live better lives.

II. PROMISES MADE, PROMISES KEPT

In last year's Budget address,[1] we made a number of undertakings to the Vincentian people. Today, we are proud to recall those promises, to celebrate their fulfilment, and to provide updates of those yet to be accomplished.

One year ago, we promised that, in addition to direct flights from Toronto and New York, the Argyle International Airport would see flights from "*an additional major carrier from a separate North American hub*." Today, we know that that major carrier is American Airlines and that North American city is Miami.

One year ago, we announced that we would engage with the Vincentian public to establish the legislative framework for a "*well-regulated, clearly defined, export-oriented, medical cannabis industry in Saint Vincent and the Grenadines*." Today, we have passed the enabling laws, and expect 2019 to mark the year in which medicinal cannabis is legally exported from our country for the first time.

One year ago, we committed to populating a robust "rainy day" Contingencies Fund, through the collection of a 1% tax on consumption and a small fee on stay-over hotel guests. Today, we have saved almost $13 million in our Contingencies Fund, improving our ability to respond to natural disasters.

[1] Gonsalves, Camillo. "*Continuity and Change: Job Creation, Resilience, Sustainable Development and New Opportunities in a Rapidly-Changing Global Environment*." 5 February 2018 (http://www.gov.vc/images/pdf_documents/2018-Budget-Address.pdf)

One year ago, we shared our plans with the International Monetary Fund and they predicted that the Vincentian economy would grow by 2%. Today, we can say that we have surpassed that projection. Our preliminary data indicate growth of approximately 2.5%, while the latest publication from the Economic Commission for Latin America and the Caribbean (ECLAC) places it at a slightly more robust 3.2%.[2] According to those ECLAC projections, Saint Vincent and the Grenadines' 2018 growth rate was the 4th strongest among the 14 independent members of the Caribbean Community (CARICOM).[3]

One year ago, we promised a resolute response to the foreign exchange challenges facing Vincentian traffickers doing business in Trinidad and Tobago. Today, because of our temporary imposition of Exchange Controls, the patriotism of our business community, our advocacy within the Eastern Caribbean Central Bank and our intense diplomatic work behind the scenes, we have found a resolution to this thorny issue that benefits our traders and farmers.

One year ago, we pledged to open and staff the new Modern Medical & Diagnostic Centre at Georgetown. Today, the Complex is well staffed by Vincentian and Cuban professionals, and offering world-class medical care, including dialysis and oncology services.

One year ago, we told you that we would markedly improve our Coast Guard fleet through the addition of "*a top-class vessel . . . from the Damen group*." Today, the *Captain Hugh Mulzac*, a 140-foot, US$6.8 million patrol vessel with a crew complement of 18, is the most advanced craft in the OECS, and is complemented by two new, smaller vessels recently sourced from the Government of Japan.

One year ago, we informed you that Saint Vincent and the Grenadines would commit resources to its historic quest to be the smallest nation to secure non-Permanent membership on the United Nations Security Council. Today, we can report that our candidacy has been endorsed by all the countries of Latin America and the Caribbean, paving the way for our hopeful election later this year.

One year ago, we pledged to use our influence to place the closed Buccament Bay Resort in the hands of new private investors, and to pursue the construction of state-owned hotels with up to a total of 350 rooms. Today, the new investment group is on board at Buccament, the Government has secured US$50 million to commence a hotel at Mt. Wynne, and we have finalised work to build another hotel at Diamond.

Many other promises were made and kept, from the expansion of the Zero Hunger Trust Fund, to the establishment of a programme to deploy CCTV cameras across Saint Vincent and the

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[2] Economic Commission for Latin America and the Caribbean (ECLAC), Economic Affairs Division. "*Preliminary Overview of the Economies of Latin America and the Caribbean*" December 2018 (http://repositorio.cepal.org/bitstream/handle/11362/44327/46/S1801133_en.pdf)

[3] *See, E*conomic Commission for Latin America and the Caribbean, "*Preliminary Overview of the Economies of Latin America and the Caribbean*" p. 99

Grenadines, to the installation of fiber-optic ICT infrastructure, to the continuation of work on a geothermal energy plant and a modern port.

Other promises, while not completed within the predicted time frame, are well on the way to fulfilment. Our pledge to break ground on a new seafood packing facility at Calliaqua will take place in the coming months. Our commitment to commence physical works on new secondary and feeder roads funded by the Kuwait Fund for Arab Economic Development is now slated for March. Our pledge to commence collection activities against VAT and PAYE scofflaws is nearing fruition. Our promised environmental initiatives regarding single-use plastic bags and grey water disposal were extensively studied in 2018 and will see implementation in 2019. And our undertaking to establish an advisory National Economic Council, while still unfulfilled, is now at the stage of consultation and member selection.

Taken together, this record of fidelity to our 2018 Budget pledges is impressive not only as a record of what we have done; but an important measure of the seriousness with which we view our commitments and an indicator of what will happen in 2019. We are keeping our 2018 promises. Put your pot on the fire that we will keep our 2019 promises as well.

This year, the cautious optimism of 2018 is fuelling an even more positive perspective on 2019 and the medium-term prospects for Saint Vincent and the Grenadines. While we are by no means fully recovered from the impacts of the global economic and financial crisis and adverse climate events, the plethora of green shoots is plainly visible, have taken root, and form, collectively, a heartening launching pad for post-crisis growth and development.

Budget 2019 seeks nothing less than to further the process of transforming the pillars of our economy from monocrop, subsidy-dependent and low skill to one that is modern, competitive, post-colonial and many-sided. Many other regional economies, faced with a similar challenge, have chosen to seek out and temporarily occupy the fleeting space provided by random fissures in the global financial architecture, or loopholes in the international legal order. Such an approach, while potentially attractive in the short term, is a recipe for long-term volatility and dependency on either the goodwill or indifference of foreign powers.

Others have succumbed to the siren song of austerity, externally imposed, and restructured their societies to accord with the distant dictates of ideologues in economists' clothing.

Instead, in the quest for economic transformation and modernisation, Saint Vincent and the Grenadines has (in the words of Robert Frost) taken the road less travelled by; and that has made all the difference. Since the onset of the Global Economic and Financial Crisis, only two Caribbean countries have avoided both the prescriptions of an IMF programme and the temptation of a CBI[4]

[4] Citizenship by Investment

programme: Trinidad and Tobago and Saint Vincent and the Grenadines. We are proud of that distinction.

Within the framework of the Honourable Prime Minister's 10 developmental focus areas,[5] which undergird our budgetary initiatives, Budget 2019 forcefully advances the following 10 principles for jobs, growth and transformative sustainable development:

First, that the 17 internationally-agreed Sustainable Development Goals[6] are the bedrock of our modern agenda for growth and development. These Goals and targets, mainstreamed and adapted to the Vincentian context, are the broad conceptual lights that guide our developmental efforts;

Second, that an economy based on multiple, strong sectors is more resilient, more stable, and less vulnerable to exogenous shocks. In refusing to place all of our economic eggs in a single sectoral basket, Saint Vincent and the Grenadines has managed to avoid the wild cyclical swings and social upheaval that have typified the post-crisis era. A recently released credit analysis by Moody's noted that Saint Vincent and the Grenadines is less volatile than similarly-rated countries.[7] This is by design. Even as we emphasise other sectors for growth and development, we will not abandon existing segments. Within the confines of typical small-state limitations, we rely on economic diversity to maintain our climate of confidence and stability;

Third, that economic transformation requires investment in productive, climate resilient infrastructure. The construction of public infrastructure – in and of itself – stimulates growth. But the completed projects, if well-designed and well-targeted, provide the foundation for long-term development. Budget 2019 is focussed on multiple major infrastructure initiatives with transformative potential;

Fourth, that ambitious goals and targets must be leavened by an obligation for fiscal, social and environmental sustainability. This Budget reflects moderate growth and a small surplus on the current account. However, economic indicators are only part of the story; Budget 2019 commits to prudent fiscal reform and measured adoption of the more far-reaching adjustments to our way of life and production;

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[5] "(i) Climate Change, Disaster Preparedness, and Infrastructure Resilience; (ii) Making the AIA Work; (iii) Quality Teaching and STEAM; (iv) Investment and Productivity; (v) Roads and Bridges; (vi) Citizen Security; (vii) Health and Wellness; (viii) Housing and Lands; (ix) Energy; (x) Job Creation, Poverty Reduction, and Sustainable Development." *Quoted from* Gonsalves, Ralph, "*Budget Address 2017: Fiscal Consolidation and Economic Growth, Job Creation and Sustainable Development in a Vulnerable Small Island Developing State in the Context of a Challenging Global Environment*," 6 Feb. 2017, p. 64 (http://www.caribbeanelections.com/eDocs/budget/vc_budget/vc_budget_2017.pdf)

[6] *See, e.g.,* United Nations, *About the Sustainable Development Goals*, New York, 2015 (https://www.un.org/sustainabledevelopment/sustainable-development-goals/)

[7] Moody's Investor Service, *Issuer In-Depth: Government of St. Vincent and the Grenadines – B3 stable: Annual credit analysis*, 26 January 2019, p.5 (https://www.moodys.com/research/Government-of-St-Vincent-and-the-Grenadines-B3-stable-Annual-Issuer-In-Depth--PBC_1155402)

Fifth, that the greatest form of social protection is a decent job, and the best guarantors of a good job are education, experience and training. Budget 2019 will support job creation, and deepen the scope and reach of the Education Revolution through a marked expansion in skills training and technical and vocational education;

Sixth, that in the context of small island states, social inequality is a massively inefficient and debilitating drag on national development. Budget 2019 advances multiple policies to reduce inequality, increase opportunity, and foster inclusiveness – particularly among the youth. Further, the biblical admonition to feed, clothe, tend to and accept "the least of these my brethren,"[8] is also sound developmental policy. Budget 2019 focuses on the elderly, the infirm and the nutritionally vulnerable with specific initiatives designed to support fulfilling lives by reducing vulnerability and inequality;

Seventh, that crime retards development. As such, Budget 2019 targets crime and the causes of crime in new ways and with new tools, including an increased emphasis on community-based interventions and relationship-building;

Eighth, that while a healthy economy is dependent on a healthy and vibrant private sector, it does not preclude a catalysing role for an active and entrepreneurial State apparatus. As such, to complement timely private investments in critical areas, Budget 2019 will allocate public resources to accelerate sectoral growth and national development;

Ninth, that developmental transformation is impossible without concomitant enhancements to local healthcare architecture and service delivery. Accordingly, Budget 2019 reforms administrative structures, while substantially widening and deepening the healthcare offerings available to the Vincentian public; and

Tenth, that climate resilience, in the form of adaption, mitigation and advocacy, is the *sine qua non* of modern sustainable development in Small Island Developing States. Budget 2019 therefore dedicates unprecedented resources to renewable energy, resilient infrastructure and citizen support in the face of the gathering climate threat.

Our quest to transform the Vincentian economy is best exemplified by the following specific projects and programmes, each of which is materially advanced in this 2019 Budget:

1. The Modern Cargo and Ferry Port in Western Kingstown
2. The 10MW Geothermal in North Windward
3. The State-owned Hotels of Mt. Wynne and Diamond

[8] *See,* Holy Bible, Matthew 25:31-46

4. The New Medicinal Cannabis Industry
5. The Pedestrian Access for Village Enhancement (PAVE) Programme
6. The Construction and Rehabilitation of 48km of Secondary Roads
7. The Acute Referral Hospital at Arnos Vale
8. The Reconstruction of the Lewis Punnett Home
9. The Sports Against Crime Initiative
10. The Renewal @40 Programme

Additionally, five significant private sector initiatives pose tremendous developmental promise, and are worthy of specific mention:

1. The Clear Harbor Call Centre in Kingstown
2. The Refurbishment and Reopening of the Buccament Bay Resort
3. The Black Sands Resort in Peter's Hope
4. The Rainforest Seafoods Plant at Calliaqua
5. The Saint Vincent Cocoa Company

Each of these projects and programmes will be specifically discussed over the course of the 2019 Budget debate.

III. GLOBAL, REGIONAL AND LOCAL ECONOMIC ENVIRONMENT

The Global Environment

Forecasts for the prospects of the global economy are mixed, but becoming increasingly pessimistic. The health and growth of Saint Vincent and the Grenadines' small, open economy is directly affected by global economic trends. As such, these worsening global forecasts are not simply of academic interest. Our own growth and development prospects are inextricably bound up with those of our neighbours and the wider international economy.

In October 2018, the International Monetary Fund's *World Economic Outlook*[9] predicted that global growth in 2019 will be 3.7% – a 0.2 percentage point reduction from an estimate provided by the IMF six months earlier. The prospects for the developed countries most directly connected to the Vincentian economy – the United States of America and the United Kingdom – are less positive, driven by uncertainties relating to trade wars, rising oil prices, increasing levels of debt, local political issues and Brexit. Similarly, in Latin America, growth prospects remain tepid. Projected 2019

[9] International Monetary Fund, *World Economic Outlook: Challenges to Steady Growth*. Washington, DC. October 2018 (https://www.imf.org/~/media/Files/Publications/WEO/2018/October/English/main-report/Text.ashx?la=en)

Growth in the United States (2.5%), the United Kingdom (1.5%) and Latin America and the Caribbean (2.2%) all fall well below the predicted global average.

The World Bank's more recent *Global Economic Prospects*[10] Report, subtitled "Darkening Skies," was released in January and presents a more sobering forecast. The Report's Executive Summary begins with the sentence "[t]he outlook for the global economy has darkened." It predicts global growth in 2019 of 2.9% – almost a full percentage point below the IMF estimate. While its 2019 predictions for United States' growth (2.5%) are in line with the IMF forecast, its projections for the United Kingdom (1.4%) Latin America and the Caribbean (1.7%) are less optimistic.

The Local Environment

Preliminary estimates indicate that the economy of Saint Vincent and the Grenadines grew by at least 2.3% in 2018, exceeding projections of a year ago. Growth was driven by improved performance in the tourism, fishing, construction and manufacturing sectors. A full analysis of the past year's performance is annexed to this Budget Statement as the "*Saint Vincent and the Grenadines Economic and Social Review*" for 2018.

For 2019, the International Monetary Fund projects growth of 2.3%,[11] an improvement on its 2018 estimate, which proved to be slightly conservative. This growth is expected to be driven by increased tourism arrivals and tourism-related activities like hotel construction and expansion. As with last year, we consider the IMF's projections to be conservative, and premised on status-quo levels of implementation of our capital programme, which we hope to improve markedly in 2019.

In keeping with their more guarded view of the global economy, and our subregion in particular, the World Bank forecasts that growth in the Vincentian economy will be a more modest 1.6% in 2019,[12] while ECLAC's preliminary prediction is 1.5%.[13] Notwithstanding, the imprecise nature of the forecasting models and the underlying statistical data, we consider these predictions to be unduly pessimistic at this stage, barring some unforeseen event.

As always, the grave and gathering menace of climate change and natural disasters looms as a direct threat to growth and development prospects. The massive 14% contraction[14] in the Dominican economy last year, post-Hurricane Maria, is indicative of the ever-present threat of increasingly

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[10] World Bank, *Global Economic Prospects, January 2019: Darkening Skies*. Washington, DC. January 2019 (https://openknowledge.worldbank.org/bitstream/handle/10986/31066/9781464813863.pdf)

[11] International Monetary Fund, "*St. Vincent and the Grenadines: Staff Concluding Statement of the 2018 Article IV Mission*." 21 November 2018 (https://www.imf.org/en/News/Articles/2018/11/21/ms112118-st-vincent-and-the-grenadines-staff-concluding-statement-of-2018-article-iv-mission)

[12] World Bank, *Global Economic Prospects*, pp. 84, 232

[13] ECLAC, *Preliminary Overview of the Economies of Latin America and the Caribbean.* p. 99

[14] *See,* International Monetary Fund, *World Economic Outlook*, p. 157

frequent and severe climate events. Other exogenous threats could include weaker-than-expected performance among our developed economy trading partners, rising oil prices and tightening global financial conditions. A specific threat is the European Union's continued war on the viability of the financial services sector in Saint Vincent and the Grenadines and the wider Caribbean. The bullying hypocrisy of the extraterritorial imposition of EU law will undoubtedly impact the sector in ways that are difficult to forecast.

Closer to home, the IMF's predictions[15] of flat growth in our main regional trading partners of Barbados (-0.1%) and Trinidad and Tobago (0.9%) – if accurate – may pose challenges to specific sector prospects in the Vincentian Economy. The bellicose sabre-rattling of those external forces spoiling for robust intervention and regime change in Venezuela has recently reached near-crisis levels, raising the real threat of military confrontation and widespread social and economic fallout across the southern Caribbean.

IV. SECTORAL SUMMARY

The Budget presented this year is, as always, an interconnected set of initiatives and compromises that represent the Government's best collective judgment about how to effectively move Saint Vincent and the Grenadines forward on our developmental journey and improve the lives of Vincentians. While the Budget, as a developmental roadmap, is greater than the sum of its constituent parts, it is useful to spend some time providing a non-exhaustive synopsis of the major initiatives within certain sectors of the society and economy. The respective line ministers will undoubtedly have opportunities to expand on the sectors within their direct responsibility.

A. Agriculture and Fisheries

Saint Vincent and the Grenadines has long understood the developmental potential of the agricultural sector, and the transformative power of farming and fishing in the lives of Vincentians. As the largest exporter of food and live animals in the Eastern Caribbean Currency Union, our farmers and fisherfolk continue to be leaders in the production of the healthy and high-quality agricultural produce consumed throughout our region.

In 2019, we recommit to the farmers and fisherfolk as the indispensible cornerstone of our productive economy. As other countries in our region have drifted away from agriculture as an employer of citizens, as a generator of wealth and as an engine of development, we choose instead to deepen our emphasis on agriculture in Vincentian life and economy. Over time, the crops may change, the manner of production will differ, and the export markets shall evolve; but the centrality of our farmers and fisherfolk in the life and economy of Saint Vincent and the Grenadines will be a

[15] *Ibid.*

constant guiding light. More than any other occupation in Saint Vincent and the Grenadines, farming has freed many citizens to live lives that their parents and grandparents could only imagine. Its modernising and developmental potential remains as potent today as it was in yesteryear.

As such, even as our economic transformation includes an embrace of new sectors and services, we are not abandoning agriculture. We are not trading one source of development for the other. We are building, not swapping, the bases upon which our economy can grow and our country can develop.

It is axiomatic that to make agriculture sustainable, the farmer has to be able to make a profit. This year, emphasis in agriculture and fisheries must necessarily be placed not merely on higher production, but higher incomes and improved standards of living for farmers and fisherfolk. Our focus must be on generating revenue that far exceeds the cost of production.

As the era of subsidised agricultural production and guaranteed markets fades into memory, Vincentian agriculture must become at once more modern, more competitive and more opportunistic to leverage our unquestionable gifts as farmers and fishers, and the indisputable blessings that our landscape and seascape provide.

Accordingly, in addition to the Minister of Agriculture's ongoing stellar leadership in improving production and securing markets for our bananas, plantain, root crops, cocoa, spices, and other fruit and vegetables, we will be placing special emphasis on subsectors that show particular potential for growth and revenue.

Last year, we exported almost 60% more livestock to Grenada than we did in the previous year. Last year, the volume and value of our fish landings increased by 45% and 56%,[16] respectively. Cocoa is now grown on over 480 acres of land, and the industry employs over 250 Vincentians directly. In 2018, cocoa production increased by 24%. These areas of growth are testament to the continuing diversification and evolution of the Vincentian agricultural sector.

Three important items of agricultural infrastructure must be mentioned. In 2019, farmers will begin to take advantage of the new compost production facility. This $1.5 million facility, constructed with the support of the government and people of Taiwan, will enable farmers to produce organic crops more affordably and efficiently. The modern Montreal Greenhouse Park, a $6 million, 16-greenhouse facility built with assistance of the European Union, will be made available to farmers this year, and promises massive increases in yields over traditional farming methods. Finally, thanks to a US$1 million grant from India, 2019 will mark the commencement of construction on an arrowroot factory, as part of the arrowroot industry revitalisation programme. This factory, when completed, will significantly upgrade the quality of the starch produced, increasing the marketability and price of our product.

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[16] Data for the first three quarters of 2018 are found in the Appendix to this Statement entitled *Saint Vincent and the Grenadines Economic and Social Review, January to September 2018*

In 2019, the process of diversification, adding value and improving incomes for farmers and fisherfolk will accelerate markedly.

The Ministry of Agriculture's policy of placing fisheries centres in the hands of private enterprise and fisherfolk cooperatives has been a resounding success. Last year, roughly 120 direct jobs were added at fisheries centres nationwide, and the value of fish landings over the first three quarters of has increased by $4.4 million, a 56% improvement over the 2017 numbers. This year, after protracted contractual negotiations, the Jamaica-based international conglomerate Rainforest Seafoods will commence construction of a US$3.5m seafood processing facility at Calliaqua. This facility will add 40 permanent jobs. More importantly, Rainforest Seafoods has committed to purchasing $20 million in lobster, fish and conch annually from Vincentian fisherfolk. For a sector that landed less than $15 million worth of fish in 2018, this is a game-changing market expansion, with obvious positive implications on lives and livelihoods.

Over Rainforest's 18 month-construction period, the Government will focus on measures to improve the capacity of fisherfolk to meet this demand, and take full advantage of the opportunities presented by this foreign direct investment. Budget 2019 provides $800,000 to the Farmers' Support Revolving Fund for on-lending to farmers. This year, there will be special provisions for fisherfolk assistance within that Fund.

Saint Vincent and the Grenadines has always been a leader in the export of agricultural goods to our OECS and CARICOM neighbours and beyond. Saint Vincent and the Grenadines consistently leads the OECS in the export of Food and Live Animals, shipping $64 million in 2017 and $367 million over the 5-year period 2013-2017.[17] That figure is over $40 million more than the subregion's second-most productive exporter during the same period. However, exports to Trinidad and Tobago have been declining, as traders faced increasing difficulties conducting business in Trinidad and Tobago dollars. Last year, our Government took the unprecedented step of implementing the Exchange Control Act[18] to require Ministry of Finance approval for all US dollar payments to Trinidad and Tobago. This measure, plus diplomatic pressure and the creative intervention of the Eastern Caribbean Central Bank, led to an agreement in late-2018 that allows Vincentian traders to exchange their TT dollars for Eastern Caribbean Dollars at the Bank of Saint Vincent and the Grenadines. This agreement, which will enjoy its first full year of implementation in 2019, will help to arrest the decline and re-establish growth in the Trinidad export market, as traders benefit from the predictability of the new arrangement.

It is important for the Government to place on record its appreciation to the many businesses in Saint Vincent and the Grenadines that were inconvenienced by the temporary imposition of

[17] Eastern Caribbean Central Bank, *Visible Trade Statistics, Annual 2017* (https://www.eccb-centralbank.org/files/documents/Trade%20Annual%20(Dec%2018)%20-%202017.XLSX)

[18] Laws of Saint Vincent and the Grenadines, "Exchange Control Act," Chapter 447

Exchange Control measures. Those businesses experienced increased costs, delays, and difficulties in purchasing needed supplies. Nonetheless, they demonstrated unwavering solidarity with the small traffickers who ply their trade between Saint Vincent and the Grenadines and Trinidad. Their united front, however difficult to maintain, contributed significantly to the quick resolution of the issue. As a result, 2019 will be a better year for small traders, farmers and the national economy.

2019 will also be the first year of Saint Vincent and the Grenadines' export of medicinal cannabis. We will be the second country in the Caribbean, after Jamaica, to establish such an industry. The space within which a small island state can establish an export-focussed medicinal cannabis industry is narrow and fraught with challenges – from international treaty compliance to correspondent banking relations to logistical hurdles to new burdens on the local education and health care apparatuses. The Government is attempting to chart a course that will balance these challenges against the real potential that we can leverage our traditional advantages to generate strong earnings for Vincentian cultivators within the framework of a well-regulated, export-driven and value-added medicinal cannabis industry.

The important work of establishing the regulatory and administrative infrastructure for this medicinal cannabis industry is ongoing. This year, Saint Vincent and the Grenadines will issue its first licences to traditional farmers and other local, regional and extra-regional stakeholders for the cultivation, manufacture and export of medicinal cannabis products. Our exciting foray into this new and developing industry will not be without difficulties, and there is no metaphoric pot of gold at the end of the cannabis rainbow. However, we expect medicinal cannabis to generate employment, generate income and generate additional growth for the Vincentian economy.

Because this is a new and emerging industry for which there is very little regional or global precedent, we have chosen to be extremely conservative in our 2019 – 2020 revenue projections for medicinal cannabis. This year we have taken account of the time required to establish and operationalise the Authority; the steps involved in conducting due diligence of applicants; the licensing and the establishment of cultivation and production facilities that can meet the necessary legal and technical requirements; and the actual production and export of medicinal products. As such, 2019 revenues will be primarily derived from licensing fees, although we hope that sufficient traditional cultivators take advantage of the amnesty provisions of the cannabis legislation to generate some level of export revenue this year. Going forward, after licences are issued and production facilities established, we expect to provide enhanced and increasingly more predictable revenue projections.

I urge the Ganja farmers, who have traditionally driven the Vincentian informal economy and endured countless indignities, to open their minds to the possibilities of the legitimate production and export of medicinal cannabis. I urge those sectors of society that have historically stigmatised and excoriated marijuana growers and users to open their minds to the documented medical benefits of this complex plant. And I urge those who advocate for a maximalist, unregulated free-for-all *vis-à-*

vis cannabis to open their minds to the historic progress made to date, the new opportunities for living and production, and the social, legal and economic realities within which we are seeking to progress. Only together we can make medicinal cannabis work for the benefit of all Vincentians.

B. Tourism

As a Caribbean country – particularly one so geographically blessed, one so imbued with cultural and historical riches, and so populated with a warm and welcoming population – Saint Vincent and the Grenadines comes to mass tourism relatively late. By almost any measure – length of time with an international airport, number of hotel rooms, presence of major hotel brands, number of cruise ship berths, etcetera – we have lagged behind our neighbours and competitors, (with the possible exception of our yachting subsector). The reasons for this belated commitment to the potential of mass tourism are numerous, but are rooted, in the main, in challenges related to access. Lacking an international airport, and located farther south in the island chain than any other nation with a similar impediment, it was more difficult, more time-consuming and more expensive for tourists to get in and out of Saint Vincent and the Grenadines.

The Government of Saint Vincent and the Grenadines, in partnership with our hospitality sector, is in the process of radically transforming the Vincentian tourism sector with a variety of initiatives. These initiatives are already bearing fruit. Last year, preliminary numbers indicate that we welcomed over 52,000 more visitors than we did in 2017, a 17.3% increase. Stay-over arrivals were up 4.6%. Yacht arrivals rose 10.7%. And cruise ship arrivals increased a whopping 25% to 218,000 – the largest number of cruise arrivals in our history.[19]

The game-changing construction of the world-class Argyle International Airport (AIA) is the cornerstone of the Government's thrust to capitalise on our country's vast tourism potential. 2018 marked the first full year of operation of AIA. And what a year it has been. The AIA welcomed 99 direct, round-trip flights from Toronto, New York and Miami, carrying a total of roughly 14,500 passengers each way. Those direct flights from various North American cities have been indispensible to the 4.6% increase in visitor air arrivals last year. The naysayers, the prophets of doom, and the political opportunists have been proven irrevocably, embarrassingly wrong. Even in its infancy, the AIA is an unqualified success in laying the foundations for the future of Vincentian tourism: International visitors can and will come directly to Saint Vincent and the Grenadines, and our infrastructure is now more than up to the task of receiving those visitors in style and comfort. Regionally, air travel in and out of Saint Vincent and the Grenadines is now markedly more reliable because of the in-built advantages of AIA versus our former airport.

In 2019, we shall add more flights, from more airlines and more destinations. Discussions are well-advanced with additional carriers that will expand the growing reach and scope of the AIA.

[19] *See, e.g.,* Eastern Caribbean Central Bank, *Annual Tourism Statistics, 2017* (https://www.eccb-centralbank.org/files/documents/Tourism%20Annual%20(Dec%2018)%20-%202017.XLSX)

Additionally, work will begin in 2019 on a high-end Fixed Based Operator and VIP lounge for private travellers. As proud as we are of the results of its first full year of operations, the AIA's best years are undoubtedly still ahead of us.

Going forward, the next challenge to overcome in the growth of our tourism sector and the increase in international traffic to the AIA is the dearth of adequate hotel room stock. Simply put, we need more rooms to get more people. As such, a major developmental priority over the next two to five years is facilitating a rapid acceleration in the construction of high quality guest accommodation in Saint Vincent and the Grenadines.

Already, the private sector is doing impressive work in expanding and enhancing our room stock. New hotels, like The Liming in Bequia, opened in 2018, while others, like Hotel Alexandrina and Beachcombers are expanding their existing room stock. Other south-coast hotel developments are imminent. The Mandarin Oriental in Canouan enjoyed its first full year of operation, while the refurbishment of the Tamarind Beach Hotel is underway, and plans are being completed for the construction of a luxury Aman Hotel resort in the north of that island. Over US$500 million has been spent by developers in Canouan over the last 12 or so years, and the ongoing construction has employed, at peak, some 1,000 Vincentians. The island will soon join Mustique among the most exclusive and sought-after vacation destinations in the world.

Construction of the Black Sands Resort – a 40-villa development with an additional 200-room resort hotel – is underway at Peter's Hope. The Buccament Bay Resort, for years a magnet for British tourism in our country, has emerged from the limbo of receivership and now finally has new ownership. The Bankruptcy Trustee's prolonged search for appropriate investors for Buccament Bay, has pleasingly found success in an investment group led by Vincentians who are familiar with our tourism product and our aspiration to become a first-class destination.

Less noticeable, but no less significant, is the explosion of Vincentian entrepreneurs who are constructing and listing individual small properties on online marketplaces like Airbnb.[20] Today, over 300 listings, representing over 600 bedrooms across Saint Vincent and the Grenadines, are offered on Airbnb. Two weeks ago our Tourism Authority commenced negotiations with Airbnb on a Memorandum of Understanding to, among other things, ensure that these providers pay their fair share of fees and taxes.

As indicated in the 2018 Budget Address, the Government can and must play a role in accelerating the increase in hotel room stock, and in establishing the identity of Saint Vincent and the Grenadines' mass tourism product. One of the advantages of our comparatively late arrival to mass tourism is the ability to adopt best practices and avoid the pitfalls of some of our neighbours who have longer experience in this sector. For example, we recognise that the relationship between visitor arrivals and economic growth can be tenuous, if the Government does not implement

[20] *See*, https://www.airbnb.com/

policies to ensure the participation of local businesses and providers in the tourism value chain. Also, as some states have abandoned other productive sectors in a headlong pursuit of the tourist dollar, new developmental challenges – like undernourishment and petty crime – have arisen in their wake. We shall attempt, wherever possible, to adopt regional best practices in pursuit of a balanced and measured embrace of mass tourism admixed with high-end and other targeted sub-sectors.

As pledged in the 2018 Budget, the Government of Saint Vincent and the Grenadines will be directly involved in the construction of almost 350 new, high-quality hotel rooms on mainland Saint Vincent. At Mt. Wynne, we have secured US$50 million to commence construction of a 250-room resort, which will be the country's largest hotel and the first mainland resort to be managed by an internationally-recognised brand. The designs of this hotel are well advanced, and promise to be a unique and standard-setting statement of Saint Vincent and the Grenadines' entry into the Caribbean mass tourism sector. At Diamond, the Government will construct a 93-room facility that will take advantage of its status as the closest hotel to the Argyle International Airport. That facility, to be constructed with support of the CARICOM Development Fund and investment from our National Insurance Services, will complement the already-constructed Hospitality and Maritime Training Institute, which is also located at the Diamond Industrial Estate. When completed, the two hotels will directly employ over 350 Vincentians.

A natural corollary of the new resort developments underway at Mt. Wynne and Peter's Hope will be increased visitor traffic to the neighbouring towns of Layou and Barrouallie. These towns will be made more attractive, accessible and able to facilitate commercial and recreational activity. As such, Budget 2019 makes provision for an initiative called "Aesthetics Improvement of Layou and Barrouallie Towns," which will help residents to prepare for the expected tourist influx.

As the custodians of the best sailing and diving waters in the world, Saint Vincent and the Grenadines must reclaim its dominance, and build upon, its yachting subsector. We expect yachting to be a major driver of tourism-based development, and a critical competitive advantage in a crowded regional market. Our reputation as a yachting paradise was damaged in recent years by some isolated, but high-profile crimes against yacht visitors. In 2019, increased resources to the Police and Coast Guard, and a renewed focus on protection of yachties, will assuage lingering apprehensions. Further, in addition to the multi-million dollar Glossy Bay Marina in Canouan, a private sector investor is in advanced stages of significantly improving the marina facilities available to more modest yachts in Saint Vincent and the Grenadines.

Our tourism sector is in an exciting phase of growth and expansion, producing opportunities for thousands of Vincentian workers and entrepreneurs. Our preliminary 2018 tourism data indicate that we welcomed 355,455 visitors to our shores. That is a record number, an increase of 39% over our total visitor arrivals of 2000.[21] While we still have work to do to return our yacht and air arrivals to pre-crisis levels, the upward trend is unmistakeable and encouraging. This Budget solidifies our

[21] *Ibid.*

path towards creating a uniquely diverse tourism product, with a heightened focus on its positive spillovers and broad developmental impact.

C. Climate Change and the Environment

The greatest long-term threat to the development of Saint Vincent and the Grenadines is climate change. The greatest immediate threat to the development of Saint Vincent and the Grenadines is a natural disaster, caused, quickened or exacerbated by climate change. The grave and gathering menace of climate change is the inescapable, incalculable risk that looms over every forecast, plan or aspiration.

Saint Vincent and the Grenadines knows well the havoc and long-term consequences of a single natural disaster. We have endured repeated battering from unseasonal weather events. The impacts are long-lasting. This 2019 Budget contains capital expenditure for reconstruction efforts related to 2010's Hurricane Tomas and the December 2013 floods – events that took place 6 – 9 years ago. The loss and damage related to the repeated floods, storms, hurricanes, landslides and droughts have been significant, and measured in the hundreds of millions of dollars.

We are thankful that we emerged from 2018 unscathed by any climate-related disaster. Nonetheless, as sister islands Antigua and Barbuda, the British Virgin Islands, Dominica and others spent the entire year grappling with the aftermath of Hurricanes Irma and Maria, we are keenly aware of the inevitability of future natural disasters. In Dominica, for example, damages and losses from Hurricane Maria are $3.5 billion, a whopping 226% of GDP.[22] A mere two years earlier, Dominica was pummelled by Tropical Storm Erika, which caused losses and damages of $1.3 billion.[23]

There, but for the grace of God, goes Saint Vincent and the Grenadines.

Further, beyond the sudden and catastrophic impact of headline-grabbing events, the inexorable destabilisation wrought by climate change continues unabated. Our seas continue to warm and rise. Our beaches continue to disappear. Our coastal infrastructure continues to be undermined. Our farmers continue to struggle in the face of unpredictable weather patterns. Our fisherfolk continue to risk their lives in pursuit of marine life that migrates further and deeper in search of cooler waters. Our tourism stakeholders battle bad weather, coastal erosion, Sargasum seaweed and the caution of uncertain visitors scarred by regular stories of inundated islands. The inhabitants of Sandy Bay are facing an immediate existential threat from encroaching seas; as are those in the vicinity of Shipping Bay; while in Mayreau's Saltwhistle Bay, unarguably one of the most beautiful beaches in the Eastern

[22] *See,* Government of the Commonwealth of Dominica, *Post-Disaster Needs Assessment, Hurricane Maria, September 18 2017*, November 2017 (https://reliefweb.int/sites/reliefweb.int/files/resources/dominica-pdna-maria.pdf)
[23] *See, e.g.,* ReliefWeb, *Tropical Storm Erika – Aug. 2015* (https://reliefweb.int/disaster/tc-2015-000119-dma)

Caribbean, a tiny sliver of rapidly-eroding land – now less than 6 feet wide – is all that stands between preservation and destruction of this major tourist attraction.

Our Budget, and our long-term developmental plans, must squarely confront the reality of climate change. This involves recovery and rehabilitation of damaged infrastructure, investing in resilience and adaptation, setting aside resources to prepare for natural disasters, adopting renewable energy and clean energy technologies, and strengthening our laws and practices related to environmental protection.

The 2019 Capital Budget shows a total of over $56 million allocated to the functional classification "Environmental Protection." This is the second-largest capital allocation in the Budget. However, Climate Change-related adaptation, mitigation and reconstruction accounts for over $82 million,[24] or 37% of our capital budget allocation. Within the constraints of our capital and capacity, this is a remarkable commitment to climate resilience.

Our Contingency Fund is now just over one year old. We are pleased to report that, as of December 2018, we have saved $12.6 million in this Fund for disaster-related contingencies. Never before in the history of independent Saint Vincent and the Grenadines have we managed to explicitly set aside such resources for a rainy day. In 2019, funded by an ongoing 1% disaster levy on consumption, and supplemented by the modest nightly Climate Resilience Levy on visitor accommodations, we anticipate that the Contingency Fund will receive an additional $12.5 million. While this number remains small in the face of the multi-billion potential of a major natural disaster, it is nonetheless significant. If we are blessed with continued good fortune, in the near term, the Contingency Fund will be a reliable, home-grown cushion against natural disasters. The Fund will also stand as an important signal to the international community that Saint Vincent and the Grenadines is committed to playing a leading role in our own disaster preparation and recovery. This year, in anticipation of continued growth in the Contingency Fund, we will elaborate a set of rules and procedures governing the access and management of the Fund's resources.

The Natural Disaster Management (NDM) and the Regional Disaster Vulnerability Reduction Project (RDVRP) are two multiyear programmes, funded in the main by the Caribbean Development Bank and the World Bank, through which we shall spend over $47 million in

[24] Contingency Fund Capitalisation, $12,500,000; Green Climate Fund Readiness Project, $663,900; Regional Disaster Vulnerability Reduction Project (RDVRP), $16,030,000; Japan-Caribbean Climate Change Project, $962,500; Montreal Protocol/National Ozone Project, $223,000; Energy Efficiency and Solar PV Plant Project, $1,042,000; Solar PV Demonstration Project, $1,147,600; Geothermal Development Project, $24,648,300; Energy for Sustainable Development, $134,400; Conserving Biodiversity and Reducing Land Degradation, $400,000; Sandy Bay Sea Defences Resilience Project, $1,160,000; Rehabilitation of Roads and Bridges – Dec 2013 Floods, $700,000; Natural Disaster Management Risk Reduction and Climate Change Adaptation Project, $5,989,000; Natural Disaster Management Rehabilitation and Reconstruction (Dec 2013 Trough Event), $9,487,000; Natural Disaster Management Rehabilitation and Reconstruction (Hurricane Tomas), $6,976,000

reconstruction, rehabilitation and resilience works this year. They are essential in our adaptation efforts to make Saint Vincent and the Grenadines stronger in the face of future climate threats.

Saint Vincent and the Grenadines continues our strong embrace of renewable energy, rapid progress to energy independence, and our status as a "green" and carbon neutral country. Last year, the Saint Vincent Electricity Services Limited (VINLEC)[25] refurbished the Richmond and South Rivers hydro plants to the tune of $20 million, utilising automation to improve output and efficiency. A 420 kWh solar farm alongside the Argyle International Airport was also commissioned. This solar farm will save almost $500,000 in annual diesel imports, and provide enough energy to power almost 500 homes. By the end of April, the capacity of the AIA solar farm will be increased by another 180kWh.

In the coming weeks, the Government will commission the US$3 million Union Island Micro Grid Project – an 800kWh solar PV system with 200kWh battery storage. By the end of the first quarter of this year, we will commission the US$850,000 Mayreau Micro-Grid Project, which provides 150 kWh of solar-generating capacity, and 200 kWh of battery storage.

This year, in addition to the commissioning of those solar facilities and expansions at AIA, Mayreau and Union Island, the Government of Saint Vincent and the Grenadines will invest another $2.2 million in solar energy.

We also continued to lay the infrastructural groundwork for our pioneering geothermal project. Last year, we constructed the necessary drill pads for the production and infusion wells, as well as the dam and pipe system to facilitate the drilling process. This year, the Government will spend $24.6 million on progressing towards our goal of establishing the 10MW geothermal plant. In March, the drill rig is expected to arrive here from New Zealand. The arrival and assembly of the drill rig will be a massive logistical undertaking, with over 100 40-foot containers of equipment making their way to North Windward. After a 2-3 month drilling process, we shall begin the construction of the actual plant, which is anticipated to be completed in 2021. The Honourable Prime Minister, in his capacity as Minister of Energy, will undoubtedly provide additional information on this revolutionary initiative.

Our streetlights will also become more energy-efficient in 2019, with 8,000 streetlights being replaced with LED fixtures, at a cost of $3.1 million.

In 2018, Saint Vincent and the Grenadines continued to consolidate its bona fides as a regional leader in environmental protection and conservation. This year promises to be pivotal in deepening our commitment to responsible stewardship of our fragile natural gifts. Building upon the considerable preparatory work that took place in 2018, we plan to establish a framework for the regulation of single-use plastic bags and certain plastic containers; the disposal of grey water along

[25] http://www.vinlec.com/

our beaches and rivers; and the importation of sunscreen products containing the chemicals oxybenzone and octinoxate, which are linked to coral reef damage.

We also expect to finalise a ban of sand mining on our beaches. Although we have stopped sand mining at Brighton and Diamond, we have been unable to effect a complete ban until private sector importers conclude their arrangements with regional suppliers. While imported sand will be more expensive than local beach sand, and thus affect the cost of construction, we can no longer afford to exacerbate our vulnerability to climate events through wanton excavation on our precious beaches.

In 2019, Saint Vincent and the Grenadines will further elaborate the principles that define our engagement with the Blue Economy. With foresight and planning, we can resolve the often-competing demands of tourism, recreation, fisheries, waste disposal, maritime transportation, mineral exploration, climate change, conservation and exploitation. As a small-island archipelago, Saint Vincent and the Grenadines is custodian of a relatively large seascape, with boundless potential for generating economic growth and improving the lives of Vincentians. However, this potential must be balanced against our firm commitment to sustainable ocean management, Goal 14 of the Sustainable Development Goals ("Life Below Water"), and the centrality of the seas to our lives and lifestyles. In accordance with the principles of the Commonwealth Blue Charter,[26] Saint Vincent and the Grenadines has established a National Oceans Policy and Strategic Action Plan. That Policy will spur more aggressive outreach and activity this year in the furtherance of our goal of benefitting from, and protecting, a sustainable Blue Economy.

D. Job Creation, Poverty Reduction & Social Protection

The 2019 Budget is a jobs budget. Separate and apart from the hundreds of new posts created for additional teachers, nurses and police officers, among others, this Budget is a catalyst for solid increases in employment across multiple sectors. Creating job opportunities and facilitating the generation of quality employment remain at the heart of our transformative economic agenda.

The latest labour market statistics from the National Insurance Services – which invariably reflect movements in the wider job market – project that the number of active insured employees increased by 1,523 persons from 2017 to 2018. This 4% growth in active insured employees was driven by expansion in the Accommodation, Construction, and Wholesale subsectors. Annual insurable wages also increased by 7.8% to $21,653 – a $1,575 rise in 2018.

Job and wage growth are expected to accelerate in the coming years. Our diverse and unprecedented investments in infrastructure will necessitate a large and sustained hiring boom in the construction sector: The US$100 million geothermal plant construction in North Windward. The US$50 million hotel construction at Mt. Wynne. The US$10 million hotel project at Diamond. The US$145 million

[26] The Commonwealth Secretariat, *Commonwealth Blue Charter: Shared Values, Shared Oceans*, April 2018 (https://bluecharter.thecommonwealth.org/wp-content/uploads/2018/09/Blue_Charter_07062018.pdf)

port construction project in Kingstown. The US$34 million in secondary and feeder road construction. The US$5 million in village footpaths. Cumulatively, these projects far exceed the value of the construction work involved in the Argyle International Airport. When completed, the hotels, port, and geothermal plant will require new, well-trained employees with diverse skill sets.

Private sector investments in the fishing sector, facilitated by the Government, will spur growth in food processing and fishing. The Rainforest Seafoods project alone, promises to directly inject $20 million annually into the hands of local fisherfolk. Other private sector investments that are in advanced stages of development also promise to be large employers of Vincentians. This include the refurbishment and reopening of the Buccament Bay Resort; the accelerated construction of the Black Sands Resort at Peter's Hope; the expanded operations and build-out of the Glossy Bay Marina in Canouan; and the opening of the Clear Harbor call centre in Kingstown.

Similarly, the new medicinal cannabis industry promises to generate employment throughout the cultivation and processing value chains. The completion of physical works in the Caribbean Regional Communications Infrastructure Program (CARCIP) project – discussed elsewhere in this Budget Speech – will lay the basis for cheaper, faster, more reliable broadband Internet services throughout Saint Vincent and the Grenadines, which will contribute in myriad ways to attracting new employment opportunities.

The CARCIP project also provides training and funding for entrepreneurs that utilise technology in their business models. CARCIP also provides for ICT training that has reached hundreds of Vincentians. Additionally, various training and employment placement programmes facilitated by the Zero Hunger Trust Fund, as well as longstanding state-run internships, like the Support for Training and Education (SET) programme and the Youth Empowerment Service (YES) programme, continue to provide valuable experience for those just entering the job market.

The Government of Saint Vincent and the Grenadines also continues its efforts to facilitate Vincentians who seek jobs beyond our borders. Regionally, we have been instrumental at the CARICOM level in expanding the categories of Skilled Community Nationals who enjoy the right to seek employment in any CARICOM country[27] and the elimination of the need for work and residence permits. Correspondingly, we were also instrumental in the adoption of the Protocol on Contingent Rights,[28] which will cover the rights of persons moving to another country as skilled nationals, as well as their spouses and dependents of those who move to another country.

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[27] *See, e.g.,* Caribbean360, "More Categories of Workers to Be Granted Free Movement Within CARICOM," 6 December 2018 (http://www.caribbean360.com/business/more-categories-of-workers-to-be-granted-free-movement-within-caricom)

[28] *See*, Caribbean Community (CARICOM), *Protocol on Contingent Rights*, July 2018 (https://caricom.org/documents/16422-protocol_on_contingent_rights_-_july_2018.pdf)

Our Ministries of Foreign Affairs, Tourism and Agriculture have also facilitated growing opportunities for employment in the British military and health sectors, the cruise industry and the Canadian farm work programme. Vincentians are proudly taking their skills to the world, and the Government is a strong partner in furthering the aspirations of the modern, global Vincy worker.

For those at home, we continue our commitment to ensure and enhance the opportunities for decent, safe and well-paying jobs. Last year, we continued to establish the administrative framework of the Occupational Safety and Health apparatus, and reduced taxes to ensure that Vincentian workers keep more of the money they earn. Last year's tax initiatives, which cut income taxes and raised the threshold for taxable income, amounted to an effective salary increase, albeit modest, for every single formally-employed Vincentian with an annual income of $18,000 or more.

This year marks another step in our quest to materially improve the lives of Vincentian workers. The 2019 Budget contains the assurances of salary increases for public sector workers, which, in the aggregate, will total 4.5% between today and this date next year. In consultation with the responsible and responsive leadership of various labour unions, we forged an agreement for the following salary enhancement package:

1%, retroactive from 1 July, 2018
1.5%, effective 1 January, 2019
2%, effective 1 January, 2020

As such, public sector workers begin this year with a 2.5% increase over the salary they started with in 2018, not including the usual increments. These increases will cost $6.94 million in 2019, inclusive of pensions and NIS contributions.[29] Next year, public sector workers will start 2020 with a salary 4.5% over the 2018 baseline. As a labour Government, we will continue to partner with Vincentian workers to enhance their working conditions, minimum wages, salaries and tax obligations within the bounds of prudence and our own economic circumstances. This is a time-honoured and oft-proven pledge on which the workers of Saint Vincent and the Grenadines can rely.

By the same token, we intend in 2019 to advance materially our discussions with unions on the unavoidable issues of pension reform, worker productivity and performance-based enhancements or incentives. These discussions, once concluded and implemented, will further ensure the sustainability, quality and output of our worker-centric policies and programmes.

The commitment of this Government to poverty reduction and social protection is well known, and has produced measurable results in lowering indigence and poverty. This year, Budget 2019 commits $104 million to the area of social protection. Statistics from the Ministry of National

[29] Cost of retroactive 1% increase = $1.73m (Salaries and wages: $1.38m, Pensions: $0.29m, NIS contributions: $0.06m); Cost of 1.5% increase in 2018 = $5.21m (Salaries and wages: $4.15m, Pensions: $0.87m, NIS contributions: $0.19m)

Mobilisation indicate that our programmes of emergency and monthly assistance, home help for the elderly and the national assistance fund supported 10,754 Vincentians in 2018. We are proud of this work on behalf of vulnerable Vincentians.

The innovative Zero Hunger Trust Fund (ZHTF) utilises a small telecommunications levy to support Goals One and Two of the Sustainable Development Goals. For the first nine months of 2018, the ZHTF spent $1.2 million in pursuit of these goals. It sponsored 330 children in 12 primary schools – purchasing their textbooks and making a $350 donation to the purchase of uniforms and supplies. The Fund provided all students at those 12 primary schools with a daily lunch, coconut water and fresh fruit and vegetables. School kitchen facilities also received upgrades. Further, the ZHTF provided quarterly nutritional support to 360 elderly Vincentians, and training and apprenticeships to 45 vulnerable youth. This creative and caring approach to strengthening our social safety net will intensify in 2019.

Our social protection reforms in 2019 will focus on improving the quality and efficiency of the service we deliver to the Vincentian public, including customer service. In this regard, the World Bank funded Human Development Service Delivery Project is designed, among other things, to co-ordinate social protection services across government, improve the payment mechanisms and the beneficiary identification process. Targeted work in gender development, childcare and youth empowerment will intensify in 2019. As always, an unswerving commitment to the wellbeing of all Vincentians – particularly the most vulnerable – is at the heart of our developmental philosophy.

E. Citizen Security

The first obligation of the State is the safety and security of its citizens. But the State does not act alone. Combatting crime and criminality is a collective effort, shared among communities, families, churches, schools, civil society groups, and organisations that exist beyond national borders. The ultimate responsibility, of course, lies with the individual. Individuals must obey the law, and expect punishment if they break it.

As crimes have become more complex, the State's ability to prevent and respond to criminal activity must similarly evolve. This Government has committed unprecedented resources to combatting crime and preventing criminal activity – Indeed, no Vincentian government has spent more on policing and crime prevention than this one. Under the dogged and creative leadership of the Honourable Prime Minister, this Government has proven itself tougher on crime and the multifaceted causes of crime than any other.

This 2019 Budget increases the already large allocations to combatting crime. There is provision for 120 new personnel on the front lines in Saint Vincent and the Grenadines, including 31 Constables, 81 Police Recruits and eight Coast Guard officers. An additional 10 members of the Fire Service are also to be added. This year, for the first time in history, we will have over 1,000 personnel in Police

Services, over 100 in the Coast Guard and over 100 in the Fire Service. This 1,000/100/100 commitment by the Government is proof positive of the seriousness with which we view the security of our citizens and visitors.

Capital works, including the reconstruction of dormitories at the Coast Guard base at Calliaqua and the establishment of substations in Mayreau and Fancy, further buttress that commitment.

Saint Vincent and the Grenadines is also proud to be hosting the "Tradewinds 2019" security and disaster response exercise this June. Tradewinds 2019 will host over 400 military, police and civilian personnel from around the world. These personnel will conduct a variety of simulations and exercises designed to improve in-country capacity, responsiveness and regional cooperation. Our Tradewinds partners, the United States Southern Command, is investing in infrastructural improvements to the Old Montrose Police barracks that will benefit the Police Force long after the week-long activities are concluded.

2019 will mark the first year of operation of the *Captain Hugh Mulzac*, a paradigm-shifting addition to our Coast Guard fleet. The *Captain Hugh Mulzac*, is a Stan Patrol 4207[30] by Dutch shipping and defence conglomerate Damen Shipyards. This 140-foot, 18-crew vessel, with an inboard Rigid Hull Inflatable Boat (RHIB), is the first of its kind within the coast guard services of the OECS. Coupled with two additional RHIBs donated by the Government and people of Japan, we expect significantly enhanced interception, search and rescue capabilities from our hardworking Coast Guard.

However, purchasing equipment, or hiring and training officers to be frontline combatants on the war on crime is only one part of the crime fighting equation. The more complex task is training those officers to build relationships and trust within the communities of law-abiding citizens that they patrol. This relationship building is difficult, frustrating and time-consuming, but it is ultimately far more beneficial than viewing citizen security as a pitched battle between competing armies. Our country is too small, and our people too interconnected, for our crime-fighting to be anything but community-based and firm, but fair.

Community outreach increased last year – particularly engagement with the youth. The Coast Guard Summer Programme welcomed 135 youths, while the Police Youth Club hosted 208, and Police Band Summer Programme an additional 135 young people. The 2019 Budget also marks the launch of the Sports Against Crime initiative, which is discussed elsewhere in this presentation. We look forward to a comprehensive programme of activities across our sporting facilities and within our villages, designed to occupy the idle hands and productively direct the boundless energies of our talented youth.

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[30] *See*, Damen Shipyards, *Stan Patrol 4207: Executive Summary*, Netherlands 2018 (https://products.damen.com/-/media/Products/Images/Clusters-groups/High-Speed-Crafts/Stan-Patrol-Vessel/Stan-Patrol-4207/Documents/Executive_Summary_Stan_Patrol_4207_Damen.pdf)

Last year's Budget announced that 2019 would mark the rollout of a Taiwanese-funded programme to establish a number of Closed-Circuit Television (CCTV) video surveillance stations at bus stops and other critical locations nationwide. The necessary agreements with the Taiwanese were signed in late January 2019, and the programme is on schedule for rollout this year. Coupled with a pilot project designed to monitor and regularise minibus routes and safety, Police will be able to monitor CCTV feeds and bus data from a central, hi-tech location. We anticipate that this technological enhancement will significantly expand the reach of Police surveillance nationwide.

Despite a number of conscientious efforts and creative initiatives, our farmers and fisherfolk continue to be bedevilled by the crime of praedial larceny. Too many hardworking farmers continue to lose their crops and livestock to thieves. Too many fishermen continue to have their lobster pots poached by unscrupulous opportunists. And too many traffickers, vendors and consumers continue knowingly to purchase stolen goods. With this year's developmental focus on fisheries and medicinal cannabis cultivation, the threat of agricultural theft looms large.

The Government's programme of rural constables to combat praedial larceny was well-meaning, but ultimately ineffective – producing few arrests and fewer convictions. We have placed the farming and fishing communities in direct consultations with the top brass of the Police Force, and we have been assured of creative and focussed attention to this stubborn developmental threat in 2019.

Despite the pithy pronouncements and simplistic solutions glibly offered by all manner of self-anointed experts, the battle against crime is an unceasing and complicated endeavour; requiring sustained effort, patience and commitment from all segments of society.

Within the framework of the Government's 14-point strategy to combat crime and the causes of crimes, issued in 2003, and the Police Force's comprehensive "Crime Strategic Plan 2018-2021," this Budget continues to commit ever-increasing resources to the manpower and material required for effective crime prevention. We are determined to root out criminality and effectively address the causes of crime in every corner of Saint Vincent and the Grenadines. But we cannot do it alone. As always, we need all hands on deck in this vital battle for the safety and security of our people.

F. Health and Wellness

As the Vincentian population ages, becomes more affluent, and adopts new lifestyle choices, our expectations and demands of the health sector evolve. New, or increasingly-prevalent, communicable, non-communicable and vector-borne illnesses also beset the Vincentian people. In response, this Government is taking Saint Vincent and the Grenadines through a multi-phase, multi-sectoral, multimillion-dollar Health and Wellness Revolution that is in the process of radically-transforming the healthcare services available to Vincentians.

In July 2018, we opened Modern Medical & Diagnostic Centre (MMDC) in Georgetown. That facility, when coupled with the adjacent Georgetown Smart Hospital, represents a fundamental expansion and decentralisation of high-quality health services in Saint Vincent and the Grenadines. In the first six months of its operation, the MMDC received 4,300 Accident & Emergency visits; 1,800 lab visits; performed 4,900 tests; issued 3,700 prescriptions; conducted 1,100 X-rays, 2,500 ultrasounds and EKGs, 140 surgical procedures in the operating theatre; while treating 53 oncology patients (including 11 on chemotherapy) and 22 regular dialysis patients. All of these numbers are expected to rise.

The Honourable Minister of Health and his team deserve accolades for opening, staffing and delivering high-quality hospital services to Vincentians from this superb new facility.

This Budget continues our commitment to boost the quality and availability of healthcare in Saint Vincent and the Grenadines. It reflects significant investments in infrastructure, manpower and administrative initiatives designed to improve the efficiency of our service. Further, this Budget adopts fiscal measures that further disincentivise the excessive consumption of alcohol, cigarettes and sugar, whose negative health impacts require no elaboration.

In 2019, we will open new, state-of-the-art polyclinics at Buccament and Mesopotamia. These facilities will further reduce reliance on the Milton Cato Memorial Hospital by offering services ranging from maternity to dentistry to radiology to ophthalmology to urology, and many others. Combined, these two polyclinics and the one at Stubbs will employ 76 personnel, 65 of whom are trained in the range of medical, nursing and health fields.

In addition to these new polyclinics, renovations are continuing under the SMART hospital initiative funded by the Pan American Health Organization (PAHO).[31] A few weeks ago, we completed SMART upgrades to the Chateaubelair clinic. In 2019, we will commence upgrades to clinic facilities in Mayreau, Union Island, Bequia, Stubbs and Barrouallie.

The World Bank-funded design of the 140-bed acute referral hospital at the site of the decommissioned ET Joshua Airport is proceeding satisfactorily, and is expected to be completed by mid-year. Constructing and equipping this ultramodern hospital will cost an estimated US$50 million. The Government is in the process of securing financing for this important infrastructural anchor for the new city at Arnos Vale.

From a personnel standpoint, the 2019 Budget prudently accommodates our expanding hospital and clinic offerings while buttressing human resources in support of existing services. The Budget provides for 78 additional posts in the health sector, including nurses, doctors and others in the

[31] *See, e.g.,* Pan American Health Organization, *Smart Hospitals*: *Smart Health Care Facilities in the Caribbean Project,* (https://www.paho.org/disasters/index.php?option=com_content&view=article&id=3660:hospitales-inteligentes&Itemid=911&lang=en)

hospital, community health, mental health and laboratory services. Importantly, the Government has decided to address the complaints of suboptimal coordination and delivery of hospital services through the creation of the post of Hospital CEO. This individual will be charged with the management and oversight of the Milton Cato Memorial Hospital, coordination of the different departments, and addressing patient complaints in a responsive manner. The Chief Executive Officer will also be charged with the mainstreaming and implementation of the newly-drafted *Patient's Charter*, which details the responsibilities, obligations and legitimate expectations of patients and providers within our growing healthcare system.

Of course, a hospital is where you go when you are ill or injured. The ultimate objective of a successful healthcare system is to keep you out of the hospital altogether. This 2019 Budget is replete with substantial commitments to nutrition, active lifestyles, education, and other quality-of-life initiatives that will support a healthier population. Our increased levies on cigarettes, alcohol, and sugar hope to reduce use of these items, or, at the very least, increase revenue to combat the raft of non-communicable diseases that they cause.

There is one more developmental initiative in the 2019 Budget that demands mention. For too long, the conditions at the Lewis Punnett Home have been a stain on the collective conscience of all Vincentians. The need for sections of our ageing and geriatric populations to access quality residential health-care services is self-evident. It is similarly self-evident that such services cannot be delivered within the constraints of the existing Lewis Punnett Home. This Budget therefore provides $2.1 million for the construction of a temporary facility – at the site of the former Nurses' Hostel. After the patients are relocated to this temporary facility, we shall demolish and reconstruct a new Lewis Punnett Home, befitting the dignity of our most vulnerable elderly Vincentians. Design work is complete on the temporary facility and we anticipate that the residents of the Lewis Punnett home will be relocated to the temporary facility before the end of the year.

G. Education

Let us begin with the facts: Today, in Saint Vincent and the Grenadines, there are more institutions offering children preschool and early childhood education; more children entering and graduating from secondary school; more children attending and graduating from the Community College; more children receiving Government scholarships and assistance; and more students attaining university degrees than at any point in our history. We also enjoy more schools, more teachers, and more trained educators than ever before. That the Education Revolution has touched every household in Saint Vincent and the Grenadines is beyond dispute. That this Government has committed, forcefully and unambiguously, to investing in the full development of our untapped human potential is an unassailable historical reality that is known to all Vincentians.

In the quest for greater development and growth, this Government has decided to eschew short-term gimmicks and risky gambits. Instead, we cast our lot with the Vincentian people, confident that every dollar invested in their education will be repaid many times over. The record 48 scholarships and bursaries awarded in 2018 will not see returns this year, or next year, or the next, but we are confident that investments in knowledge pay the greatest interest. Some in this Honourable House advocate the sale of passports as a means of development. We chose instead to believe, as Malcolm X once said, that "*education is the passport to the future, for tomorrow belongs to those who prepare for it today*." As we continue on our developmental journey, the passport of education is the one on which we chose to invest.

This 2019 Budget sets aside $137 million in recurrent spending on education, the largest budgeted allocation in recent history. Our army of trained and talented teachers continues to grow. This Budget provides for additional teacher posts, particularly at the secondary school level. In keeping with the policy announced by the Honourable Prime Minister two years ago, 2019 will see the appointment of another 120 graduate teachers who earned their degree in 2013, 2014 and 2015. This will cost an additional $2 million over the course of 2019. Thanks to unprecedented growth in the number of secondary school teachers[32] and vastly improved opportunities for teacher training and education, our secondary educational system now benefits from the presence of almost 500 graduate teachers, the highest number in Vincentian history. We are proud of our talented, hardworking teachers, and grateful for their invaluable efforts to prepare the next generation of Vincentian minds to take our country forward. Our commitment to the training and professional advancement of our teachers reflects this deep appreciation for their vital contributions to nation-building.

Nonetheless, the Education Revolution exists and persists not for the benefit of teachers, or bureaucrats, but the children in whom we invest and entrust our country's future. As the Education Revolution enters the second half of its second decade, this Budget focuses on consolidation and expansion. We shall secure and preserve our gains, while simultaneously looking to the future for additional opportunities for student development.

While the Education Revolution has spectacularly solved the challenge of educational access, there is room for improvement in the quality of education and the conditions in which students learn. We recognise that many of our schools, while more numerous, spacious and well-appointed than ever before, are in need of repair and refurbishment. This Budget stipulates that the Ministry of Works will receive $6 million for the upgrade of school premises and an additional $500,000 for the purchase of furniture and equipment. This $6 million programme – the most allocated for school repair in almost 15 years – will significantly enhance the aesthetic, ergonomic and environmental quality of our schools and classrooms nationwide. The school upgrade programme will take place during the long "summer" holidays between June and September.

[32] *See, e.g.,* Ministry of Education, *St. Vincent and the Grenadines Education Statistical Digest 2016 – 2017*, Kingstown 2018, pp. 114, 136 (http://education.gov.vc/education/images/Stories/pdf/education_statistical_digest_of_svg_2016-17.pdf); Ministry of Finance, *2019 Estimates of Revenue and Expenditure*, 2019

Further, the Government of Saint Vincent and the Grenadines is in advanced negotiations with the Caribbean Development Bank for a separate loan to address more deep-seated structural challenges in our school stock. The combination of these two upgrade programmes will markedly improve the learning environment, and the comfort of students and teachers.

Budget 2019 contains two additional capital projects of signal importance to the Education Revolution. First, the World Bank funded "Human Development Service Delivery Project" begins in earnest in 2019. This project, when completed, will produce significant benefits in teacher training, special education, and technical and vocational education.

Second, with the support of the Caribbean Development Bank, our Technical and Vocational Education and Training Development Project enjoys a $4.3 million allocation in the 2019 Budget. These two projects, coupled with our recent outreach to Taiwan for assistance in providing vocational education scholarships, represent the next phase of the Education Revolution. We are determined to equip our citizens with the education and appropriate skills training to be marketable and successful participants in a modern, competitive, global economy.

Next month, the United Kingdom's Department for International Development (DfID) begins the four-nation "Youth Skills for Economic Growth in the Eastern Caribbean"[33] project, which will be headquartered in Saint Vincent and the Grenadines. This £10 million regional project, implemented by Mott MacDonald Ltd, will train and provide stipends to almost 1,000 Vincentians in tourism, hospitality and construction disciplines over a three-year period. Divided between training grants to private entities and instruction offered through adult education centres, the DfID programme will significantly enhance the skills and formal qualifications of Vincentian youth.

H. Infrastructure and Housing

This Budget focuses heavily on infrastructure, and lays the foundation for massive infrastructural investments. As indicated earlier in this presentation, the cumulative cost of those major infrastructural investments – the US$100 million geothermal plant in North Windward; the US$50 million hotel at Mt. Wynne; the US$10 million hotel project at Diamond; the US$145 million cargo port on the western end of Kingstown; the US$34 million in secondary and feeder road construction; and the US$5 million in village footpaths – will exceed the value of the construction work involved in the Argyle International Airport. While these projects will not be completed in 2019, they will all see significant progress this year.

Our Geothermal Energy Project promises to revolutionise the delivery of electricity to the Vincentian people. It will provide stable, predictable energy pricing to businesses and investors, increase our energy security, save foreign exchange, and, dramatically reduce our carbon footprint.

[33] *See, e.g.,* UK Department for International Development, "*Youth Skills for Economic Growth in the Eastern Caribbean*" (https://devtracker.dfid.gov.uk/projects/GB-1-205037)

To date, we have conducted scientific field studies that establish the existence of a geothermal resource of some 60 megawatts. To construct the geothermal plant, the Honourable Prime Minister, the Honourable Minister of Foreign Affairs, and the Energy Unit have secured grant and concessionary financing from the Abu Dhabi Fund for Development, the United Kingdom's Department for International Development, the Inter-American Development Bank, the Caribbean Development Bank, and the Government of New Zealand.

In 2018, we constructed the drill pads for the production and reinjection wells, and constructed a dam and pipe installation to provide the water necessary for the drilling and production process. This year, the specialised drilling equipment will arrive in Saint Vincent and the Grenadines to conduct drilling exercises to ascertain the quality of our geothermal resource. Construction of the geothermal plant, will commence this year, as will the finalisation of transmission line designs by VINLEC.

On completion of the geothermal plant in 2021, approximately 80% of the energy of Saint Vincent and the Grenadines will be delivered by renewable energy – solar, hydro and geothermal. This will transform the energy sector, where we currently import diesel for almost 80% of our energy needs.

In 2016, the Government of Saint Vincent and the Grenadines told Vincentians to look forward to a massive programme of road repair and reconstruction, spurred by the completion of the Argyle International Airport and US$34 million worth of financing from the Kuwait Fund for Arab Economic Development and the OPEC Fund for International Development. We are pleased to report that, after extensive preparatory engineering work and a protracted review process from our partners, physical works on a number of crucial secondary and feeder roads will commence in March. This multiyear road reconstruction project represents the largest single investment in the rehabilitation of our secondary road network. The Vincentian public will see and feel the difference. Almost 48 km of secondary, village and feeder roads will be addressed by this project, including those in Belair, Brighton, Calder, Carriere, Colonaire, Enhams, Greiggs, Montreal, Ottley Hall, Palmyra, Fair Hall, Gomea, Chapman, and Richland Park, among others.

This Budget also marks the introduction of the Pedestrian Access for Village Enhancement (PAVE) Project. PAVE, which is funded through grant financing from the Government of the United Arab Emirates, will seek to improve or construct 39.5 miles of pedestrian access paths, walkways and inter-village connections. Phase One of the PAVE project will commence in 2019, and will target the 159 pedestrian access paths deemed to be the most vulnerable or necessary across the country.

Work on the technical studies for the new US$145 million modern cargo and ferry port in Western Kingstown progressed significantly in 2018. This port will replace the existing cargo port in Kingstown and the rapidly deteriorating Campden Park port. The port relocation will also free up existing cargo port facilities to allow expanded berthing options for our fast-growing cruise tourism sector. Already, with our single cruise ship berth occupied almost daily by a large ship during the season, our limited infrastructure is a constraint on further growth and development.

The new cargo and ferry port will include facilities for international, regional and intra-island travel throughout the Grenadines. The project also includes costs related to improving the road network and traffic flow in and out of western Kingstown.

This year, as a necessary precursor to physical works, the Government will facilitate the relocation of the affected residents and fisherfolk of Rose Place who will be displaced by the new port. Budget 2019 proposes to spend $4.5 million this year as part of the relocation effort. As usual, the Government will consult extensively with the local community, while demonstrating its customary respect for citizens and adherence to internationally-accepted social safeguard standards in carrying out this complex relocation process.

In all, $9.5 million will be spent in 2019 in the relocation of residents and the further elaboration of the requisite designs and engineering studies. In addition to its obvious economic and developmental benefits, the new cargo port will act as a catalyst for urban renewal in Rose Place and its surroundings.

The 2019 Budget provides one million dollars for further design work on the New City at Arnos Vale, which will be located at the site of the decommissioned ET Joshua Airport. The critical ongoing technical and conceptual work is expected to yield final designs in early 2020. Those designs will take into account the location of the city site between major sporting and recreational facilities, as well as the public's impromptu adoption of the ET Joshua tarmac as an informal health and wellness facility for cycling, walking and other fitness programmes.

In 2018, the Buildings, Roads and General Services Authority (BRAGSA) performed yeoman service in conducting extensive road patching and comprehensive road cleaning programmes, in addition to its usual maintenance and support work. In 2019, BRAGSA's workload will increase significantly, with greater maintenance demands and additional responsibilities related to critical projects, including school repair and temporary classroom construction, constructing a temporary facility for residents of the Lewis Punnett Home, and the comprehensive Kingstown Clean-up campaign, as part of our Renewal @40 initiative. As such, we are increasing the BRAGSA subvention by $4 million to $16 million. We are confident that this increased subvention will markedly improve the delivery of BRAGSA's services.

The Ministry of Housing, Informal Human Settlement, Lands & Surveys and Physical Planning continues its superlative work in the areas of land distribution, constructing Lives to Live homes for the physically challenged, and the development of low and middle income housing projects. In 2019, the Ministry will continue to develop houses and infrastructure in Wallilabou, Richland Park, Colonaire, Sandy Bay and Clare Valley.

The scourge of climate change and the threat of increasingly intense and frequent weather events have necessitated massive investment in building resilience in state infrastructure. We have mainstreamed resilience, and the concept of "building back better," to ensure that our buildings, bridges and facilities have an improved capacity to withstand the rains and winds that buffet our country.

However, the Government cannot ignore the fact that individual Vincentian homeowners are among those most affected by climate change. Their houses have been battered, and the occupants are increasingly vulnerable to the ever-present realities of climate change. The commitment to ensure the resilience of state infrastructure rings hollow if vulnerable Vincentians are unable to similarly rely on a dry, secure and sturdy home in the face of increasing climate threats.

According to our most recent census, there are more Vincentian homes and homeowners than ever before. Between 2001 and 2012, the number of households in SVG increased by 20.5%, or 6,271 homes.[34] Indeed, more than 8,168 new homes were built in that period. Eighty-five per cent of those homes were individual, undivided private dwellings; and 79% of all Vincentian households were owner-occupied. The explosion in household growth and private home ownership is undoubtedly a result of Government policies geared towards home ownership, from construction of low-income houses to the 100% loan programme for public servants. Home construction and ownership has undoubtedly continued to increase in the six years since the last census was concluded.

This policy success brings with it the responsibility, within reason, to help safeguard the dream of home ownership, the security of Vincentians, and our collective resilience to climate change. The state has invested hugely in building materials since 2001 and will commit an additional one million dollars this year, for distribution to vulnerable households. This sum is admittedly insufficient to address the pent-up demand or the need that exists, but support will be prioritised and targeted to addressing the most urgent needs of the most vulnerable segments of the Vincentian home-owning population.

I. Information Communication Technology

The role of technology and innovation in accelerating development cannot be overemphasised. In the context of Saint Vincent and the Grenadines – a small, yet far-flung archipelago with obvious constraints in financial and human resources, it is self-evident that Information Communication Technology (ICT) has the potential to overcome some of our developmental constraints. As such, the Government has the responsibility to ensure a conducive policy environment for application of ICT solutions to these constraints, and for improved access to affordable, reliable ICT nationwide.

[34] *See*, Statistical Office, *St. Vincent and the Grenadines Population and Housing Census Report* 2012, Kingstown, pp. 89-96 (http://stats.gov.vc/stats/wp-content/uploads/2018/11/Population-and-Housing-Census-Report-2012.pdf)

Today, the existence of adequate ICT infrastructure is a basic prerequisite for growth in investment, commerce and education – much as widespread and reliable electricity or telephone service was fundamental to earlier growth.

Budget 2019 embraces ICT and the need to develop our underlying infrastructure. The Government's pivotal Caribbean Regional Communications Infrastructure Program (CARCIP) initiative, in partnership with Digicel,[35] the World Bank and the governments of Grenada and Saint Lucia, will build out a high-speed fiber-optic broadband backbone network across Saint Vincent as well as extending the backbone throughout the Grenadines and down to Grenada. By the middle of this year, CARCIP will facilitate the laying of 140 miles of subsea fiber-optic cable that connects Saint Vincent, Bequia, Mustique, Canouan, Union Island, Carriacou and Grenada. This fiber-optic backbone will connect police stations, hospitals, schools and all key government locations across Saint Vincent and the Grenadines, enhancing the provision of e-Government services and immeasurably increasing the possibilities for information exchange and coordination. We expect the fiber-optic backbone and Government network to be commissioned in the fourth quarter of this year. CARCIP is also expected to result in cheaper, faster, more reliable fixed broadband service to the general public – a justifiably significant sore point among Vincentians.

The Government's 2019 contribution to this project is $5 million, and does not include the continuing use of CARCIP funds to finance tech-savvy entrepreneurs and businesses. Sixteen of these businesses have already received substantial grants. This year, we expect to make CARCIP grants to an additional 11 businesspersons who see opportunities to enhance their businesses with ICT. These 26 tech-savvy entrepreneurs are almost all young persons in their 20s and 30s.

Further, through the collaboration between CARCIP and the National Centre for Technological Innovation (NCTI),[36] over 600 persons received training in several ICT disciplines, both for professional development and for certification purposes. Training included courses in Digital Animation, Webpage Design, Graphic Design, Mobile Application Design, Cell Phone Repair and Computer Fundamentals. As a result of these courses, over 170 Vincentians were successful in various professional examinations, and received international certification as computer technicians, network analysts, and programmers, among others. In 2019, over 100 more persons will receive similar certification training.

[35] *See, e.g.,* Digicel Group, *Digicel Awarded Multi-Million Dollar 15-Year ICT Contract by the Governments of Saint Lucia, Grenada and Saint Vincent & The Grenadines*, (https://www.digicelgroup.com/en/media/news/2018/September/27/digicel-awarded-multi-million-dollar-15-year-ict-contract-by-the.html)

[36] http://web.svgncti.org/

These hundreds of trained and certified Vincentians – most of them young – form the vanguard of our modern, competitive and skilled workforce. Budget 2019 ensures that we shall continue to grow the ranks of adaptable, well-trained, tech-savvy workers.

Last year, we completed implementation of the Taiwan-funded Electronic Document and Record Management System project, which will revolutionise the manner in which documents and records are shared and archived within the public service. This year, the Government begins implementation of the recently-signed E-Bus & CCTV project, which will attempt to bring some structure to our minibus transportation network and expand the surveillance reach of the Police Force through the placement of over 200 CCTV cameras at critical locations nationwide. The CCTV and E-bus devices will begin implementation in the second half of 2019.

Both major telecommunications providers, as is their wont, are simultaneously rolling out LTE[37] service in Saint Vincent and the Grenadines. Any increase in the speed of mobile broadband is, of course, welcome. However, new advertising campaigns do not redress the underlying deficiencies in service quality or reliability, to say nothing of cost. The quality of service offered by telecommunications providers is not simply a matter of competing private services to be resolved through competition. Broadband is a public good and developmental necessity, and therefore demands heightened scrutiny from the State.

We applaud recent efforts by providers to improve service; and we are not unmindful of the challenges inherent in supplying quality mobile service in a small, scattered market with a host of physical challenges – from mountains to archipelagic geography. But those challenges do not excuse corporate indifference, poor customer service, or substandard performance.

Unfortunately, despite sustained advocacy by some members, the Eastern Caribbean Telecommunications Authority (ECTEL)[38] has not yet finalised all of the legislative arrangements necessary to hold the providers to higher standards and obligations. Fortunately, all indications suggest that the completion of the legislative and regulatory work is imminent, and that a new Electronic Communications Bill and attendant regulation will be passed in the first half of 2019. That legislation, when passed, will grant the Government additional leverage and legal options in addressing narrow aspects of the providers' wilful disregard of Vincentian consumer complaints.

However, ICT infrastructure, however cheap and reliable, is not truly transformative until Vincentians view it as a tool to create content, rather than simply consume it. The Government's embrace of STEAM-based curricula (Science, Technology, Engineering, the Arts and Mathematics), our provision of support grants to ICT-enabled businesses and our hosting of awareness-building

[37] Long-Term Evolution (LTE) is a high-speed wireless communication standard for mobile devices and data terminals, based on the GSM/EDGE and/or UMTS/HSPA technologies. It increases capacity and speed through changes in the transmission interface and other core network improvements.
[38] https://www.ectel.int

events like the I^2 Competition[39] seek to create active, innovative users of technology. Budget 2019 furthers that thrust.

J. Foreign Policy

In late 2001, Dr. the Honourable Ralph Gonsalves, then – as now – the Prime Minister of Saint Vincent and the Grenadines, said that:

> *Our activist and principled foreign policy, formulated and implemented in the interest of our people's humanisation, has lifted this country's profile overseas and has brought it substantial material benefits. We are now truly a small nation with a great people. And a government of unquestioned stature, which stands tall as a magnificent example of our Caribbean Civilisation.*[40]

The passage of time has only reinforced the fundamental truths of that profound statement. The year 2001 marked the dawn of a golden age of Vincentian foreign policy, ably led by Prime Minister Gonsalves and Foreign Minister Sir Louis Straker. The Vincentian people are justifiably proud of our principled foreign policy, the material benefits derived, and the lofty stature that our small island enjoys regionally and internationally.

By any standard, 2018 was a banner year for Vincentian foreign policy. Saint Vincent and the Grenadines assumed the Presidency of the United Nations Economic and Social Council,[41] the smallest nation ever to lead this prestigious body. Saint Vincent and the Grenadines also received the endorsement of the entire Group of Latin American and Caribbean Countries for its candidacy for a non-permanent seat on the United Nations Security Council.[42] While success in the June 2019 election for Security Council membership is far from assured, our energetic and principled campaign has also immeasurably raised our international profile and directly benefitted the Vincentian people.

On 26 January 2019, international media covered the statement of a young, dreadlocked Vincentian diplomat, a bilingual child of the Education Revolution, as he addressed the UN Security Council on Venezuela and eloquently elaborated on the fundamental tenets of sovereignty, non-interference and non-intervention. On multiple levels, it was emblematic of our country's international posture: young, principled, confident and unafraid to seize the moment.

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[39] *See, e.g.* National Telecommunications Regulatory Commission, "NTRC's i Squared Competition" (http://www.ntrc.vc/general/ntrcs-i-squared-competition/)

[40] Gonsalves, Ralph Dr., 2002 Budget Address, *The Parliamentary Debates (Hansard),* No. 1, 2nd Session, 7th Parliament, 28 November 2001, p.58 (http://www.hansardsvg.com/styled/downloads-12/files/28th%20November%202001.pdf)

[41] https://www.un.org/ecosoc/en/home

[42] https://www.un.org/en/sc/

Our small but energetic diplomatic and consular corps was extremely active in 2018. In addition to strengthening and deepening ties with our precious Vincentian Diaspora, our diplomats worked diligently in the interest of Saint Vincent and the Grenadines. We expanded scholarship opportunities for Vincentian students around the world. We negotiated funding to construct arrowroot factories and compost production facilities and blackfish processing plants. We secured donations of police vehicles, ambulances and hospital equipment. We expanded employment opportunities for Vincentian workers around the world – be it on Canadian farms, or British hospitals and naval ships. Our trade and investment outreach has steered a number of foreign businesses to Vincentian shores.

Saint Vincent and the Grenadines has used its growing regional influence and international stature to advocate strongly for adherence to international law, concerted action on climate change, and the interests of Small Island Developing States. Ours is a platform guided by high principle, and not the pressures and inducements offered by those who misunderstand the outsized resolve of this small state.

Budget 2019 builds on the signal successes of last year. In the lead-up to our Security Council candidacy and hopeful election, four additional diplomatic posts are allocated to our United Nations Mission, along with a senior officer to offer support from Kingstown.

As our relationship with the government and people of Taiwan grows and becomes more institutionalised, we have determined that 2019 is an opportune moment to finally establish a Vincentian diplomatic presence in Taipei. Budget 2019 provides for a small staff and the necessary start-up costs associated with establishing a new embassy. We expect that, in addition to addressing the needs of our growing student population, an Embassy in Taiwan will facilitate greater private sector investment and build upon the strong cooperation that already exists between our two countries.

This year has the potential to be an historic one in the annals of Vincentian and Caribbean foreign policy. Budget 2019 lays the foundation for these continued successes. It is beyond dispute that our leadership will leverage our heightened influence to the benefit of the global principle, regional advancement, and, most importantly, the Vincentian people.

K. Financial Sector

As a small, open, economy on the periphery of the global financial architecture, Saint Vincent and the Grenadines is especially susceptible to exogenous economic shocks. The global economic and financial crisis of 2008, which we played no part in causing, continues to have a lingering negative effect on our development. The regulatory failures of neighbouring countries birthed the CLICO and BAICO collapses, in which thousands of Vincentians collectively lost millions of dollars.

Today, the threats to our financial system come from myriad sources. Suddenly overzealous regulators in Europe seek the destruction of our offshore financial services sector through a bullying extraterritorial imposition of EU law on our jurisdictions. International anti-money laundering and terrorist financing rules, and other countries' dalliances with citizenship by investment programmes, jeopardise our fragile correspondent banking relations and our links to international commerce. Simultaneously, stereotypes about our region as a haven for tax evaders has placed local banks in such a regulatory strait jacket that opening a bank account is the most administratively difficult task that most Vincentians will encounter in their lifetime.

A looming potential wave of international banking mergers, acquisitions and realignment may also pose profound challenges to the diversity and stability of the banking sector.

In 2019, this Government will continue to fight for the equitable distribution of monies to those affected by the CLICO and BAICO implosions. 2018 was a year of only incremental progress for most Vincentians on this issue. We remain confident that, with the right day-to-day oversight of this ongoing struggle, there is additional progress to be made for Vincentian depositors and policyholders.

The sale of Scotiabank's Eastern Caribbean operations to Republic Bank has been announced, but is neither approved nor finalised by our Central Bank and individual finance ministers. In any such potential transaction, the Government's required approval is contingent on securing specific commitments that address the unique needs and characteristics of our local economy. Discussions in that regard are already ongoing with the interested parties.

At the same time, the existence of a multiplicity of small, undercapitalised indigenous banks and credit unions across the region is unsustainable in the current regulatory reality. The only sustainable path forward for these small entities is consolidation. In accordance with the broad thrust of the ECCB's "Consultative Paper on the Consolidation of National Banks in the Eastern Caribbean Currency Union,"[43] this Government intends to encourage and facilitate amalgamation of small local banks – including cross-border amalgamation. Additionally, our previously-stated desire to find a suitable partner to merge with the Bank of Saint Vincent and the Grenadines remains a policy objective that we hope to advance in 2019.

[43] Eastern Caribbean Central Bank, *Consultative Paper on the Consolidation of National Banks in the Eastern Caribbean Currency Union*, Saint Kitts and Nevis, June 2018 (https://www.eccb-centralbank.org/files/documents/Consultative%20Paper%20on%20Consolidation%20of%20National%20Banks%20for%20ECCB%20Website.pdf)

L. Partnership With The Private Sector

Fundamental to the philosophy of this Government is that an active, entrepreneurial State is a positive and necessary actor in the economies of small Caribbean countries. We do not subscribe to the Washington Consensus-orthodoxy of a minimalist state, ceding the delivery of all goods and services to a hypothetical, monolithic, infallible "private sector" that neither exists within the context of our limited markets nor demonstrates a sustained and sufficient willingness to innovate and compete in the interest of the public. We hold fast to the ethos that there is a role for the State to play – albeit circumscribed and prudent – beyond the delivery of a narrow list of public goods. To think otherwise, in small, resource-constrained economies like ours, is to subscribe to an ill-fitting dogma that has no successful precedent in our region.

However, precisely because we see the economy as important enough to require our active participation, we acknowledge an even greater responsibility to actively encourage and facilitate the work of existing businesses, foreign investors, and local entrepreneurs who can contribute meaningfully to national growth and development. That facilitation goes beyond the broader macroeconomic levers that all governments have at their disposal. It extends to sustained, often bespoke efforts to court and assist business growth and establishment within the confines of the law and good practice.

This year, our solicitation and facilitation of new business opportunities will lead to major growth in the Vincentian private sector. In addition to the previously-mentioned hotel investors, we will welcome the establishment of the Clear Harbor[44] call centre in Kingstown, which has concrete plans to hire hundreds of young Vincentians over the next two years. Rainforest Seafoods[45] will establish a facility at Calliaqua that will purchase millions of dollars of fish and lobster from local fisherfolk. The local entrepreneurs behind One Caribbean Airlines,[46] buoyed by the establishment of the AIA and the success of their niche-filling service, will add another aircraft to their fleet.

We rely on local private investors to continue building new apartments to house our growing population of foreign medical students, now numbering over 1,000. We depend on – and have incentivised – the purchase of new vehicles and boats to carry our rapidly-expanding cruise tourists on their excursions. We count on other commercial actors to overcome the challenges of sand importation, so that we can extend our ban on sand mining nationwide. We expect the corporate sector to partner with the Government in the clean-up of Kingstown and the development of Rose Place and its environs in advance of the modern cargo port.

Last year, we reduced corporate income tax to new lows, a trend we hope to advance in coming years. The Government also enjoined the local private sector in our successful battle to ensure that

[44] https://clearharbor.com
[45] https://rainforestseafoods.com
[46] https://flyonecaribbean.com

Vincentian traders in Trinidad and Tobago would be able to receive foreign exchange for their Trinidadian earnings. We also commenced discussions with local private sector entities on the optimal use of the old ET Joshua terminal building, and hope for a mutually profitable conclusion to those discussions in 2019.

In October 2018, InvestSVG hosted the five-day Everything Vincy Plus Expo, which attracted 2,500 visitors per day to engage with the 127 exhibitors on site. In addition to strong in-Expo sales, over 30 exhibitors secured new orders – including orders to supply overseas buyers. Others, like 15 of our local fashion designers, were invited to display their products in overseas markets.

This year, in addition to expanding and improving the Expo, InvestSVG will host an investment forum to provide more information on the opportunities and incentives available in Saint Vincent and the Grenadines.

Within the Ministry of Finance, a Doing Business Unit will be established to address not only the indicators that contribute to the World Bank's theoretical *Ease of Doing Business Index*,[47] but the more practical impediments to actual business establishment and operation in Saint Vincent and the Grenadines.

The health of the Vincentian economy is directly and causally connected to the health of our private sector. We view the private sector as partners in, and drivers of, employment, growth and development. Budget 2019 is replete with initiatives that provide both direct and indirect benefits to the Vincentian private sector. These include Renewal @40, the modernisation of customs procedures to facilitate quicker times to clear shipments, technical innovations to NIS and the Inland Revenue Department, new crime fighting tools and initiatives, measures to facilitate an influx of additional tourists, enhancement of operations at the Argyle International Airport, renewable energy initiatives to make the cost of energy cheaper and more predictable, enhancements to our road and ICT infrastructure, and initiatives in fisheries and agriculture, including the launching of the medicinal cannabis industry.

Preliminary data from the National Insurance Services indicate that the number of Active Employers has rebounded to exceed pre-crisis levels, and is 24% higher than the Active Employers on record in 2000. We fully expect our talented and entrepreneurial private sector to take advantage of the promising opportunities in the Vincentian economy and the initiatives in Budget 2019 to record further growth in the medium term.

[47] *See, e.g.,* World Bank Group, *Doing Business 2019: Training for Reform*, Washington DC 2018 (http://www.doingbusiness.org/content/dam/doingBusiness/media/Annual-Reports/English/DB2019-report_web-version.pdf)

V. RENEWAL @40

The 1763 Treaty of Paris represented French recognition of British sovereignty over Saint Vincent and the Grenadines. The indigenous Kalinago and Garifuna challenged that colonial imposition over the course of two wars, fought across 28 years, between 1769 and 1797. The Garifuna were ultimately defeated, and for the next 182 years following the indigenous genocide that ended the so-called "Second Carib War," Saint Vincent and the Grenadines was undoubtedly a non-independent colonial territory.

We reacquired our independence in 1979, in the wake of a volcanic eruption and in the face of local opposition that considered Vincentians "safe as sardines" in a colonial embrace that was at once suffocating and indifferent. In the intervening years, we have proven, time and again, that the resistance, resilience, courage and creativity of the Vincentian people are second to none. We are not better than anybody, but nobody is better than us.

This year marks the 40th anniversary of the reacquisition of Vincentian independence. Our country – and the world – has changed fundamentally over that period. As we prepare to enter our fifth decade of post-independence development, it is an appropriate time to reflect upon the path we have trod, celebrate our accomplishments, and refresh ourselves for the next stage of our independence journey.

Accordingly, in 2019, the Government of Saint Vincent and the Grenadines will launch "Renewal @40," a wide-ranging and multifaceted programme of reflection and reinvention that ranges from the cultural to the infrastructural. Spread across the various ministries are a number of Renewal @40 initiatives, which include:

1.	School and LRC refurbishment	$6m
2.	Kingstown Clean-up	$1.7m
3.	Fort Charlotte and Bridge rehabilitation	$872,600
4.	Heritage Square rehabilitation	$450,000
5.	Development of Joseph Chatoyer National Park	$436,000
6.	Community Centre refurbishment	$428,000
7.	Renewal @40 Unit and programmes	$400,000
8.	History of Saint Vincent & the Grenadines	$75,000
9.	Peace Memorial Hall rehabilitation	$71,200
10.	Garifuna and Diaspora homecoming event	$65,000

The responsibility for coordinating the diverse Renewal @40 activities will be reposed in a special unit imbued with crosscutting organisational reach and authority. This unit, and its lead Coordinator, will be tasked with driving the implementation of Renewal @40 policies and programmes. While, ideally, as many programmes as possible will culminate on or around our October 2019 Independence celebrations, not all Renewal @40 initiatives are envisaged as one-year, one-off activities. Renewal is a process, not an occasion. As such, Renewal @40 activities will necessarily extend beyond the 2019 calendar year.

Nonetheless we expect the 40th Anniversary to be the catalyst for a cleaner, better organised Kingstown; a general refreshing of public infrastructure; a reengagement with our Diasporas; a celebration of our outstanding citizens; and a renewed appreciation of our unique history and culture.

VI. SPORTS AGAINST CRIME

Another multisectoral initiative being launched in 2019 is the Sports Against Crime programme. Spanning the ministries of Sports, Social Development and National Security, and including inputs from the National Lotteries Authority,[48] various sporting associations and the private sector, Sports Against Crime aims to establish a focussed and coordinated series of activities and events aimed at providing an attractive alternative to those youth who may otherwise be tempted to engage in antisocial pursuits. In addition to the rehabilitation and establishment of new venues for sporting and physical activities, Sports Against Crime will involve utilisation of existing facilities for special events, tournaments and training exercises aimed at occupying the people, times and places most at-risk to crime and criminality.

VII. YOUTH

Although the interests and aspirations of Vincentian youth permeate this Budget address, it is important to make specific mention of their centrality to the plans of this Government. While others have bemoaned modern youth as a problem to be solved, this Government has seen them only as repositories of vast potential to advance national development through their energy, creativity, and talent. We have confidently bet on the youth, firm in the belief that the next generation will only build upon their parents' achievements. We have called on them to "*soar, as eagles, with their wings unclipped*," secure in the knowledge that, the higher they fly, the higher Saint Vincent and the Grenadines will be lifted.

Almost every initiative of this Government – from education to housing to jobs to sports and culture – has a specific and well-defined youth component.

[48] https://www.nlasvg.com

The Government has institutionalised massive investments in education, scholarships internships and training; fostering the expectation among the youth that the Government is their partner in personal development. As we speak, there are roughly 400 Vincentians receiving some form of State support for their university education – from scholarships to guaranteed student loans. In 2018, a record 48 scholarships and bursaries were awarded to young graduates of the Saint Vincent and the Grenadines Community College. This year, over 800 students who sat the 2018 examinations for CSEC, CAPE and Associate Degrees received cash awards for their outstanding performance.

Our established Support for Education and Training (SET) and Youth Empowerment Service (YES) internship programmes continue their groundbreaking support of Vincentian youth. Since its inception in 2014, we have provided work experience and stipends to 907 SET interns, including 161 university graduates. In 2018, we welcomed 162 young men and women to the SET programme.

The venerable YES programme is even more far-reaching. Over the same five-year period, 2,629 youth have benefitted from the programme. This year, 560 YES interns are engaged throughout the public and private sector.

As indicated earlier, the Government is focussed on quality skills training as the next phase of the Education Revolution. Over the next three years, almost 1,000 Vincentian youth will benefit from the DfID "Youth Skills for Economic Growth in the Eastern Caribbean," which will be headquartered in Saint Vincent and the Grenadines. We have also secured vocational education scholarships from Taiwan to benefit skills-focussed youth. Budget 2019 also includes substantial support for skills training, as outlined earlier.

The work of our Ministry of Foreign Affairs in interacting with foreign governments is always youth-focussed. Negotiating scholarships and cultural exchange opportunities is central to all of our engagements with other countries. We also specifically seek employment opportunities for our young people across the globe. In the United Kingdom, for example, 551 Vincentian youth have joined the British navy since 2001, with over 150 accepted in the last intake. Two weeks ago, over 60 nurses – overwhelmingly young and female – were interviewed here for lucrative nursing contracts in the United Kingdom. Thirty-five of them have already received offer letters to take up employment at hospitals and clinics across the UK. In a few short months, the interviewers will return to screen an additional 80 qualified applicants. The Ministries of Agriculture and Foreign Affairs have secured commitments of higher intake for the well-known farm workers programme in Canada.

The support of CARCIP to young, tech-savvy entrepreneurs is well known in Saint Vincent and the Grenadines. This year, additional youth-led tech-related businesses will receive CARCIP grants to grow and bring their offerings to market. Our investments in ICT infrastructure will also disproportionately benefit young creators and innovators. The Eastern Caribbean Partial Credit

Guarantee Corporation, established last year, will become operational in 2019, and will increase youth access to financial services to support their small business endeavours.

This year, as part of the Sports Against Crime initiative, a number of sporting facilities will be built or upgraded, and young people will enjoy an exponential increase in the number of community-level sporting activities and events. Further, we hope to conclude negotiations this year for the necessary funding to construct an athletic track for our long-suffering runners, with a 2020 target date for the start of construction.

Vincentian youth, like youth around the world, have been early embracers of the opportunities inherent in the new service economy. This Government is proud and supportive of the young men and women employed in fashion, culture, music and new media fields. We continue to offer them tangible support, as we do the gifted sportspersons who represent our country.

The responsibility of transformation ultimately lies not with the Government, but the youth. We live in a fast-changing world that prizes innovation, adaptability and a willingness to grasp new opportunities and shed outmoded conventions. Nowhere are these skills more present than in the youth. In our 40th year of independence, a generational changing of the guard is taking place across Saint Vincent and the Grenadines. Budget 2019 gives this new generation – who were not born in or have little memory of our pre-independence past – the tools and the opportunities to take our country to higher heights.

VIII. FOREIGN DIRECT INVESTMENT

Saint Vincent and the Grenadines continues to be a regional leader in attracting Foreign Direct Investment (FDI). According to the United Nations' Economic Commission on Latin America and the Caribbean, Saint Vincent and the Grenadines averaged US$122 million in annual foreign direct investment over the five years from 2012 – 2016.[49] Within the OECS, Saint Vincent and the Grenadines average Foreign Direct Investment is second only to that of Antigua and Barbuda over that five-year period.[50] As a percentage of GDP, Saint Vincent and the Grenadines' performance in attracting inflows of Foreign Direct Investment is consistently among the best in all of Latin

[49] *See,* Economic Commission for Latin America and the Caribbean (ECLAC), *Foreign Direct Investment in Latin America and the Caribbean, 2018* (LC/PUB.2018/13-P), Santiago, 2018, pp. 30, 64 (https://www.cepal.org/en/publications/43690-foreign-direct-investment-latin-america-and-caribbean-2018)

[50] *Ibid.* The OECS members' FDI averages over the 2012 – 2016 period are: Antigua and Barbuda – US$138.8m, Saint Vincent and the Grenadines – US$122m; Saint Kitts and Nevis – US$103.2m; Saint Lucia – US$91.6m; Grenada – US$62m; Dominica – US$37.6m

America and the Caribbean.[51] In 2018, FDI inflows spiked to $405 million (US$150 million) – a $75 million (US$28 million) increase over the average of the last five years.

Recent FDI inflows have been dominated by tourism investments, particularly in the Grenadines. On Canouan, the Mandarin Oriental resort and Glossy Bay Marina represent ongoing multimillion dollar investments. On Bequia and Saint Vincent, the construction and expansion of hotels is accelerating. In the telecommunications sector, the rollout of the fiber-optic phase of the CARCIP programme, and the implementation of LTE by Digicel and Flow will contribute significantly to 2019 inflows. Saint Vincent and the Grenadines' Blue Economy is expanding rapidly, with large investments in the fisheries sector expected to commence this year. We will begin to see FDI inflows related to the medicinal cannabis industry, as investors establish cultivation, production and export facilities. Additional investments, particularly within the renewable energy, real estate and services sectors will boost FDI inflows in 2019 and beyond.

The role of the Argyle International Airport as an enabler and accelerant of Foreign Direct Investment cannot be overstated. The direct flights to and from New York, Toronto and Miami facilitate business travel, tourism investment, and, importantly, exports of Vincentian goods. As the AIA matures, we expect to further leverage its potential to attract and enhance Foreign Direct Investment in Saint Vincent and the Grenadines.

As indispensible as FDI is to national development, it is equally important that Vincentians feel a sense of ownership in all aspects of our progress.

Too often, the regional approach has involved a race to the bottom to invite foreigners to acquire more and more patrimony at increasingly attractive terms. This approach includes the sale of land, the sale of resources, and now, even sale of citizenship itself. These unbridled scrambles for foreign dollars create increasingly irreconcilable dualities that cannot always be easily accommodated on our tiny land masses. Further, there is the danger of an ethos taking root that sees progress dependent not on hard work and productivity, but on commoditising and marketing increasingly significant aspects of our nationhood for quick material benefit.

This Government rejects that approach.

Make no mistake: foreign direct investment is indispensible and welcome. We aggressively seek and value partnerships with reliable and respectful foreign investors whose profit motives enhance, rather than exploit our natural resources and people. We have been pursuing such investment to increasingly significant effect. However, we remain mindful that all development must be for the national benefit, and for the benefit of nationals.

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[51] *See, e.g.,* Economic Commission for Latin America and the Caribbean (ECLAC), *Foreign Direct Investment in Latin America and the Caribbean, 2016* (LC/G.2680-P), Santiago, 2016, p. 48 (https://repositorio.cepal.org/bitstream/handle/11362/40214/6/S1600662_en.pdf)

IX. PUBLIC DEBT

As of September 30th 2018, the disbursed outstanding public debt for St. Vincent and the Grenadines was estimated at $1.61 billion. This amount was $71.0 million, or 4.2%, less than the public debt at the end of September 2017. The domestic debt, which amounted to $528.2 million as at September 30th 2018, fell by $44.4 million, or 7.8%, when compared to the domestic debt for the same period in 2017. The reduction in the domestic debt was mainly due to the following:

1. A repayment of $5.7 million on amortised bonds;
2. A $4.4 million reduction in Treasury notes;
3. A $25.4 million reduction in the balance on overdrafts owed by the public sector;
4. A decline in Government payables of $25.8 million

Similarly, the external debt for the period ending September 30, 2018 amounted to $1.086 billion, a decrease of $26.6 million, or 2.4%, when compared to the external debt as at September 30th 2017. Net repayments on the following loans were the main factors behind the movement of the external debt during the period:

1. $4.4 million repaid on a number of CDB loans;
2. $4.4 million paid on loans from Taiwan
3. $8.4 million repaid on loans owed to the IMF
4. $9.8 million repaid on ALBA loans
5. $4.8 million paid to Scotiabank on loans for AIA tower and equipment
6. $2.1 million repaid on World Bank/IDA loans
7. $0.5 million paid to CDF

Over the last two years, the Government was able to negotiate significant debt relief on two loans from the Bolivarian Alliance for the Peoples of Our America (ALBA) – ALBA Bank – and Petrocaribe. We are grateful to the government and people of the Bolivarian Republic of Venezuela for their generosity and continued solidarity in the quest for development. The ALBA and Petrocaribe debt relief has improved our fiscal breathing space and debt sustainability outlook over the medium term.

Nonetheless, debt servicing costs remain moderately high in the near term. The total debt service for 2019 is estimated at $257.69 million. The increase in the debt service costs for 2019 is as a result of the redemption of two bonds, which mature later in the year. Debt service cost is expected to moderate over the medium term after this initial spike in 2019.

The debt service requirement for 2019 is thus comprised as follows:

Interest Payments	$ 68.39m
Amortisation	$137.40m
Sinking Fund Contributions	$ 51.92m
	$257.69m

The Government's debt management decisions are informed by our Debt Management Strategy, which aims to raise the requisite funds on the best possible terms – taking into account interest rate risks and repayment term. It must be reiterated that we are committed to meeting the 60% debt to GDP target by 2030. In the furtherance of this objective, our fiscal policy stance will therefore continue to focus on ensuring fiscal and debt sustainability even as we invest in critical climate resilient physical infrastructure and other measures to boost fiscal and climate resilience.

Our commitment to fiscal prudence is apparent in our declining debt and the characteristics of our debt stock. This year, the Government placed special emphasis on concessional or near-concessional financing and extending the time to maturity on debt instruments. The latest Moody's report indicates that over 56% of Saint Vincent and the Grenadines' debt is concessional, and that "the majority of external debt is owed to multilateral and bilateral creditors, and comes at concessional interest rates and long maturities."[52] As indicated in the parliamentary presentation on the Estimates of Revenue and Expenditure, the average interest rate on our external debt is a low 2.1%.

Nonetheless, our fiscal space remains constrained, like that of many other Small Island Developing States. Much of that limited fiscal space is related to debt incurred as a consequence of natural disasters and climate events. Saint Vincent and the Grenadines is taking a leading role within the international community in advocating for special arrangements related to the debt of climate-vulnerable small states, to ensure that our room to operate is widened. Those activities will continue in 2019.

X. PUBLIC FINANCES and STRATEGIC REFORMS

Changing times and circumstances demand changing approaches to time-honoured ways of operating. Budget 2019 is committed to furthering and accelerating the Government's reform agenda, in the pursuit of improved fiscal management, good governance, and resilience.

In 2018, we began an ambitious programme of administrative, policy and legislative reforms designed to improve efficiency, transparency, resilience and service delivery. Those reforms include:

[52] Moody's, *Government of St. Vincent and the Grenadines – B3 stable: Annual credit analysis*, p.12

1. Formulating a medium term fiscal framework that sets fiscal policy targets and milestones for review and monitoring;
2. Revising the Public Procurement Act, to align it with international good practice;
3. Producing draft amendments to the Income Tax Act, which will be enacted shortly;
4. Introducing a Tax Administration Procedures Bill;
5. Developing operating guidelines for the Contingencies Fund;
6. Mandating quarterly and annual financial reporting standards and requirements for State-owned enterprises;
7. Adopting revised OECS Building Codes and administrative guidelines;
8. Introducing new regulations under the Town and Country Planning Act for advertisements, sub-divisions and Environmental Impact Assessment;
9. Enacting an action plan to phase out coastal sand mining; and
10. Approving the National Oceans Policy and Strategic Action Plan and appointing a National Ocean Coordinating Committee.

These reforms, and others, have been endorsed by development partners, like the World Bank, who view our voluntary commitment to prudence and good governance worthy of multilateral support. As a result, the World Bank has agreed to extend a Development Policy Loan of approximately US$30 million in budget support to the Government this year. We expect disbursement of this budget support in June, and look forward to using it to buttress our efforts to accelerate development and expand fiscal space.

In the wake of the continued unwarranted aggression against the people of Venezuela and the imposition of sanctions that have sabotaged or temporarily derailed many of the cooperation initiatives between our countries, the World Bank's budget support is particularly well-timed. Venezuela's support to the developmental aspirations of Saint Vincent and the Grenadines is well known. From the midst of the energy crisis, where the price of oil skyrocketed, and through the global economic and financial crisis, where Caribbean countries teetered on the brink of economic catastrophe, the Bolivarian Republic of Venezuela stepped into the breach where others stood askance from our urgent challenges. Petrocaribe was an ingenious and indispensible source of development resources and a cushion against high oil prices. Today, the support on which we have traditionally counted has been temporarily strangled by a series of illegal sanctions and malicious foreign interferences. Even as we have found provisional alternatives to continue the development initiatives started in partnership with Venezuela, we look forward to playing a role, alongside CARICOM, in the resolution of their current difficulties, and the full resumption of our multifaceted cooperation.

An urgent and inescapable area demanding creative reform is our pension system. The current pension system is unsustainable in the medium term without reform. This is an actuarial fact that must be confronted squarely, and with clarity. Pension reform has been on the agenda for some time now. Despite several pronunciations on this subject, progress over the years has been less than satisfactory. However, the Government is determined to pursue this matter with a sense of urgency to find the best mix of reform options that would meet the objective of fiscal affordability, while ensuring that pension benefits are adequate for retirees.

Pension reform is a very sensitive and complex issue. The main driving force is a reduction of the pension expenditure in the face of continuing fiscal challenges. We therefore strive to make the pension system more affordable, that is, one within the financing capacity of the society that does not unduly displace other national social or economic imperatives.

Central Government's cost associated with payment of pensions and other retiring benefits has been increasing. In 2017, the cost of retiring benefits payments amounted to $71.9 million, including $12.5 million for employee's contribution to the NIS. This figure was 12.1% of current revenue for the year. As the wage bill increases and more persons retire from the public service, this expenditure on retiring benefits will continue to rise.

Indeed, as more persons retire from the public service, an unsustainable incongruity is manifesting itself: A retiree's pension plus NIS payments can be as much as 126% of her final salary. We simply cannot afford to pay people more in retirement than they earned as workers.

The Government must also grapple with the population demographics when considering reform. The life expectancy of the population (including public servants) is increasing and is now 74 years. Accordingly, the option of increasing the retirement age for the public servants from the current age of sixty 60 must be considered as part of the reform programme. This option takes on added significance now that the NIS has increased its pensionable age beyond sixty 60.

Last year, the 2018 Budget Address outlined six options for pension reform, as a means of beginning the public debate on the issue. Over the course of 2018, we solicited expert legal advice on a number of these options, including consideration of the constitutionality of various hypothetical alterations to existing workers' pensions.

Recognising the complexity of the task required to undertake this pension reform, we have established a Pension Reform Steering Committee, consisting of senior government officers from the Ministry of Finance, the Service Commission Department, the Prime Minister's Office and the National Insurance Services. The Committee will be chaired by the Director General of Finance and Planning and will coordinate the various activities linked to implementation of the reform options including management of the public education and stakeholder consultations.

XI. THE NATIONAL INSURANCE SERVICES

The National Insurance Services (NIS) continues to bolster the national social safety net by providing social security protection to approximately 48,433 insured persons – comprising 39,226 active employees, 7,705 pensioners, and the balance representing self-employed and voluntary contributors. These services were supported by a solid asset base of $498 million, which represents over one-fifth of the country's GDP.

In 2018, the financial performance of the NIS remained sound, and is projected so to be on an on-going basis. This was evidenced by the 10% growth in contribution income compared to previous financial year, moving from $61.2 million to $67.3 million. The increase in active employees' population from 37,415 to 39,226, coupled with the advancement in average annual wages from $20,077.92 to $21,652.81, supported the contribution growth. In the same period, the benefit expenditure escalated from $60 million in 2017 to $66 million in 2018. The upswing in benefit payments was mainly due to growth in pensions payments. The number of pensioners advanced from 7,493 to 7,705 and average pension for new awards grew by 6%.

The narrowing of the gap between contribution income and benefit expenses caused greater reliance on investment income to finance administrative expenses. The investment portfolio generated income of $15.4 million in 2018, which was partially used to cover the administrative expenses of $11.6 million. The resulting positive net income of $5.6 million from operation financed the growth in the reserves.

Notwithstanding the consistent credible financial performance of the National Insurance Fund, the Fund faces financial challenges as it matures. The Fund is financed on a Pay-as-You-Go and partially-funded basis, and it is a defined benefit structure. Consequently, the benefit increases year-on-year as more people qualify for pensions at higher payment rates. The rate of growth of benefit typically outpaces that of contribution income, which causes financial pressure to the system. This challenge becomes more acute for systems that operate in a society experiencing population ageing and migration among the working population. In the case of Saint Vincent and the Grenadines, life expectancy is projected to increase, and the fertility rate is projected to decline from 2.16 to about 1.8 by 2025.

Additionally, the NIS is relatively generous, because the contribution rate is low relative to the benefit design, which includes a high replacement rate of 60%. The low coverage among the self-employed and informal sector workers and the non-compliance with the NIS Act by some employers add to the financial pressure on the Fund. It should be noted that the Government is fully compliant with its NIS contributions. It is not in arrears.

The NIS is approaching another inflection point in its social security life cycle: the end of the period of equilibrium where total expenditure exceeds total income. This clearly signals the need for the NIS to engage in further reform measures to strengthen the sustainability of the plan and mitigate the inter-generational risk, where the future contributors would be required to pay substantially more for equivalent benefits as current beneficiaries.

It is important to note that other regional systems, including Grenada, Saint Kitts and Nevis, Trinidad and Tobago, Antigua and Barbuda, Dominica, The Bahamas and Belize are all contemplating elements of pension reform to bolster their social security systems to meet similar challenges.

Like our regional counterparts, the Board and management are considering the following reform options – along with greater administrative efficiencies – to enhance the financial sustainability of the NIS:

- Consideration for a gradual increase of the contribution rate from 10% to 12% over a two-year period. The suggested increase is 1% in 2022 and another 1% in 2023. The increase would be shared evenly between employers and employees.
- An increase in the insurable wage ceiling from $4,330.00 to $5,1996.00 per month.
- A reduction of the maximum replacement rate from 60% to 55%. This measure would have to take into account the Government's position on the reform of the Civil Service Pension Plan.

The NIS approaches 2019 with great hope and optimism to provide sustainable income protection to the people of Saint Vincent and the Grenadines whilst contributing to the social and economic development locally. The NIS anticipates growth in key areas of operations including contribution income, investments and reserves whilst facing the ongoing sustainability challenges owing the maturing nature of the Fund.

XII. IMPLEMENTATION

Last year's Budget Statement identified implementation bottlenecks as a major impediment to the timely achievement of our developmental goals and aspirations. These bottlenecks exist in the gap between achievement and aspiration, and their resolution will enhance the credibility of the budgeting process as an even more dependable forecast of what the Government will actually achieve in any given year. Our annual implementation goals rest on three pillars: elaborating a realistic set of achievable targets, while considering all of our circumstances and characteristics; developing a precise plan to achieve those targets; and working in a focussed manner to execute the plan. Each pillar must be well thought out and well-executed for our overall implementation goals to be met.

When the numbers are finalised, we are expect to have spent just over $100 million of the $217 million that we budgeted in the 2018 capital budget In percentage terms, this is only an incremental improvement over our 2017 implementation rate. However, there is obviously room for considerable improvement. We continue to be challenged by a limited pool of qualified local contractors, all of whom are overstretched, varying sets of overly burdensome administrative requirements from some of our development partners, poorly-performing consultants on critical projects, and a number of human resource constraints within our implementing ministries.

Over the last year, despite not having as yet a new chief engineer, and despite the exodus of critical ministry personnel to better-paying World Bank, CDB and EU projects, we made considerable progress in advancing a number of projects that were woefully off-schedule. We have worked with our development partners to seek ways to advance these projects even faster.

In 2019, improved implementation rates are of paramount importance. While a number of sweeping internal changes were considered, the Ministries of Finance and Economic Planning and Transport and Works have resisted a more radical reordering of their implementation processes, insisting instead that our internal challenges can be resolved through additional human resources. This Budget reflects the persuasiveness of their arguments. We will try it their way, for now.

As such, Budget 2019 makes provision for the hiring of five new Cuban engineers to augment the staff at the Ministry of Transport and Works. Similarly, we have negotiated with our development partners to add 12 additional implementation-focussed staff on various projects within the Ministry of Finance and Economic Planning.

For upcoming projects, we will attempt a number of new approaches to improve the speed with which projects are completed. Some critical small projects will be packaged to make them more attractive to large regional contractors. We will be more resolute about documenting contractor non-performance to our development partners and the Tenders Board. We will upgrade our ability to comply quickly with the strict social safeguards demanded by certain development partners. We shall also seek implementation support from our partners. And we shall establish internal mechanisms to minimise the risk of slippage and improper ministerial oversight.

Ultimately, the effectiveness of the plans laid out in Budget 2019 rests on their timely implementation. We do not want to lengthen the list of projects in the pipeline. We want to lengthen the list of completed projects. Over the medium term, we expect our programme of reforms to yield tangible results to this vexing challenge.

XIII. RESOURCE REQUIREMENTS

The total resource requirements for the 2019 fiscal year amount to $1.067 billion. This represents an increase of 7.4%, or $73.8 million, when compared to the total Estimates for 2018. The recurrent expenditure budget (including amortization and sinking fund contributions) is $844.8 million, an increase of $67.9 million, or 8.7%; while $222.6 million will be required to finance the Government's capital expenditure programme for this fiscal year. This figure is up by $5.9 million, or 2.7%. The total estimated expenditure is comprised of current expenditure of $655.4 million, amortization of $137.4 million, sinking fund contributions of $51.9 million.

Budget 2019 therefore projects a small current account surplus. This surplus, and the current account surplus recorded at the end of 2018, are further signs of our improving fiscal outlook.

The main source of funding for the 2019 Budget is current revenue, which is estimated at $656.6 million, this figure is 5.6% more than the 2018 Revenue Estimates, and 10.4% more than the revised 2018 revenue budget. This current revenue estimate reflects our best judgement of all the variables that impact revenue growth and collection. We have set a challenging yet reachable target. Our confidence in our ability to collect the revenue estimated for 2019 is predicated on a number of factors, some of which should be elaborated in this Budget Address.

First, we expect continuing growth and improved macro-economic performance. After experiencing real economic growth of approximately 2.5% in 2018, real growth is forecasted to expand by a further 2.3% in 2019. Undoubtedly, the revenue take will benefit positively from the increased buoyancy in economic activity.

Second, further strengthening of tax administration and policy will enhance revenue collection. After the conclusion of the tax amnesty in 2018, which yielded less than expected results despite our best efforts to encourage tax defaulters to make good on their tax arrears, the Inland Revenue Department (IRD) has completed its preparations to pursue delinquent tax payers, using all available administrative and legal means. This work will continue aggressively in 2019. After reducing taxes and offering amnesty, we must now act against those who flout the tax laws. Taxes should be lower, simpler and fairer. But taxes must also be paid. We expect our more aggressive collection techniques to bear fruit. Additionally, the tax authorities are enhancing inter-agency collaboration with the aim of tightening the enforcement of several tax types. Additionally, several amendments to the Income Tax Act have been tabled in Parliament. These amendments will enhance the ability of the IRD to administer this tax.

Third, several new revenue-enhancing measures are proposed for introduction in the 2019 fiscal year. These will be discussed later in this Budget Address.

Fourth, the medicinal cannabis industry will begin to produce limited revenue as early as this year. In late 2018, the Government enacted a suite of legislation paving the way for the establishment of a viable medical cannabis industry in Saint Vincent and the Grenadines. It is anticipated that the establishment of the Authority will make substantial additions to the revenue through the various licences and export taxes. However, given the administrative and logistical steps still to be completed this year, total revenue resulting from the establishment of the Medical Cannabis Authority in 2019 is conservatively estimated at $5 million.

Financing for the capital budget will be provided from a mixture of external loans, local loans, grants, capital revenue and other receipts. We expect to raise external loans totalling $89.5 million in 2019. We anticipate that multilateral creditors will provide $73.6 million of this amount, including the Caribbean Development Bank ($33.3 million), the International Development Agency ($19.7 million), CDB/CTF ($10.0 million), OPEC Fund for International Development ($4.1 million), Climate Investment Fund ($3.0 million) and The Abu Dhabi Fund for Development ($3.0 million). Draw-downs on bilateral loans are expected from the Government of the Republic of China on Taiwan ($6.0 million) and the Government of Kuwait ($10.0 million).

Much of the Government's external loan portfolio has been negotiated on highly concessional terms, and grants continue to be an important source of financing for many of our investment projects. Grants totalling $47.9 million are expected to come from a number of multilateral donors including the European Union ($11.6 million), the Caribbean Development Bank ($4.0 million), EU-CIF ($4.0 million) and the Kuwait Fund for Arab Economic Development ($2.4 million). Grants are also expected from a number of bilateral sources including the Republic of China on Taiwan of $8.3 million, the UK Department for International Development $3.2 million, the UK Caribbean Infrastructure Fund $2.5 and UAE-MASDAR of $4.5 million.

Local loans in the amount of $72.2 million will be raised to finance the Capital Programme. Financing for the 2019 budget is also expected to come from "Other Receipts." This will include funding from various sources with the most noteworthy being the aforementioned concessionary Development Policy Loan from the World Bank. This policy loan will be disbursed using the budget support modality. This means that the Government will have the flexibility to allocate these resources to finance a number of projects included in the capital budget.

XIV. FISCAL MEASURES

Budget 2019 introduces a number of fiscal measures designed to dissuade the excessive consumption of tobacco, alcohol and artificially sweetened or sugar-added beverages. The Budget also proposes a small excise on fuel and adjustments to aircraft landing and parking fees at the Argyle International Airport. In total, we project these measures to yield revenue increases of roughly $8 million. These modest adjustments further this Government's practice of prudent fiscal management and people-centred budgeting. The specific measures employed are as follows:

Excise Duties

The Caribbean has the highest rate of mortality from Non-Communicable Diseases (NCDs) in the Americas, and the prevalence of diabetes is double the global rate. Childhood obesity is on the rise, driven in part by the increased consumption of certain fast foods and sugar-sweetened beverages. Non-Communicable Diseases and their risk factors are responsible for over 75% of all deaths in the Caribbean, well above the global average. The four main risk factors for NCDs are tobacco use, harmful use of alcohol, unhealthy diet and physical inactivity. Non-Communicable diseases are costly to Government, individuals and the society, with the costs of treatment, the impacts on production and the reductions in quality of life all impacting economies, health systems and households.[53]

In support of the our efforts to promote healthy living and to implement fiscal measures that assist in our continued fight against the increased prevalence of NCDs and their deadly impact, the Government intends to introduce the following excise duties:

(i) Tobacco Products

1. Cigarettes containing tobacco – the excise will increase from $1.55 per 100 sticks to $2.75 per 100 sticks;
2. Unmanufactured Tobacco, tobacco refuse – the rate will increase from 6% to 10%;
3. Cigars etc. – excise duty will rise from 14% to 20%;
4. Other manufactured tobacco and tobacco substitutes – from 6% to 10%;
5. Other – will increase from 12% to 18%

These measures are expected to yield an additional $0.50 million in revenue.

[53] *See, e.g.*, World Bank, *Non-Communicable Diseases in the Caribbean: The New Challenge for Productivity and Growth*, June 2013 (http://documents.worldbank.org/curated/en/786471468223480691/pdf/785960WP07-0No00Box377349B00PUBLIC0.pdf); Healthy Caribbean Coalition, *NCDs in the Caribbean*, January 2017 (https://www.healthycaribbean.org/ncds-in-the-caribbean/); Healthy Caribbean Coalition, *Chronic Non-Communicable Diseases (NCDs) in the Caribbean: THE FACTS*, (http://www.archive.healthycaribbean.org/UNHLM-HCC/Caribbean-NCDs-Fact-sheet.pdf); Pan American Health Organization, *NCDs in the Caribbean*, 2016 (https://www.paho.org/hq/dmdocuments/2016/NCD-Stakeholder-FINAL-VERSION.pdf)

(ii) Sweetened Beverages (by sugar or other sweeteners)

1. Water, including mineral waters and aerated waters, containing added sugar or other sweetening matter or flavored – the rate will increase from 10% to 20%;
2. Aerated beverages – excise will increase from 10% to 20%

These measures are expected to yield approximately $2.4 million in additional revenue.

(iii) Alcoholic Beverages

1. Undenatured ethylalcohol of an alcoholic strength by volume of 80 percent or higher – the rate will increase by 10.7%;
2. Brandy, Whiskies, Gin Geneva, Vodka, and rum in bottles of strength not exceeding 46% volume etc. – excise on these will increase by 20%.

These are expected to yield approximately $0.8 million.

The full details of these excise duties on tobacco products, sweetened beverages and alcoholic beverages are shown in Appendix I.

Petroleum Products

The significant increase in the importation of used motor vehicles has given rise to health and environmental concerns linked to increasing levels of vehicular emissions and increased dumping of derelict vehicles and used parts. Last year, we reduced the age of imported used vehicles, a trend that will continue in the future. We continue to spend more in health care to treat respiratory illnesses such as asthma, which is increasing in prevalence in recent years. Additionally, the motor vehicle population in Saint Vincent and the Grenadines has grown exponentially over the last decade placing tremendous pressure on the road network, hastening the deterioration of the surfaces of the highways and secondary roads. There are now over 32,000 vehicles on the roads of Saint Vincent and the Grenadines.

Notwithstanding increased Government spending on road repairs and rehabilitation, as evidenced in this year's Estimates of Revenue and Expenditure, the calls from the public for even more spending on the roads are quite evident.

Accordingly, in an effort to meet these demands for more spending on roads, health care and environmental protection, The Government intends to increase the excise on Gasoline and Diesel as follows:

Heading	Description of Goods	Current Rate	Proposed Rate
2710.11.30	Motor spirit (gasoline)	$2.50	$3.00
2710.19.50	Gas oils (other than diesel oil)	$1.50	$2.10

It is important to note that this revised excise, and, indeed the price of fuel in Saint Vincent and the Grenadines generally, remains low, relative to our neighbours in the OECS.

These measures are expected to realise an increase in revenue of $4.2 million.

Concession on Construction-type Vehicles

The ban imposed on used vehicles of 12 years and older, introduced last fiscal year, appears to have had an adverse impact on the importation of construction vehicles. Given that the value of heavy-duty trucks are usually high, the Government proposes to grant further Duty-Free Concessions on dump trucks 3 tons and above, and other construction-type vehicles, affected by the ban, from 50 percent to up to 60 percent. This measure will result in a revenue loss of approximately $250,000.

Further, the Government shall reduce the Excise Tax from 60% to 55% on trucks used in the Construction Sector under tariff headings 8704.22.10, 8704.22.90, 8704.23.10, 8704.23.90, 8704.32.10 and 8704.32.90.

These two measures will provide a useful incentive for increased private sector investment in the Construction Sector to complement the Government's public sector investment programme. With the approaching construction boom across Saint Vincent and the Grenadines, we encourage contractors to invest in durable, high-quality trucks and machinery.

In a related measure, the Government wishes to signal its intention to adjust the taxes and duties related to electric and hybrid vehicles in the near future, subject to technical adjustments in the way that customs authorities classify these vehicles. The intent will be to incentivise the importation of newer, cleaner automobiles.

Airport Landing and Parking Fees

The new and improved facility for aircraft at the Argyle International Airport is still utilising a fee structure that is outdated. A number of user fees charged at the facility are the same fees that were charged at the ET Joshua Airport for many years, and are out of step with current costs and regional averages.

Accordingly, we propose the following changes to the landing and parking fees at the AIA:

LANDING FEES

Under 5000 lbs.	$20.00 EC (US$7.40)
5001 per lbs. and over	$3.65 EC (US$1.38) per 1000 lbs. or part thereof

EXTENSION

Flight operation: Landing and/or take-off (Except in emergency) between 10:01 pm – 5:59 am	
For first hour of extension	$1,325 EC (US$500)
For every hour or part thereof after the first hour up to 5:59 am	$2,650 EC (US$1,000)

PARKING FEES

First 6 hours	free
Thereafter, per 24 hours or part thereof	15% of landing charge
Aircraft parked on cargo apron per 24 hours or part thereof	10% of landing charge

Stamp Duties

The most recent revision of the Stamp Duties Act was done in 2017 to prevent tax evasion practices on transactions related to the transfer of real property. However, an anomaly has arisen that has had an unintended effect to the disadvantage of a specific group of transferees in those transactions. The Government intends to amend the Stamp Duties Act during the year to address this issue.

XV. CONCLUSION

Bathed in the bright light of progressive policies and their positive impact, the prophets of doom and the purveyors of pessimism must once again retreat to their dark echo chambers of fake news and alternative facts. Our economy is growing. Jobs are increasing. And the developmental roadmap elaborated by this Government is transformative, inclusive and achievable.

To be sure, it would be a stretch to suggest that our economy and our public finances are now fully recovered, or that we do not continue to face formidable headwinds. The capacity of the economy to absorb labour is still insufficient, and requires higher levels of economic growth. However, our recovery, and our reforms – planned and completed – offer us the clearest cause for cautious optimism in over a decade.

The 2019 Budget is about more jobs, more reliable services, living prudently within our means, and strengthening our economy. It is about continuing the radical reordering and restructuring of our economy to meet modern challenges and opportunities.

To continue the transformation of our economy, we must increase our productivity. We must work hard and smart. We must build resilience. And we must creatively capitalise on education and training to adapt to a rapidly-changing local and global environment.

Looking ahead, we are excited by the massive activity scheduled for 2020, as projects in the formative stages this year blossom into full-fledged implementation. We have a country to build, and Budget 2019 accelerates our timetable for creating a modern, competitive post-colonial Saint Vincent and the Grenadines.

The process of social and economic transformation is neither effortless nor linear. In the 40 years since we reacquired our independence, the global political and economic order has been rewritten, the financial architecture has been restructured, and our previous resilience to weather events has been all but removed. As a Small Island Developing State with high vulnerabilities and limited capacity to insulate ourselves – economically or environmentally – the task of transformation is doubly difficult.

However, through the hurricanes and floods; through the blacklists and bullying; through the global crises and collapses; the Government and people of Saint Vincent and the Grenadines have proven to be the equal of every challenge. Today, as we begin to see the light at the end of the post-crisis tunnel, and as we welcome the green shoots of optimism springing up underfoot, we are fortified in the certainty that this Budget is a budget for the times, and a people-centered plan for progress. With God's continued abundant blessings, we shall, together, build a better Saint Vincent and the Grenadines.

APPENDIX I

EXCISE TAX INCREASES

Heading	Description of Goods	Current Rate	Proposed rate
22.02	Waters, including mineral waters and aerated waters, containing added sugar or other sweetenng matter or flavored, and other non-alcoholic beverages.	10%	20%
2202.10.00	Waters, including mineral waters and aerated waters, containing added sugar or other sweetenng matter or flavored:	10%	20%
2202.10.90	Other	10%	20%
2202.9	Other	10%	20%
2202.90.10	Beverages containing cocoa	10%	20%
2202.90.90	Other	10%	20%
2202.101	Aerated beverages	10%	20%
22.04	Wine of fresh grapes, including fortified wines; grape must other than that of heding 22.09	$6.00 per litre	$7.20 per litre
22.05	Vermouth and other wine of fresh grape flavoured with plans or aomatic substances.	$6.00 per litre	$7.20 per litre
22.06	Other fermented beverages(for example, cider, perry, mead); mixture of fermented beverages and non-alcoholc beverages, not elsewhere specified or included.	$1.00 per litre	$1.20 per litre
Ex 2207.10	Undentured ethylalcohol of an alcoholic strength by volume of 80% or higher	$14.00 per proof gallon	$15.50 per proof gallon
2208.20	Brandy	$6.00 per litre	$7.20 per litre
2208.30	Whiskies	$6.00 per litre	$7.20 per litre
2208.40	Rum and Tafia	$6.00 per litre	$7.20 per litre
2208.401	In bottles of strength not exceeding 46% volume	$6.00 per litre	$7.20 per litre
2208.409	Other	$6.00 per litre	$7.20 per litre
2208.50	Gin Geneva	$6.00 per litre	$7.20 per litre
2208.60	Vodka	$6.00 per litre	$7.20 per litre
2208.70	Cordials and Liquers	$6.00 per litre	$7.20 per litre
2208.909	Other spirituous beverages	$6.00 per litre	$7.20 per litre
24.01	Unmanufactured tobacco, tobacco refuse	6%	10%
2402.10	Cigars, cheroots and cigarillo,containing tobacco	14%	20%
2402.20	Cigarettes containing tobacco	$1.55 per 100 sticks	$2.75 per 100 sticks
2402.90	Other	12%	18%
24.03	Other manufactured tobacco and tobacco substitutes; "homogenized" or "reconstituted" tobacco; tobacco extracts and essences	6%	10%

Appendix II

EXCISE TAX REDUCTIONS

Heading	Description of Goods	Current	Proposed
87.04	**Motor Vehicles for transport of goods**		
8704.22.00	**G.V.W. exceeding 5 tonnes but not exceeding 20 tonnes**		
8704.22.10	Completely knocked down for assembly in plantsapproved for the purpose by the competent Authority	60%	55%
8704.22.90	Other	60%	55%
8704.23.00	**G.V.W. exceeding 20 tonnes**		
8704.23.10	Completely knocked down for assembly in plantsapproved for the purpose by the competent Authority	60%	55%
8704.23.90	Other	60%	55%
8704.32.00	**G.V.W. exceeding 5 tonnes**		
8704.32.10	Completely knocked down for assembly in plantsapproved for the purpose by the competent Authority	60%	55%
8704.32.90	Other	60%	55%

St. Vincent and the Grenadines

Economic and Social Review

January to September 2018

Prepared by:

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TABLE OF CONTENTS

List of Figures

List of Tables

List of Annexes

List of Acronyms

AIA	**A**rgyle **I**nternational **A**irport
AMP	**A**griculture **M**odernization **P**rogramme
ADFD	**A**bu-**D**habi **F**und for **D**evelopment
BAM	**B**anana **A**ccompanying **M**easures
CARCIP	**C**aribbean **R**egional **C**ommunication **I**nfrastructure **P**rogramme
CARICOM	**C**aribbean **C**ommunity
CDB	**C**aribbean **D**evelopment **B**ank
CIF	**C**limate **I**nvestment **F**und
COFOG	**C**lassification of **F**unctions of **G**overnment
CNCDs	**C**hronic **N**on-Communicable **D**iseases
CPA	**C**ountry **P**overty **A**ssessment
CPEA	**C**aribbean **P**rimary **E**xit **A**ssessment
CPI	**C**onsumer **P**rice **I**ndex
CSEC	**C**aribbean **S**econdary **E**ducation **C**ertificate
CWSA	**C**entral **W**ater and **S**ewerage **A**uthority
DFID	**D**epartment for **I**nternational **D**evelopment
ECCB	**E**astern **C**aribbean **C**entral **B**ank
ECCD	**E**arly **C**hildhood **C**are and **D**evelopment
ECCU	**E**astern **C**aribbean **C**urrency **U**nion
EDF	**E**uropean **D**evelopment **F**und
EU	**E**uropean **U**nion
FACTA	**F**oreign **A**ccount **T**ax **C**ompliance **A**ct
FDI	**F**oreign **D**irect **I**nvestment
FIU	**F**inancial **I**ntelligence **U**nit
FSA	**I**nternational **F**inancial **S**ervices **A**uthority
GDP	**G**ross **D**omestic **P**roduct
GEF	**G**lobal **E**nvironment **F**acility
GVA	**G**ross **V**alue **A**dded
IBC	**I**nternational **B**usiness **C**ompanies
IBRD	**I**nternational **B**ank for **R**econstruction and **D**evelopment
ICT	**I**nformation **C**ommunication **T**echnology
IDA	**I**nternational **D**evelopment **A**ssociation
IMF	**I**nternational **M**onetary **F**und
kWh	**K**ilo **W**att **H**ours
LDC	**L**east **D**eveloped **C**ountries
MOU	**M**emorandum of **U**nderstanding
NAMA	**N**ationally **A**ppropriate **M**itigation **A**ction
NAP	**N**ational **A**daptation **P**lan
NESDP	**N**ational **E**conomic and **S**ocial **D**evelopment **P**lan
NIS	**N**ational **I**nsurance **S**ervices
OECD	**O**rganisational **E**conomic **C**ooperation and **D**evelopment
OECS	**O**rganisation of the **E**astern **C**aribbean **S**tates
OFID	**O**PEC **F**und for **I**nternational **D**evelopment
OPEC	**O**rganization of the **P**etroleum **E**xporting **C**ountries
PAHO	**P**an **A**merican **H**ealth **O**rganisation
PSIP	**P**ublic **S**ector **I**nvestment **P**rogramme
ROC	**R**epublic **O**f **C**hina **(T**aiwan**)**
RDVRP	**R**egional **D**isaster **V**ulnerability **R**eduction **P**rogramme
SET	**S**upport for **E**ducation and **T**raining
SIDS	**S**mall **I**sland **D**eveloping **S**tates

SVGCC	**S**t. **V**incent and the **G**renadines **C**ommunity **C**ollege
SWMU	**S**olid **W**aste **M**anagement **U**nit
TVET	**T**echnical and **V**ocational **E**ducation and **T**raining
UK	**U**nited **K**ingdom
UKCIF	**U**K **C**aribbean **I**nfrastructure **P**artnership **F**und
UNEP	**U**nited **N**ations **E**nvironment **P**rotection
UNFCCC	**U**nited **N**ations **F**ramework **C**onvention on **C**limate **C**hange
US	**U**nited **S**tates
USAID	**U**nited **S**tates **A**gency for **I**nternational **D**evelopment
USD	**U**nited **S**tates **D**ollar
VAT	**V**alue **A**dded **T**ax
VINLEC	**S**t. **V**incent **E**lectricity Services
WHO	**W**orld **H**ealth **O**rganisation
XCD	**E**astern **C**aribbean **D**ollars
m	**M**illion
b	**B**illion

Selected Key Indicators (2013-2018)

	2013	2014	2015	2016	2017	2018P*
Real Sector						
Real GVA Growth (%)	2.3	0.4	0.8	0.8	0.7	2.3
Nominal GDP at Market Prices (EC$M)	1,947.3	1,963.5	2,039.8	2,082.7	2,123.7	2,191.9
Per Capita GDP at Market Prices (EC$)	17,813.9	17,942.5	18,618.3	18,989.3	19,340.9	19,962.0
Point-to-Point Inflation Rate (Period average)	0.8	0.2	-1.7	- 0.1	2.2	2.5
Travel Receipts (EC$M)	249.3	249.4	258.5	270.3	256.8	206.6
Tourist Arrivals (Stay-over)	71,725	70,713	75,381	78,781	75,972	58,658
Fiscal Sector						
Current Balance (% of GDP)	1.4	1.3	0.3	3.6	1.4	1.2
Current Revenue (% of GDP)	25.2	27.3	25.5	28.5	27.9	27.7
Capital Revenue (% of GDP)	1.8	2.0	2.7	1.3	2.4	1.6
Current Expenditure (% of GDP)	28.6	25.9	25.1	24.9	26.5	26.47
Capital Expenditure (% of GDP)	3.6	6.4	4.9	3.8	5.8	4.56
Debt Service (% of Total Revenue)	26.3	26.2	27.6	27.0	30.0	30.0
External Sector						
Current Account Balance (% of GDP)	-30.8	-25.7	-14.9	-15.8	-14.1	n.a
Total Exports	131.8	133.1	126.5	116.1	114.2	n.a
Total Imports	998.8	976.2	900.9	903.9	890.9	n.a
Monetary Sector						
Monetary Liabilities - M2 (% change)	8.5	9.6	4.8	3.0	1.2	n.a
Private Sector Credit	1,047,844	1,045,256	1,069,885	1,084,051	1,100,963	n.a
Private Sector Savings Deposit	717,396	779,443	820,607	845,210	875,794	n.a
Quasi Money	910,822	982,327	1,037,949	1,040,931	1,063,381	n.a
Foreign Direct Investment	430.8	325.3	155.6	413.3	405.6	n.a
Social Sector						
Human Development Index (HDI) Rank	91	97	97	99	99	n.a
Human Development Index (HDI)	0.721	0.72	0.72	0.721	0.723	n.a
Net Enrolment Rate - Primary	13,609	13,427	13,363	13,173	13,194	n.a
Net Enrolment Rate - Secondary	10,394	10,342	10,286	10,117	9,808	n.a
Life Expectancy at birth (years)	72.3	71.4	73.2	72.9	n.a	n.a
Crude Mortality Rate	8.5	9.2	8.0	8.0	n.a	n.a
Expenditure on Education (% of Total Expenditure)	17.8	17.9	17.2	20.0	n.a	n.a
Expenditure on Health (% of Total Expenditure)	10.4	10.6	10.3	11.3	n.a	n.a

* Based on data up to September

n.a - Not available

REVIEW OF ECONOMIC AND SOCIAL ACTIVITY FOR 2018

The economy of St. Vincent and the Grenadines displayed signs of acceleration in its growth momentum. Preliminary estimates indicate that the economy would grow above 2 percent in 2018, over the 0.7 percent experienced in 2017. The improved performance was largely on account of growth in construction, Fishing, manufacturing, and tourism related services.

Activity in the construction sector improved during the first three quarters of 2018, relative to those of 2017. Private sector activities buoyed the performance in the sector. These activities include ongoing works at the Glossy Bay Marina on Canouan, the US$90.1m Geothermal project to deliver 10-15MW of base load power, and the US$65m Black Sand Resort Project at Mt Wynne and Peter's Hope. Meanwhile, residential construction posted growth, albeit at a slower pace than the previous year.

During the first three quarters of 2018, the Fishing sector experienced notable growth, an increase on the rate experienced in the 2017 period. Fish landings increased by 45.1 percent, while the value of those landing rose by 55.6 percent, supported by growth in the price per pound for most species of fish. Accompanying the increases in landings, export volumes grew by 121.0 percent, likely resulting from enhanced marketing drives in the US and adequate support provided by the Argyle International Airport. Meanwhile, export values increased by 127.8 percent as export prices became more lucrative.

In manufacturing, the production of traditional products such as flour, animal feed and mill feed all declined on account of increased levels of competition in regional markets and reduced demand from neighbouring islands affected by hurricanes Irma and Maria. Notwithstanding, the production of construction materials increased notably as a result of increased external demand, driven by reconstruction activities in islands affected by Hurricanes Irma and Maria. Meanwhile, there was growth in beverages as external demand for beers grew.

A combination of internal and external developments facilitated growth in tourism related activities. External factors included growth in the economies of major sources markets such as the USA and Canada. Internally, expansions in operations of the recently opened airport involving the successful negotiations of some major carrier to the destinations have facilitated an increase in Stay over arrivals. Amply supporting these arrivals were growth in the number of cruise ship visitors. The Yacht subsector also performed positively.

Consumer prices increased for the review period compared with that of 2017. The average point to point inflation rate for the period January to September 2018 was 2.5 percent compared with 2.0 percent for the same period in 2017. The highest increase in the inflation rate by 1.7 percent occurred in March 2018. Meanwhile the “All Item” index was recorded at 110.9 for September 2018 compared with 108.4 as at September 2017. This was largely on account of an increase in the “Transport” index by 1.5 percent as a result of higher fuel price.

Consistent with the increased consumer confidence, money and credit conditions improved relative to the comparative period in 2017. Total monetary liabilities (M2) rose by (0.8%). Meanwhile, domestic credit grew by 1.1 percent. At the same time, net foreign assets declined by 3.4 percent while liquidity in the commercial banking system also contracted. During the period, also, commercial bank credit improved marginally, by 0.8 percent.

The fiscal operations of the central government improved yielding a surplus of $0.3m from a deficit of $17.4m in the 2017 period. Current revenue rose by 2.4 percent, led by increased receipts in Taxes on Income and Profits (0.3%), Taxes on Goods and Services (6.9%), Taxes on International Trade (14.0%) and Revenue from the Sale of Goods and Services (11.1%). Similarly, Capital receipts grew by 6.4 percent. Total expenditure declined by 1.1 percent as a 16.2 percent contraction in capital expenditure counterweighted a 0.3 percent growth in recurrent expenditure.

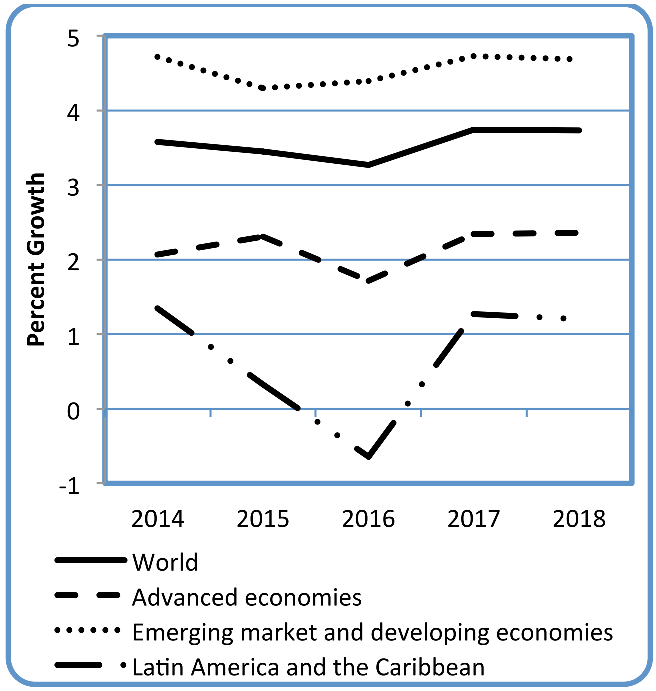
While economic recovery facilitated growth in exports, buoyant domestic demand, on the other hand, caused a relatively faster increase in merchandise imports.

1. INTERNATIONAL AND REGIONAL DEVELOPMENTS

1.1 International Developments

According to the October 2018 IMF World Economic Outlook, the global economy is expected to grow by 3.7 percent in 2018, as it did in 2017. An upswing in economic activity began in the second half of 2017 and continued into the first half of 2018. Despite growth in manufacturing, international trade and investor and consumer confidence early in 2018, by mid-year, the adverse consequences of neo-mercantilist policies began to take root, curtailing the growth momentum. A tit-for-tat trade war between the two largest economies, the United States and China, suppressed investment activities as uncertainties arose. Meanwhile, decelerated global demand growth also effectuated downside pressures on the world economy.

Figure 1.1: Growth Rates 2014-2018



Source: IMF World Economic Outlook Database, October 2018

In the meantime, advanced economies registered growth of 2.4 percent, similar to the 2.3 percent of 2017. The United States is expected to grow by 2.9 percent, from 2.2 percent in 2017 in the backdrop of rising fiscal stimuli. On the contrary, growth projections for the United Kingdom (1.4 percent from 1.7 percent) as well as the Euro Area (2.0 percent from 2.4 percent) reflect deceleration as industrial productions declined. Growth in Japan slowed to 1.1 percent in 2018 from 1.7 percent the previous year as a tepidity of wage growth, granted that the economy has long been at full employment, as well as a rise in inflation rates, placed downward pressures on domestic demand.

Overall, emerging markets and developing economies grew by 4.7 percent as it did in 2017, although performances have been customarily uneven across territories. Growth among oil producers was driven by rising fuel prices. On the flip side, performances among non-oil producers were tempered by higher oil-import bills. Both sets of economies were also challenged by tighter financial conditions and geo-political tensions. The unevenness across territories also had a geographical undertone. For instance, emerging and developing Asia continued to grow above 5 percent, while other regions grew below the 5 percent threshold. China grew by 6.6 percent in 2018, down from 6.9 percent as the impact to an extant trade war with the United States caused a deceleration. Meanwhile India grew by 7.3 percent during 2018, led by an expansion of technological start-ups and exports.

The recovery in Latin America and the Caribbean continued in 2018, albeit at a slow pace. On average, these economies grew by 1.2 percent, relative to 1.3 percent in 2017, as adverse financial conditions subdued growth. Brazil's economy expanded by 1.4 percent, improving on the 1.0 percent experienced in 2017 as it continued its recovery. Notwithstanding, its potential was curtailed by labour tensions, including a nation-wide truckers strike that disrupted production. Meanwhile, the rebound in Argentina was tempered by severe drought conditions.

1.2 Regional Developments

An overall growth momentum continued among ECCB member States. Growth in the ECCU is projected to be 2.9 percent by year end. All of the countries posted growth, with the exception of Anguilla and Dominica, the countries ravaged by hurricanes Irma and Maria in 2017.

Strong consumption in the US, a major trading partner of the ECCU, supported economic activity in the Union. Of particular importance were tourism related activities, buoyed by increased visitor arrivals and expenditure. The construction sector displayed robust growth led by an up-tick in private sector development in most territories. The agriculture sector also performed amicably as banana production expanded by 22.2 percent for the first half of the year as a result of increased export demand for agricultural commodities. Meanwhile, manufacturing activity strengthened, led by increases in beverage production across most territories.

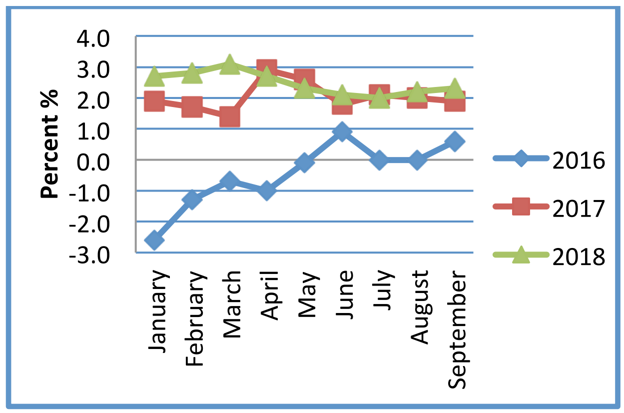
2. ECONOMIC AND FINANCIAL DEVELOPMENTS

2.1 Consumer Prices

The average point to point inflation rate for the period January to September 2018, was 2.5 percent compared with 2.0 percent for the same period in 2017. There were increases in most of the monthly inflation rates for the review period with the exception of April, May and July. The highest increase in the inflation rate by 1.7 percent occurred in March 2018 *(see figure 2.1)*. The "All Item" index was recorded at 110.9 for September 2018 compared with 108.4 as at September 2017. This change was largely on account of a 1.5 percent increase in the "Transport" index occasioned by higher fuel prices.

As at September 2018, five (5) groups recorded increases. These groups were Housing, Water, Electricity and other Fuels (1%); Alcoholic Beverages, Tobacco & Narcotics (0.5%) Clothing and Footwear (0.3%); Furnishings, Household Equipment and Household Maintenance (0.2%) and Education (0.2%). While, three (3) groups recorded decreases, Transport (2.2%), Health (0.2%) and Food and Non-alcoholic beverages (0.1%), while four (4) groups (Communication, Recreation and Culture, Hotels and Restaurant and Miscellaneous Goods and Services) remained unchanged.

Figure 2.1: Point-to-point Inflation Rates, Jan-Sept, 2016-2018



Source: Statistical Office, Ministry of Finance and Economic Planning

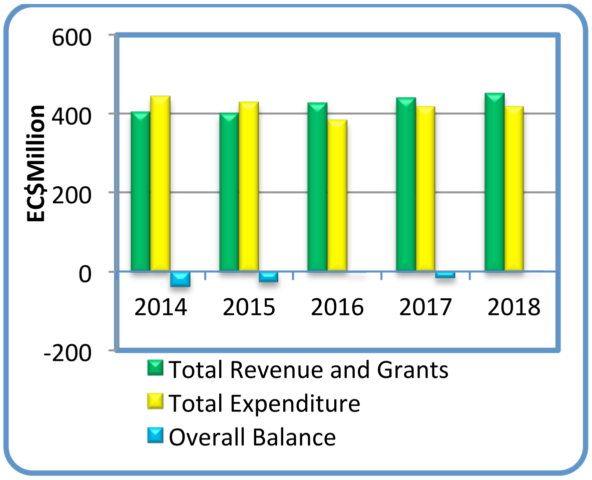
2.2 Government Finances

Central Government Fiscal Operations

The central government fiscal operations marginally improved for the period January to September 2018 compared with the same period in 2017. Current revenue increased by 2.6 percent to \$432.7m, while current expenditure increased by 0.3 percent to \$419.3m *(see figure 2.2)*. Consequently, the primary balance improved, moving from a surplus of \$15.7m in 2017 to \$36.1m in

2018. The overall balance also improved moving from a deficit of $17.4m in 2017 to a surplus of $0.03m.

Figure 2.2: Central Government Fiscal Operations, Jan – Sept, 2014 - 2018



Source: Ministry of Finance and Economic Planning

Revenue

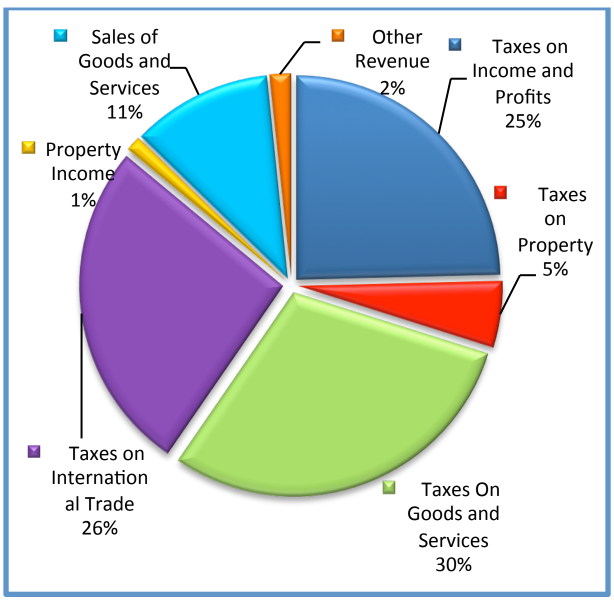
Current revenue increased by 2.6 percent during the review period, in contrast with a 0.1 percent decline in the corresponding period of 2017. This was comprised of tax revenue of $372.3m and non-tax revenue of $48.1m. In addition, tax revenue increased by 0.9 percent while non-tax revenue contracted by 11.1 percent.

Receipts from Taxes on Income and Profits grew by 0.3 percent to $106.5m, mainly due to higher collections from Corporation and Non-Residents (Withholding) Taxes. These taxes increased by 5.5 percent and 9.6 percent, respectively, when compared with the same period in 2017. On the contrary, Taxes on Individuals went down by 4.5 percent compared with the corresponding period in 2017, partly reflecting the impact of tax rate reduction measures introduced in 2018. The top marginal rate was reduced from 32.5 percent to 30.0 percent. In addition, there was an increase in the tax threshold from $18,000 to $20,000. This became effective in January 2018.

Similarly, revenue from Taxes on Property declined by 45.8 percent to $22.7m. This decrease resulted from lower receipts from Alien Land Holding License which fell by 58.6 percent and Stamp Duty on Property which contracted by 47.8 percent, both on account of a reduction in land sales during the period. Contrastingly, collections from taxes on immovable property rose by 21.7 percent.

As at September 30, 2018, Taxes on Goods and Services increased by 6.9 percent to $128.7m. This was mainly as a result of a 47.3 percent increase in receipts from Interest Levy. Revenue from VAT also increased, by 3.2 percent, on account of the 1.0 percentage point increase in the rate (effective May, 2017) and an uptick in domestic business activities. Higher receipts from Excise Duty on Imports (4.3%), Insurance Premium Tax (12.7%), Motor Vehicle Licence (5.6%), Telecommunications Broadcast Licence (19.8%) and Yacht Licence (34.6%) also contributed to the increase in receipts in taxes on Good and Services. Meanwhile, receipts from Excise Duty on Domestic Transactions and Merchant Shipping International Fees fell by 6.5 percent and 10.3 percent, respectively *(see figure 2.3)*.

Figure 2.3: Composition of Current Revenue, Jan – Sept, 2018



Source: Ministry of Finance and Economic Planning

Revenue from International Trade Taxes, which amounted to $114.4m, was 14.0 percent higher than the amount collected for the corresponding period in 2017. Under this rubric, revenue from all major subcomponents increased: VAT (9.0%), Import Duty (16.4%) and Vehicle Surtax (58.9%). VAT receipts benefitted from a 10.1 percent increase in merchandise imports during the period and the 1.0 percentage point increase in the rate. Vehicle Surtax improved as a result of a 2.1 percent increase in the quantity of used vehicles imported and also from increases in the applied rates.

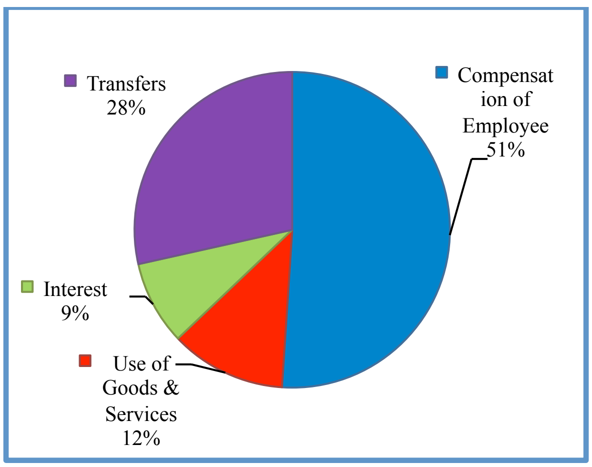
Revenue from Sale of Goods and Services grossed $48.1m, this represents an 11.1 percent improvement over the amount collected in 2017. This was mainly due to increased collections from Customs Service Charge, which rose by 13.8 percent, largely as a result of the above-mentioned growth in merchandise imports. Additionally, receipts from Drivers Licence increased by 10.5 percent. These performances were however offset by lower receipt of Business Registration (CIPO) fees, as this decreased by 40.9 percent.

Capital receipts as at September 30, 2018 amounted to $19.9m, up 6.4 percent from the amount collected during the corresponding period in 2017. This was fuelled by a 39.2 percent increase in grants.

Expenditure

Total expenditure decreased by 1.1 percent, influenced by a 16.2 percent decline in capital expenditure. Recurrent expenditure amounted to $419.3m, a 0.3 percent growth from $418.1m in 2017. Personal emoluments amounted to $204.4m, while the Employer's Social Security Contribution summed to $9.6m. These were responsible for the overall 2.6 percent increase in Compensation of Employees. The 2.5 percent increase in spending on Wages and Salaries was mainly due to increase in increments and allowances during the period (*see figure 2.4*).

Figure 2.4: Composition of Current Expenditure, Jan-Sept, 2018



Source: Ministry of Finance and Economic Planning

Interest Payments increased during the period by 8.9 percent to $36.1m, mainly as a result of higher payments on both the domestic and external components. On the domestic side, Interest Payment amounted to $21.6m on account of new loans contracted. Meanwhile, Interest on the external component of the debt went up mainly due to increases in the CDB variable interest rate during the period. Outlays on Transfers declined by 7.2 percent to $119.5m due to a decrease in the amounts expended on Current Grants to Other Agencies, Pension Benefits and Social Assistance Benefits. Expenditure on these items fell by 6.7 percent, 4.7 percent and 4.6 percent, respectively.

Capital Expenditure for the first nine months amounted to $33.3m, down 16.2 percent from $39.8m recorded for the same period in 2017. The low capital spending reflects partly slow implementation rate on on-going projects and tardy processing of journals to account for direct payments made to various contractors by funding agencies.

2.3 Public Debt

As at September 30, 2018, total outstanding public debt stood at $1.6b, reflecting a decrease of 4.7 percent when compared to $1.7b at the end of September 2017. Of total debt, domestic debt represented 32.8 percent ($528.2m) while external debt amounted to $1.1b, representing the remaining 67.2 percent (*see figure 2.5*). For the period under review, the debt to GDP ratio declined by

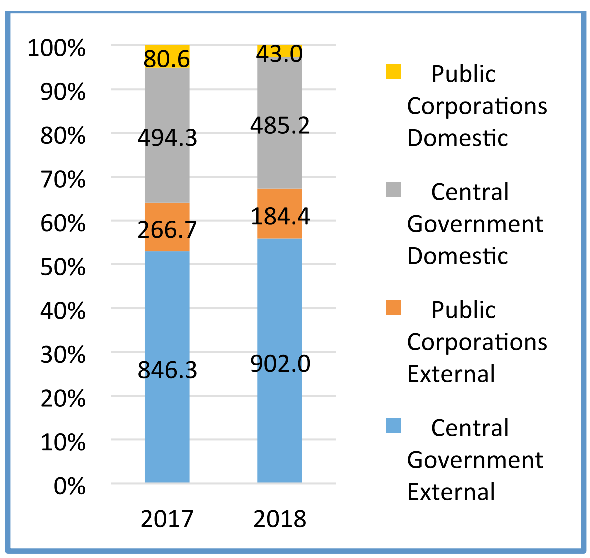
6.2 percentage points from 80.0 percent to 73.8 percent. The downward trajectory of the debt ratio demonstrates the government's commitment to further reducing this ratio to achieve the Eastern Caribbean Currency Union (ECCU) 60 percent target by 2030. As such, the IMF posits that this will require policy adjustments that will generate an increase of 0.5 percentage point in the primary surplus; the equivalent of at least 1.0 percent of GDP. With expected economic growth and continued fiscal consolidation, the debt is projected to approach sustainable parameters.

The country's sovereign debt was rated B3 with a stable outlook by Moody's Investor Services in its most recent publication. It highlighted that the majority of government debt is concessional which keeps debt servicing costs relatively low. Interest payments as a share of revenue was 9.4 percent in 2018, below the B-rated median of 10.5 percent when compared to its peer countries (Moody's Report, 2019 p.10).

Central government debt increased by 3.7 percent, moving from \$1.3b at the end of September 2017 to \$1.4b at the end September 2018. Of the total central government debt, the external component grew by 6.6 percent, while the domestic portion decreased by 1.8 percent. The increase in the external component was mainly due to greater levels of bond holdings by residents outside St. Vincent and the Grenadines, as well as, increased disbursements on existing loans contracted externally. On the domestic side, the decline was mainly as a result of the re-adjustment of the value of the stock of accounts payables to reflect the value of outstanding invoices to suppliers.

In contrast, total public corporations' (state-owned enterprises) debt decreased by 34.5 percent from \$347.3m recorded in 2017 to \$227.4m in 2018. This decline was mainly attributed to the Petro Caribe debt forgiveness of \$85.3m granted by the Bolivarian Republic of Venezuela.

Figure 2.5: Composition of Total Public Debt Sept, 2017 and 2018



Source: Ministry of Finance and Economic Planning

Of the total debt, 62.4 percent was contracted from bilateral and multilateral creditors on concessional terms, with the majority of these instruments being greater than 10 years. As a result, if this borrowing pattern continues, it would result in a lengthening of the redemption profile. The Medium-Term Debt Strategy Report, 2018-2020, reveals the following characteristics:

- Average time to maturity of the debt is 10.8 years;
- Average time for interest rate re-fixing 9.9 years;
- Debt maturing within one (1) year is 12.7 percent;
- Interest payment to GDP 1.6 percent; and
- Weighted average interest rate of 3.5 percent.

The Caribbean Development Bank (CDB) is the largest creditor, accounting for 1/3 third of all external loans. The country continues to draw-down funds from the two financing arms of the CDB called the "Ordinary Capital Resources" component and its highly concessional "Special Funds Resources" to finance a number of projects. The remaining multilateral creditors, including the World Bank, International Monetary Fund and CARICOM Development Fund hold roughly 11.8 percent of the debt. The ALBA Bank and the Republic of China (on Taiwan) are the largest sources of bilateral financing. Combined they account for 24.2 percent of the total debt. These lenders provide loans on highly concessional terms. The remaining debt is held by other bilateral creditors, such as bondholders and commercial creditors.

Bonds and treasury bills constitute 48.7 percent of total domestic debt, followed by loans which accounted for 31.1 percent. The remainder is attributable to various short-term debt instruments (insurance deposits and accounts payables).

Of the total debt, 88.7 percent was denominated in foreign currency. However, the bulk of this consisted of USD denominated debt, 80.0 percent. The domestic currency is pegged to the USD which limits the impact of any adverse exchange rate fluctuations. When combined, the XCD and USD denominated debt accounted for 89.0 percent of total debt. The non-USD currency denominated debt was 11.0 percent of the total, limiting exposure to foreign exchange risk.

Debt Servicing

For the period under review, central government debt servicing cost decreased by 1.4 percent, moving from $129.6m to $127.9m. The decrease was occasioned by early repayment on external loans. This caused total central government loan amortization to decline by 5.1 percent, moving from $96.5m in 2017 to $91.6m in 2018. Conversely, interest payments increased over the same period, appreciating by 9.5 percent to $36.2 million in 2018. The rise in interest rates was mainly attributed to global interest rates recovery particularly on the LIBOR and other commercial rates, as well as, greater levels of coupon interest payments on bond issuance. The external debt service to current revenue was 13.4 percent and the domestic debt service to revenue ratio was 16.1 percent at the end of September, 2018.

2.4 International Trade

Merchandise Trade

St. Vincent and the Grenadines' performance in the international trade arena was mixed during the first three quarters of 2018. Preliminary data show that merchandise trade declined slightly (0.7%) to $780.3m and the deficit on the balance of trade worsened by $53.8m or 9.8 percent to $604.9m. On the positive side, domestic exports improved by $12.6m or 18.7 percent over the 2017 figure.

Merchandise Imports

At the end of September 2018, merchandise imports amounted to $692.6m, a 10.1 percent growth relative to the corresponding period in 2017. This outturn was driven by growth in the following subcategories: mineral fuels etc. (66.8%); miscellaneous manufactured articles (23.3%); manufactured goods classified chiefly by material (7.0%); food and live animals (2.9%); and chemicals and related products (7.7%). Meanwhile, machinery and transport equipment (7.8%) and crude materials exclusive of fuels (7.9%) fell (see Table 1).

Table 1: Growth of Imports by SITC Section, Jan-Sept, 2018

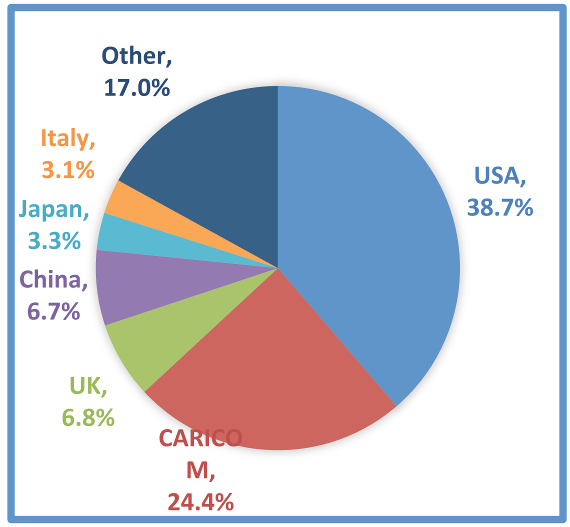
Imports by SITC Section	Growth	
	Rate (%)	Value ($M)
Food and live animals	2.9	4.2
Beverages and tobacco	4.5	1.1
Crude materials, inedible, except fuels	-7.9	-1.4
Mineral fuels, lubricants and related materials	66.8	42.7
Animal and vegetable oils, fats and waxes	13.9	0.4
Chemicals and related products	7.7	3.8
Manufactured goods classified chiefly by material	7.0	8.1
Machinery and transport equipment	-7.8	-11.1
Miscellaneous manufactured articles	23.3	15.7

Source: Statistical Office, Ministry of Finance and Economic Planning

As it relates to the composition of imports, food and live animals (21.6%), machinery and transport equipment (19.0%) and manufactured goods classified chiefly by material (18.0%) were the main import categories. Two other important categories were mineral fuels, etc. and miscellaneous manufactured articles which accounted for 15.4 percent and 12.0 percent, respectively.

The United States of America (USA) continues to be the primary supplier of imports to St Vincent and the Grenadines. Imports from the USA totalled $268.1m, accounting for 38.7 percent of imports. The second largest source of imports was the CARICOM countries, accounting for 24.4 percent. Within CARICOM, Trinidad and Tobago (73.9%), Barbados (9.1%), Guyana (7.0%) and Jamaica (3.3%) were the major suppliers. The third and fourth largest suppliers were the United Kingdom (UK) and China, each accounting for 6.7 percent of the market share *(see Figure 2.6)*.

Figure 2.6: Composition of Import Markets, Jan-Sept, 2018



Source: Statistical Office, Ministry of Finance and Economic Planning

Merchandise Exports

At the end of the third quarter of 2018, merchandise exports amounted to $87.7m, a 12.2 percent expansion relative to the corresponding amount of $78.2m in 2017. This improved performance was fuelled by an increase in domestic exports of 18.7 percent which outpaced the decline in re-exports of 28.2 percent. At the category level, growth was recorded in manufactured goods classified chiefly by materials (152.9% or $13.8m) and beverages and tobacco (17.6% or $2.0m). The expansion in manufactured goods was associated with higher demand from Dominica and British Virgin Islands for building materials for post-disaster reconstruction activities. Increased demand for beers was the main driver for the improvement in the beverages and tobacco category. Meanwhile, export of food and live animals, the largest export category occupying 49.3 percent of the export composition, declined by 7.1 percent or $3.3m (see table 2). This contraction is attributable to a reduction in the export of flour as a result of competition in the regional market and reduced demand from neighbouring islands affected by hurricanes Irma and Maria.

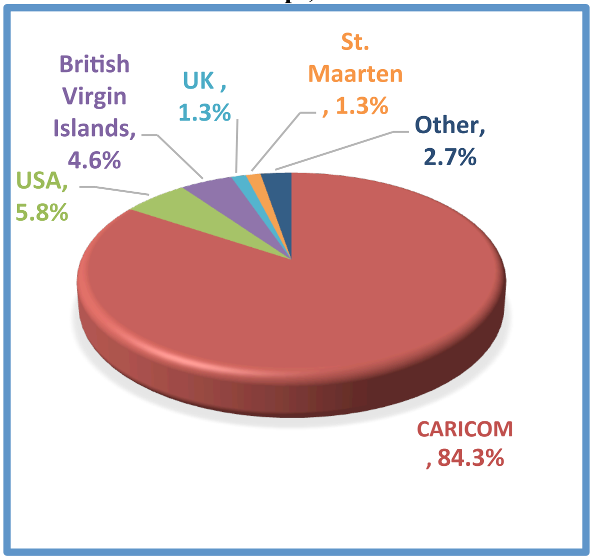
Table 2:Growth of Exports by SITC Section, Jan-Sept, 2018

Exports by SITC Section	Growth	
	Rate (%)	Value ($M)
Food and live animals	-7.1	-3.3
Beverages and tobacco	17.6	2.0
Crude materials, inedible, except fuels	64.3	0.2
Mineral fuels, lubricants and related materials	243.2	0.0
Animal and vegetable oils, fats and waxes	91.8	0.0
Chemicals and related products	-14.9	-0.1
Manufactured goods classified chiefly by material	152.9	13.8
Machinery and transport equipment	-39.0	-3.3
Miscellaneous manufactured articles	17.7	0.3

Source: Statistical Office, Ministry of Finance and Economic Planning

During the first nine months of 2018, CARICOM countries absorbed $73.9m or 84.3 percent of St Vincent and the Grenadines' exports. Within CARICOM, Dominica (22.8%), Barbados (16.0%), Antigua and Barbuda (14.8%) and St. Lucia (13.8%) acquired the majority of the exports. The British Virgin Islands, an associate member of CARICOM, received 4.6 percent of exports. At the international level, the USA and UK were the largest markets. Exports shipped to these two partners amounted to $5.1m or 5.8 percent and $1.2m or 1.3 percent, respectively *(see figure 2.7)*.

Figure 2.7: Composition of Export Markets, Jan-Sept, 2018



Source: Statistical Office, Ministry of Finance and Economic Planning

2.5 Money and Credit

During the first nine months of 2018, money and credit conditions were mixed. Total monetary liabilities and domestic credit continued to grow relative to the corresponding period in 2017, while net foreign assets and liquidity declined. Additionally, the weighted average interest rate spread narrowed over the same period.

Money Supply

Following growth of 3.5 percent in the first three quarters of 2017, monetary liabilities (M2) rose by 0.8 percent to $1.54b at the end of September 2018. This outturn was led by a 2.8 percent increase in narrow money (M1), as quasi money remained virtually unchanged. Growth in narrow money was driven by increases in all the categories: private sector demand deposits (1.9%), currency in circulation (3.9%) and EC cheques and drafts issued (29.0%). Meanwhile, within quasi money, an increase in private sector savings deposits (1.1%), its largest component, was equally counterweighted by reductions in private sector time deposits (3.4%) and foreign currency deposits (7.5%).

Domestic Credit

During the review period, domestic credit rose by 1.1 percent to $1.1b. This performance was due to a 10.9 percent increase in net credit to general government. Credit to the private sector grew slightly (0.2%) owing to a 1.2 percent rise in outstanding loans to households while those to businesses continued to contract (1.4%). The business sector in the Eastern Caribbean States continued to be adversely affected by increased risk aversion by commercial banks. Meanwhile, the net deposit position of non-financial public enterprises fell by 0.5 percent.

Commercial Bank Credit by Economic Activity

An analysis of the distribution of commercial bank credit by economic activity indicates that outstanding loans grew marginally (0.8%) to $1.2b. This outturn was led by marginal growth in loans extended for personal use (0.7%), propelled by credit for acquisition of property (2.4%) and purchase of durable consumer goods (5.4%). As it relates to credit extended to the major productive sectors, construction and land development (52.2%) and distributive trade (4.1%) registered expansions, while declines were recorded in loans for agriculture (20.7%), manufacturing (9.5%) and tourism (31.1%).

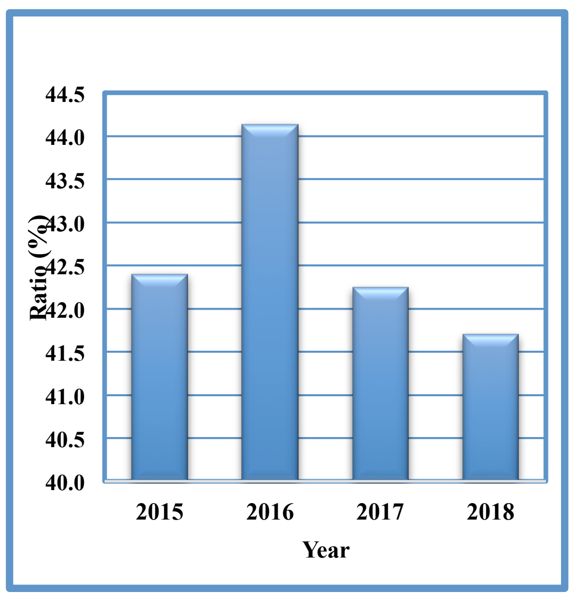
Foreign Assets

The net foreign assets of the commercial banking system stood at $607.9m at the end of September 2018, a decline of 3.4 percent over the corresponding 2017 period. This fall off was associated with a decline in the Central Bank imputed reserves (4.6%). Foreign assets held in commercial banks grew by 1.5 percent buoyed by growth in assets held with institutions within the Currency Union (23.0%), which outpaced the reduction in assets held in other institutions outside the Currency Union (80.3%).

Liquidity and Commercial Bank Interest Rates

Liquidity in the commercial banking system contracted at the end of September 2018. This was evidenced by a decrease in the ratio of liquid assets to total deposits plus liquid liabilities by 54 basis points to 41.7 percent (*see figure 2.8*). In addition, the ratio of net liquid assets to total deposits fell by 2.6 percentage points while the liquid assets to total assets ratio contracted by 16 basis points.

Figure 2.8: Liquidity Analysis (Liquid Assets to total deposits and Liquid Liabilities), Jan-Sept, 2015-2018



Source: Eastern Caribbean Central Bank

Since the decision by ECCB's Monetary Council to cut the minimum savings deposit rate to 2.0 percent in 2015 to stimulate credit growth, interest rates continue to fall. The weighted average interest rate on loans decreased by 28 basis points to 8.43 percent while on deposits, the rate fell by 3.0 basis points to 1.80 percent. As a result, the weighted average interest rate spread between loans and deposits declined marginally to 6.79 percent.

3. THE REAL ECONOMY

3.1 Agriculture

The agriculture sector remains critical in the country's thrust of stimulating economic growth, while at the same time, eliminating poverty and hunger. Despite a decline in credit, the sector performed positively, evidenced by a 3.3 percent growth in crop production for the January to September period of 2018. The Government of St. Vincent and the Grenadines continues to intensify its efforts to revitalize and modernise the sector. The efforts at revitalisation and modernisation include scientific applications and the introduction of innovative technologies and techniques. These are necessary to improve productivity and to combat emanating vector and pest diseases associated with climate change and climate variability, as well as the adverse vicissitudes of dynamic markets.

During the review period, activities undertaken in the sector include:

- Completion and operationalisation of a new composting facility for the production of compost and bio-fertilisers. Four tonnes of high-quality compost and 2 tonnes of bio-fertiliser/pro-biotics were produced. It is anticipated that there will be increased usage of organic materials for production of agricultural commodities.
- A new apiary was established on Union Island for the production of honey. This facility is operated by the Union Island Fisherfolk Cooperative with assistance from USAID through the Nature Conservancy and Sustainable Grenadines Inc.
- Rehabilitation of irrigation intakes and distribution systems at Langley Park.
- Continued work on the Langley Park palletisation facility for the collection, washing, sorting, packaging and storing of fresh fruits and vegetables for the domestic, regional and international markets.
- The procurement of a pelletiser to provide alternate forage material during droughts and floods.
- The procurement of heat tolerant goats. This is expected to strengthen the resilience of livestock against the

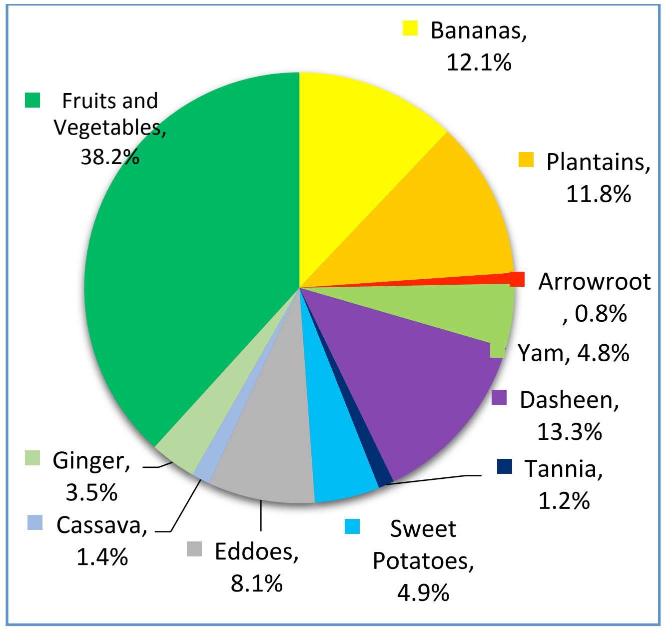
effects of climate variability, specifically rising temperatures.

- The launch of the greenhouse park at Montreal, which is expected to enhance the production of vegetables.
- The completion of a probiotic lab at Orange Hill in support of the production of organic pesticides and fertilisers.
- The completion of a pesticide storage shed at Dumbarton for the safe storage of chemicals used in the sector.
- The germination of over 100,000 coffee seeds and the dissemination of 19300 coffee plants as part of the agriculture diversification efforts.

3.2 Crops

Preliminary data reveal that total crop production increased by 3.3 percent for the January to September period of 2018, relative to the same period of 2017. This subsector registered output of 77.7m lbs in 2018, compared with 75.2m lbs in 2017. The growth in crop production was on account of a rise in the category "other crops". Figure 3.1 portrays the composition of crops for the January to September period of 2018. Fruit and vegetables accounted for 38.2 percent of total crops produced. Bananas and plantains, together accounted for 23.9 percent, while root and tubers[1] accounted for the remaining 37.9 percent.

Figure 3.1: Composition of Crops, Jan –Sept, 2018



Ministry of Agriculture, Forestry, Fisheries, Rural Transformation, Industry and Labour

Banana and Plantain

Amidst the challenges posed by climate change, pests and diseases and market access, notable efforts were made to enhance farmers' capacity to improve fruit quality and productivity. Activity in the banana subsector is estimated to have declined during the review period. Preliminary data show that banana farms realized a yield of 4,264 tonnes (this represents 12.1 percent of total crops produced) for the period of

[1] Roots and tubers include arrowroot, yam, dasheen, sweet potato, tannia, eddoes, Cassava and Ginger.

January to September of 2018, a decrease of 1.6 percent over the 4,332 tonnes for 2017.

For the period under review, 1,369 tonnes of bananas valued at approximately $2.0m were exported to regional markets compared with 1,358 tonnes valued at $1.6m for the same period of 2017. This revealed a 21.0 percent growth in the value of bananas exported to the region. The growth was attributable to an increase in the average price per kg, from $1.21 to $1.45. New demand from St. Kitts and Nevis and the British Virgin Islands absorbed more of the country's bananas that may have otherwise been shipped to Barbados and Trinidad and Tobago. While the Barbadian economy has been mired in sluggish growth, exporters to Trinidad and Tobago were challenged by currency conversion issues, exacerbated by devaluations.

Efforts to control the Black Sigatoka disease continued, with regular ground operations complemented by one (1) aerial spraying cycle. A total area of 4,136.8 acres comprising 1,561 farms were sprayed during the operations. The average Cronshaw level was 1.3 at the end of September 2018, which is satisfactorily below the threshold value of 2.5. This was a further reduction from the 2.3 registered in the 2017 period.

The plantain subsector is estimated to have improved during the review period. Preliminary data showed a yield of 3,591 tonnes, an increase of 2.5 percent over the 3,502 tonnes for 2017. For the same period, 1,156 tonnes of plantain valued at approximately EC$1.3m were exported to the regional market. Notwithstanding, the volume of plantain exported declined by 8.5 percent, while the total value contracted by 8.0 percent, relative to 2017.

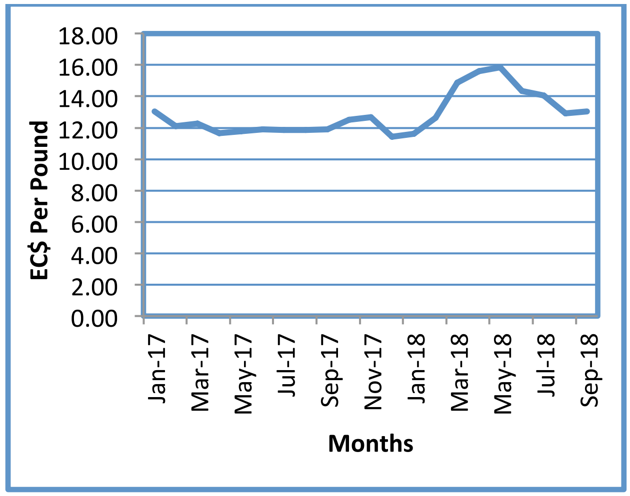
Cocoa

During the period under review, 480 acres were cultivated for cocoa production. In the three years since the planting aspect of the revitalisation program begun, the cocoa industry has grown to be the largest single source of agricultural workers, employing more than 250 employees. On average, cocoa plants take 3 to 5 years to yield a crop. As such, the industry has not yet attained the expected outputs from sown crops. Accordingly, during the review period, 44,295 lbs of cocoa beans were produced, compared with 35,700 lbs in the corresponding period, a 24.1 percent increase.

In the same period, the country exported 48,224 lbs of cocoa and its by-products. This amount represents an increase over the 1,102 lbs exported in the corresponding period of 2017, as the reintroduced industry began to 'bear fruits'. In the 2018 period, 54.1 percent of the exported cocoa and cocoa by-products were in its raw form. The other 45.9 percent was in the form of by-products, mainly as chocolate bars. In the 2017 period, all of it was in the raw form, as the country only began to export chocolate bars during the last quarter of that year.

From a value perspective, exports from this newly reintroduced industry amounted to \$0.3 million from a mere \$9,000 in the previous year. Meanwhile, the price per pound of cocoa in its raw form slipped from \$8.01 to \$7.35, an 8.3 percent contraction. Comparatively, global cocoa bean prices were more lucrative in the first three quarters of 2018 than they were for the corresponding 2017 period. For the 2017 period, global cocoa beans were traded at \$12.04 per pound, peaking at \$13.04 in January and experiencing a trough of \$11.67 in April. In the 2018 period, however, cocoa beans were traded at an average monthly price of \$13.88, with a peak of \$15.83 in May 2018, and a low of \$11.61 in January of 2018 (*see figure 3.2*).

Figure 3.2: Average Monthly Cocoa Beans Prices per Pound



Source: Index Mundi[2], 2019

Other Crops

Preliminary data indicate a 4.0 percent increase in yield for Other Crops from January to September 2018, relative to the same period of 2017, moving from 65.6m lbs to 68.3m lbs. A 2.2 percent growth in the production in temporary crops[3], the weightier component of crop production, was well supported by a 4.5 percent increase in permanent crops[4]. Temporary crops accounted for 52.1 percent of the category Other Crops.

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[2] Adapted from: https://www.indexmundi.com/commodities/?commodity=cocoa-beans&months=240

[3] Crops that must be re-sowed after each harvest. These crops are usually sowed and harvested in the same agricultural year.

[4] Crops that can last for more than one harvest without being replanted.

The production of the following root crops contracted: yellow yams (3.7%), Portuguese yams (17.6%), ginger (14.7%), eddoes (1.8%) and sweet potatoes (6.9%). Notwithstanding, dasheen and tannia grew by 16.2 percent and 2.4 percent, respectively, During the months of January to September of 2018, the value of root crop exported was \$6.5m compared with \$6.7m for the corresponding period of 2017. Export earnings from root crops accounted for 57.9 percent of total crop earnings of \$11.2m in 2018.

Amidst drier conditions, the production of fruits and vegetables contracted by 0.8 percent during the period under review. For 2018, the production levels were 29.4m lbs, compared with 29.6m lbs in 2017. The production of the following fruits and vegetables contracted: cabbage (7.8%), carrots (15.9%), cucumber (47.1%), eggplant (8.8%) and tomatoes (20.4%). Notwithstanding, the net weight and value of exports to the region increased by 13.1 percent and 6.3 percent, respectively, as new regional markets contended with the supply to the domestic market.

3.3 Livestock

Livestock production continues to be an essential part of the agricultural diversification efforts of the government. The Animal Health and Production Programme is contributing to the enhancement of food security through the implementation of sustainable livestock production using improved technology such as hormone synchronization and artificial insemination. The services provided have assisted farmers to improve livestock productivity through the efficient use of locally available animal feed, adequate management practices and breeding programmes for indigenous and upgraded animals.

For the period January to September 2018, two hundred and sixty-seven (267) heads of cattle were exported to Grenada, in comparison to 170 for the 2017 period. This represents a 57.1 percent increase. In addition, the country exported 36 live sheep to Grenada compared with zero for the same period of 2017.

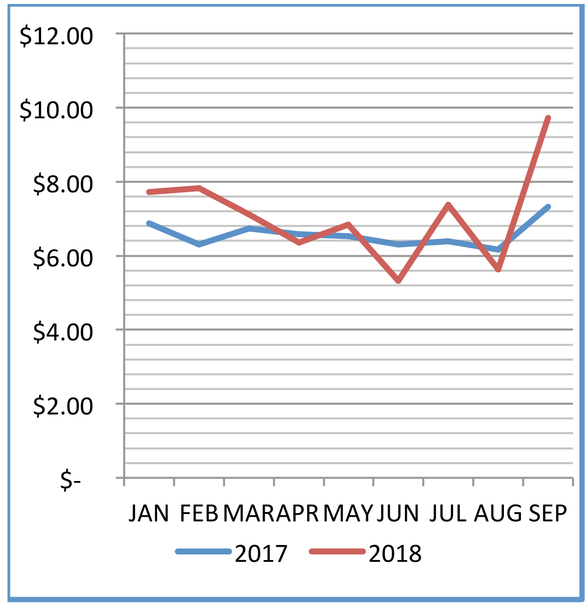
3.4 Fishing

The fishing sector continued to experience growth. During the first three quarters of 2018, fish landings increased by 45.1 percent to 1.8m lbs from 1.2m lbs in 2017. Similarly, the value of fish landings rose by 55.6

percent, from \$8.0m to \$12.4m. Meanwhile, the average cross species price per lb increased from \$6.55 to \$7.03 (*see figure 3.3*) as the price per pound of most species rose. The increased price of cross species may be attributed to higher fuel prices and greater export demand. Notable exceptions included jacks, kingfish and little tuna, which, despite contractions in supply, posted reduced prices, as consumer tastes and preference for those particular species changed.

During the review period, the cross-species price conveyed more volatility than it did for the similar period in 2017, even as the range of prices widened. In 2017, the index ranged from \$6.17 to \$7.96 while in 2018 it ranged from \$5.32 to \$9.73, influenced by fluctuations in the supply of seasonal high-end species such as lobster.

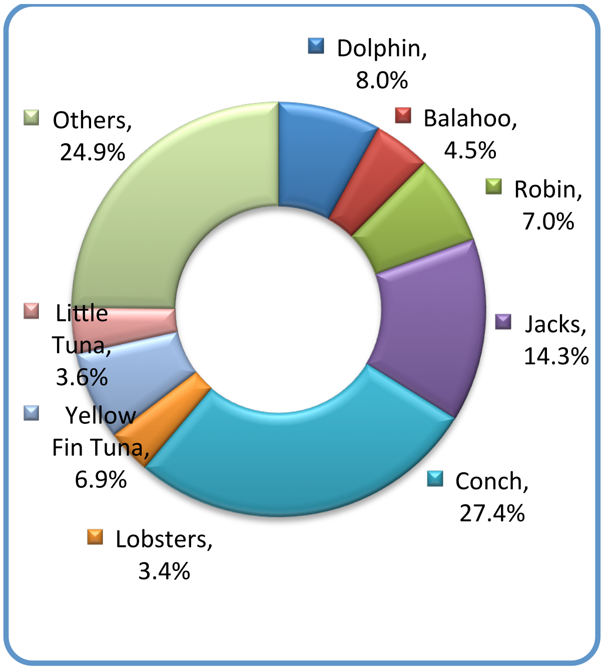
Figure 3.3: Monthly Cross Specie Prices, Jan – Sept, 2017 and 2018



Ministry of Agriculture, Forestry, Fisheries, Rural Transformation, Industry and Labour

Fish landings increased for each month of the three quarters in 2018, compared with the corresponding period of 2017. The major species caught were Conch (27.4%), Jacks (14.3%), Dolphin (8.0%), Robin (7.0%), Yellow Fin Tuna (6.9%), Ballahoo (4.5%), Little Tuna (3.6%) and Lobsters (3.4%), (*see figure 3.4*).

Figure 3.4: Composition of Fish Landings, Jan-Sept, 2018

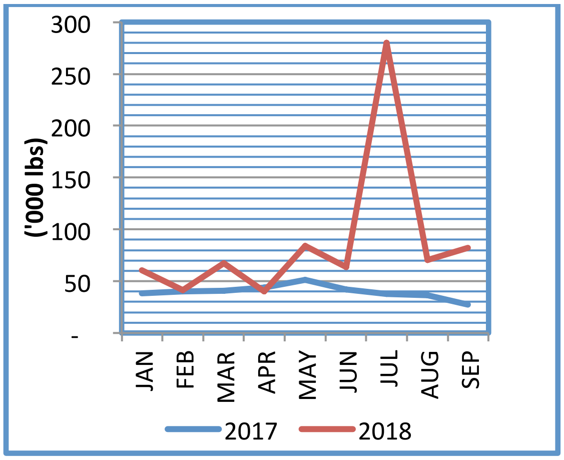


Source: Ministry of Agriculture, Rural Transformation, Forestry and Fisheries

Accompanying the expansion in fish landings, export volumes further increased by 121.0 percent during the January to September period of 2018, compared with growth of 112.5 percent during that of 2017. The period registered fish exports of 789,009 lbs from 357,009 lbs. These increases were the continued benefits of enhanced marketing drives, particularly in the US market, due to improved airlift at the Argyle International Airport. During the review period, exports of fish represented 44.7 percent of the volume of fish landed compared with 29.1 percent in 2017. Similarly, the value of exported fish grew by 127.8 percent from EC$2.7m to EC$6.1m. This is further from a growth of 116.2 percent in the 2017 period, as expansions in volume were supported by a 3.1 percent increase in the average price per lb of fish exported.

Figure 3.5 conveys the monthly comparisons of fish exports from St. Vincent and the Grenadines, for both 2017 and 2018. With the exception of April 2018, fish exports for all of the months exceeded their counterparts of 2017. During the January to September period of 2017, fish exports ranged from 27,386 lbs (September) to 51,120 lbs (May). In the corresponding period of 2018, however, exports ranged from 39,939 lbs (April) to 279,746 lbs (July). Of notable importance was the glut of July 2018. This was mainly on account of a spike in the exportation of conch, which accounted for 75.6 percent of the total fish exports that month.

Figure 3.5: Export Volume of Fish, Jan- Sept, 2017 and 2018



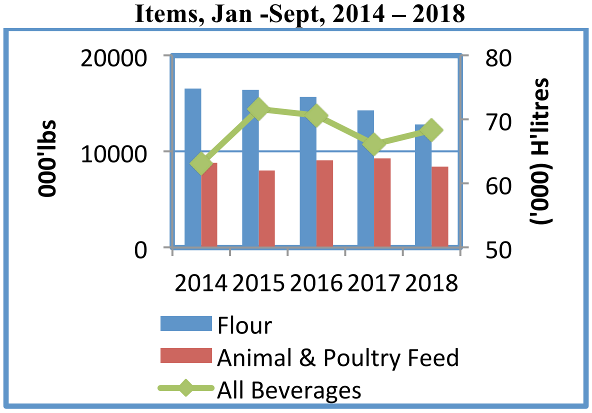
Source: Ministry of Agriculture, Rural Transformation, Forestry and Fisheries

For the January to September 2018 period, lower consumer demand and competition from the regional markets continued to contribute to the decline in the production of animal feed, flour and mill feed, which contracted 9.1 percent, 10.6 percent, and 7.6 percent, respectively. For the same period in 2017, there were also decreases in these components of the manufacturing sector, which fell by 0.9 percent, 7.6 percent and 3.2 percent, respectively.

3.5 Manufacturing

Activity in the manufacturing sector was mixed during the first nine months of 2018 *(see figure 3.6)*. The value of manufactured output increased by 16.5 percent to $21.2m for the period January to September 2018, up from $18.8m for the same period in 2017, as the price of PVC pipes and soft drinks rose on account of higher regional demand.

Figure 3.6: Output volume of Main Manufactured Items, Jan -Sept, 2014 – 2018



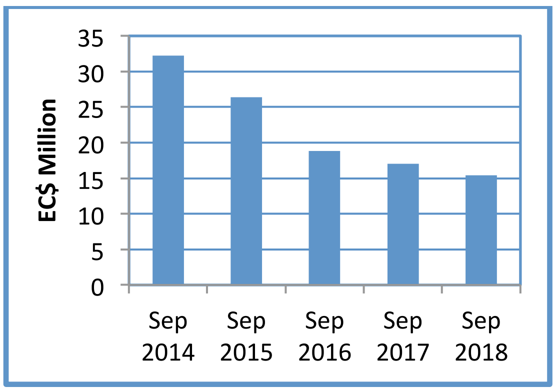
Source: Statistical Office, Ministry of Finance and Economic Planning

In spite of the overall decline in the manufacturing sector, the building materials subsector grew as a result of increased external demand, which was driven by reconstruction activities in islands affected by hurricanes Irma and Maria. More specifically, the production of PVC pipes and galvanise sheets grew favourably by 54.2 and 114.7 percent, respectively, up from 20.2 percent and 58.8 percent, over the same period in 2017.

Further, beverage production increased by 3.3 percent for the January to September 2018 period, compared to a decline of 6.4 percent for the same period in 2017. The production of beers increased by 11.7 percent while malts and soft drinks both fell by 13.0 percent.

Preliminary data for the period January to September show that credit to the sector fell by 9.5 percent. Credit to the sector was estimated at $15.3m, down from $17.0m for the same period in 2017 (*see figure 3.7)*.

Figure 3.7: Credit for the Manufacturing Sector, Jan-Sept, 2014-2018



Source: Eastern Caribbean Central Bank

3.6 Tourism

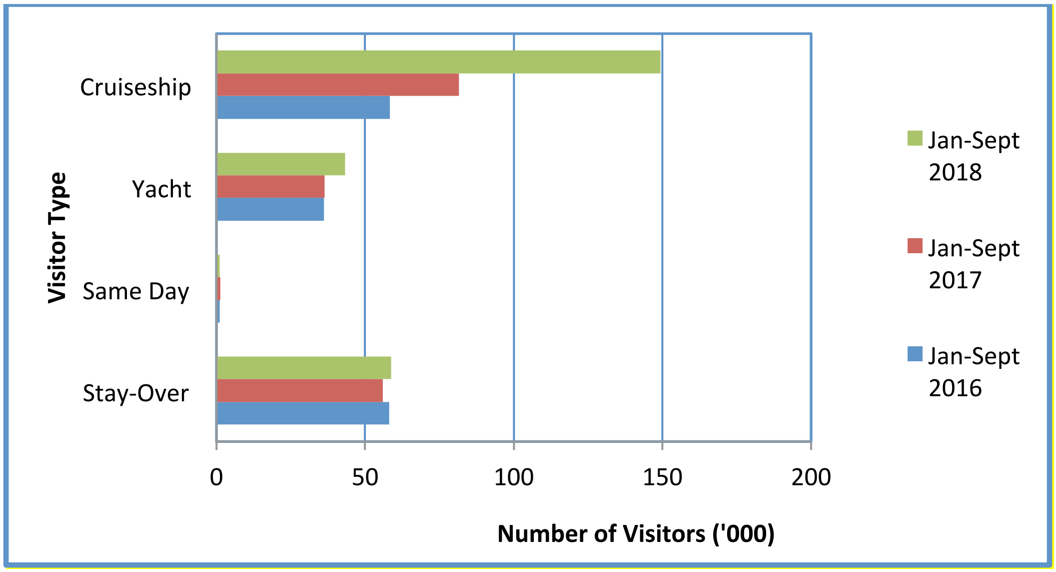
Preliminary data for the period January to September 2018 indicate that the tourism sector recorded improved performance. This is attributed to developments in both the external and internal environment. The strengthening of economic conditions in the major source markets, coupled with strategic marketing and promotion initiatives, contributed to increased demand for St. Vincent and the Grenadines' tourism product.

Visitor arrivals

Total visitor arrivals grew by 44.2 percent to 252,290 by September 2018 relative to 13.9 percent or 174,995 for the corresponding period in 2017*(see figure 3.8)*. This was mainly attributed to an increase of 83.1 percent in cruise travellers. Stay over and yacht visitors increased by 4.8 and 19.4 percent, respectively, while same day visitors declined by 17.2 percent.

Arrivals by air, which accounted for 23.6 percent of total visitor arrivals, grew by 4.4 percent while those by sea (76.4%) rose by 63.5 percent.

Figure 3.8: Visitor Arrivals by type, Jan– Sept, 2016 - 2018



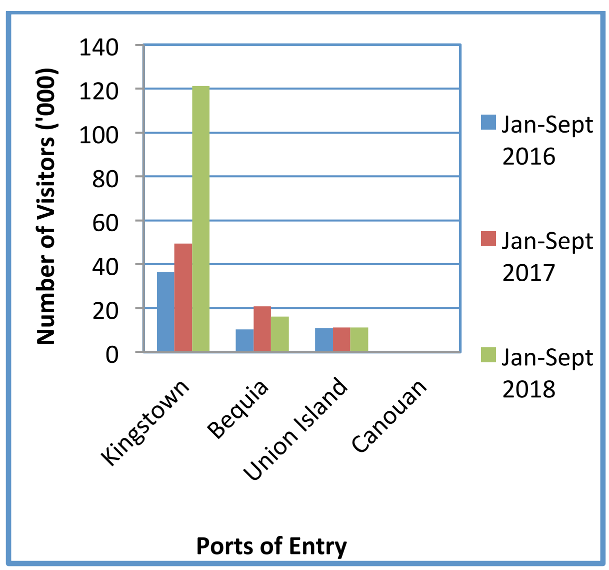
Source: St. Vincent and the Grenadines Tourism Authority

Cruise Visitors

Cruise ship visitor arrivals continued to record strong performance in 2018. Building on the 40.2 percent growth for the first nine months of 2017, this sub-sector grew by 83.1 percent for the same period in 2018. For the review period, cruise visitors increased from 81,534 in 2017 to 149,274 in 2018 – the highest figure ever recorded. This stellar performance of this sub-sector was attributable to the destination's success in attracting larger ships with capacities in excess of 3,000 and also more frequent calls.

Port Kingstown was the main port of entry for cruise visitors, registering an increase of 146.0 percent for the review period *(see annex 13)*. Noteworthy, visitors to Union Island and Canouan also increased during the period while Bequia experienced a decline *(see figure 3.9)*.

Figure 3.9: Cruise visitors by port of entry Jan- Sept, 2016-2018

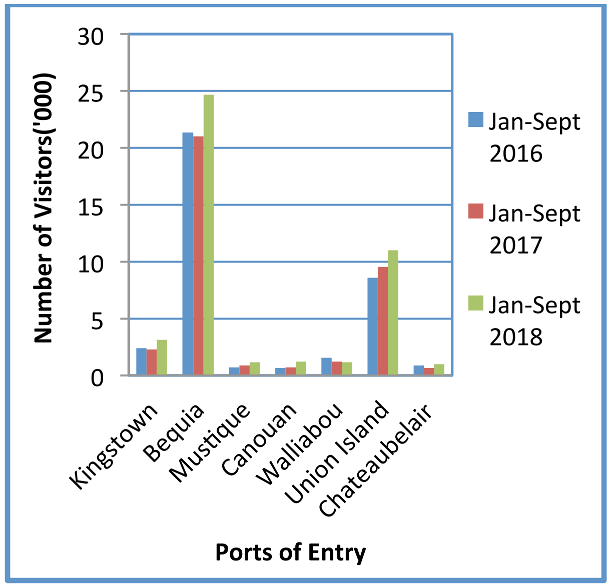


Source: St. Vincent and the Grenadines Tourism Authority

Yacht Visitors

As at September 2018, the total number of visitors by yachts amounted to 43,354 representing an increase of 19.4 percent relative to the same period in 2017 (*see figure 3.10*). Growth was recorded at Kingstown (37.1%), Bequia (17.2%), Mustique (29.1%), Union Island (15.8%) and Chateaubelair (54.7%). This favourable outturn was on account of more aggressive marketing undertaken by the St. Vincent and the Grenadines Tourism Authority (SVGTA), coupled with the waiver of customs duties to yachts participating in the Bequia Easter Regatta. Meanwhile, Canouan recorded the largest increase (67.5%) in yacht visitors. This stemmed from operationalization of the Glossy Bay Marina on that island. Most of the yacht ports recorded double digit increases for the period with the exception of Wallilabou which decreased marginally by 1.8 percent.

Figure 3.10: Yacht visitors by port of entry Jan-Sept, 2016 -2018



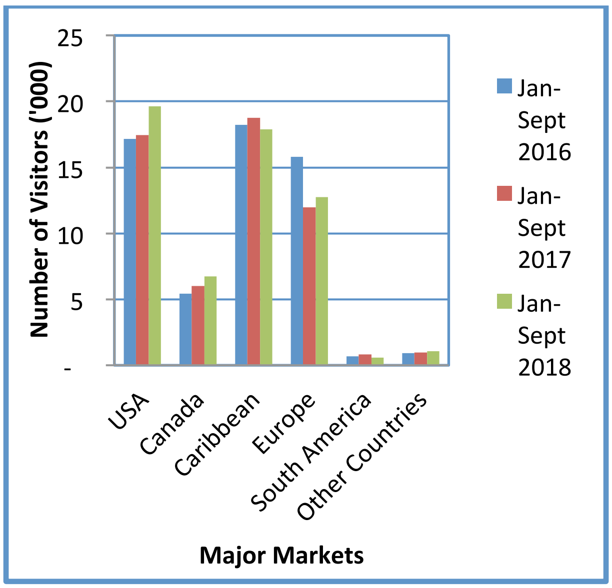
Source: St. Vincent and the Grenadines Tourism Authority

Stayover Visitors

This category of visitor rebounded during the first nine months of 2018 to record an increase of 4.8 percent to 58,658 following a decline of 3.9 percent in 2017. The increase in stayover visitors was fuelled by growth in the major source markets. Visitor arrivals from the USA and Canada grew by 12.6 percent and 12.7 percent, respectively. This expansion was partly attributed to international flights by SunWing, Air Canada Rouge (winter service) and Caribbean Airlines Ltd (CAL) from Toronto and New York, respectively (*see figure 3.11*).

After registering a decline of 31.3 percent during the period January to September 2017 on account of the closure of the Buccament Bay Resort, visitor arrivals from the United Kingdom rebounded to record an increase of 7.5 percent. Meanwhile, visitor arrivals from the Caribbean declined by 4.6 percent following an increase of 2.9 percent for the corresponding period in 2017.

Figure 3.11: Stayover visitors by major markets, Jan – Sept, 2016-2018



Source: St. Vincent and the Grenadines Tourism Authority

Same day Visitors

This category of visitors reverted to a declining trend for the first nine months of 2018 following a recovery for the similar period in 2017. Accounting for less than one percent of total visitor arrivals, same day visitors decreased by 17.0 percent during the period under review relative to an increase of 11.6 percent for the corresponding period in 2017.

3.7 Financial Intermediation

Activity in the financial sector was flat during the first nine months of 2018. Commercial bank lending, the core activity in this sector, grew by 0.8 percent, while deposits rose by 0.3 percent. Intensified efforts by commercial banks to restructure and write-off non-performing loans (NPLs) resulted in improved asset quality which impacted positively on their profitability. The non-performing loans to total loans ratio, though still above the prudential benchmark of 5.0 percent, improved to 7.0 percent from 8.5 percent at the end of September 2017. Concomitantly, the return on average assets (annualised) of these institutions turned positive to 1.0 percent in 2018, from negative 0.6 percent in the same period of 2017. In addition, commercial banks' capital adequacy remained buoyant, with a reported ratio of 26.9 percent of risk weighted assets, above the 8.0 percent regulatory minimum.

Credit unions continued to gain importance in the financial services sector since the global financial crisis. The share of total financial sector's loans steadily increased to

20.4 percent at the end of September 2018, from 12.4 percent in 2009. During the review period, the credit union sector recorded improved loan portfolio performance, with credit extension expanding by 14.3 percent. The NPLs to total loans stood at 5.9 percent and return on average assets (annualised) at 1.2 percent at the end of the same period.

3.8 International Financial Services

The International Financial Services sector continued to be adversely affected by external pressures from the OECD (Organisation for Economic Co-operation and Development), FATCA (Foreign Account Tax Compliance Act) and other international entities and initiatives, along with challenges with respect to correspondent banking. Consequently, fee income continued to fall, with a decline of 3.2 percent for the first nine months of 2018. The international business companies' category, which contributes the majority of fee income (83.8%), also continued to decline (1.8%). At the same time, renewals fell to 4,632, from 4,958. *(See Table 3)*

Table 3: Fee Income and Renewals in the International Financial Services Sector, Jan – Sept, 2017 and 2018

	Fee Income			Renewals		
Sector	**Jan - Sept-18**	**Jan- Sept-17**	**% Change**	**Jan- Sept-18**	**Jan- Sept-17**	**Change**
International Business Company	1,966,167	2,003,021	-1.8	4,432	4,766	-334
Mutual Funds	131,546	144,251	-8.8	82	76	6
International Banks	140,862	152,555	-7.7	5	5	0
Trust	41,297	36,493	13.2	81	73	8
Registered Agents	49,194	48,791	0.8	14	14	0
International Insurance	13,665	28,779	-52.5	4	4	0
Limited Liability Companies	4,821	12,245	-60.6	14	20	-6
Total	**2,347,552**	**2,426,135**	**-3.2**	**4,632**	**4,958**	**-326**

Source: Financial Services Authority

The Government of St. Vincent and the Grenadines, through the Financial Services Authority, is working diligently to enhance the competitiveness of this sector. Emphasis is placed on:

- Strengthening of Risk Based Supervision to ensure that new and emerging risks are adequately identified, assessed and treated with robust corrective actions;

- Promotion and marketing to position St. Vincent and the Grenadines' international financial product as unique and competitive.
- Development of ICT resources that would allow for the simplification of business processes of the registry and the facilitation of increased numbers of new applications by international business companies and other entities on a twenty-four-hour basis.

3.9 Construction

Activity in the construction sector is estimated to have increased in the first three quarters of 2018, relative to the corresponding 2017 period. This performance was evidenced by a rise in the total value of construction material and supplies (2.7%), on account of a 10.5 percent growth in construction inputs produced locally and 2.4 percent in imported resources. Driving this improved performance was developments in the private sector. These include on-going works at the Glossy Bay Marina in Canouan, the Liming Bequia and the commencement of US$65m Black Sand Resort Project at Mt Wynne/Peters Hope which, after completion, will comprise 40 villas, totalling 200 rooms, and a 200-room hotel.

In the residential sub-sector, the construction of private dwellings grew at a slower pace than in the previous year. This deceleration was evidenced by credit extended by commercial banks for residential construction and renovation, which grew by 2.5 percent relative to 3.6 percent in the comparative period of 2017.

Public sector construction appears to have slowed. Capital expenditure, the proxy for construction activity in the public sector, fell by 13.3 percent or $4.4m to $33.3m, on account of the low implementation rate for major infrastructural projects.

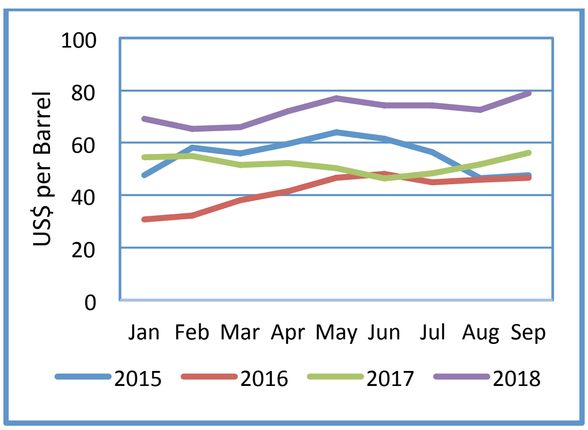
4. PUBLIC INFRASTRUCTURE

4.1 Energy

International Developments

For the first three quarters of 2018, international oil prices continued to trend upwards. As at September 2018, Brent Crude Oil, the major benchmark price for purchases of oil worldwide, averaged US$ 78.89 per barrel up 40.5 percent from the September 2017 average of US$56.15 (*see figure 4.1*). This increase can be attributed to the growing demand as the global economy strengthens, as well as, production cuts led by the Organisation of the Petroleum Exporting Countries.

Figure 4.1: Oil Price Movements (Brent Crude Oil) Monthly Average, Jan-Sept, 2014- 2018



Source: U.S Energy Information Agency

Domestic Developments

Committed to achieving Objective 4.9 of the NESDP 2013-2025 (to reduce the dependence on imported fuel), the government, through the implementation of various projects, continued to pursue initiatives to achieve this objective.

One of the main investments in renewable energy is the development of a 10- 15 MW geothermal plant. During the review period, work continued on the US$90.1m Geothermal Development Project with the completion of the civil works contract. The contract included the construction of the production drill well pad and the reinjection drill well pad. Other works included the completion of a cofferdam for water intake facilitation and the installation of pipes for the required process water. The drilling phase is the next major highlight of this project and is expected to commence in the second quarter of 2019.

Another initiative geared at reducing greenhouse gases and supporting cleaner energy solutions was the US$1.7m Promoting Access to Clean Energy Solutions (PACES) project. During the period under review, this project successfully implemented the following:

- Installation and commissioning of a 160kWh solar PV system at the Argyle International Airport with a total capacity of 520kWh. The remaining 260kWh was financed by VINLEC.
- Installation of a bio-digester at the Belle Isle Correctional Facility to assist in the reduction of carbon emissions and foster a cleaner environment. This initiative is expected to result in a decrease in the monthly gas bill.

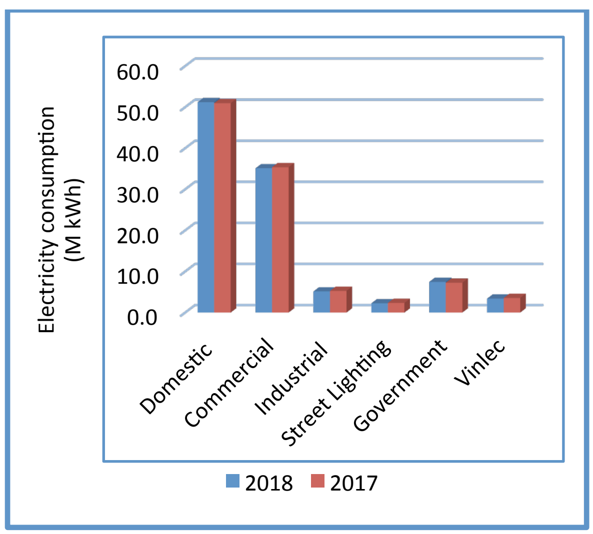
Other notable investments included:

- The $2.3m Mayreau Micro-grid project which commenced works to install a 150 kWh Solar PV system with 200 kWh battery storage.
- The rehabilitation of South Rivers and Richmond hydro-electricity plants.
- Under the Energy Efficiency Solar PV Plant Project, energy audits were conducted on 20 government buildings with the view to implement energy efficiency measures and renewable energy technologies.

Electricity consumption

Electricity consumption for the first nine months in 2018 decreased by 0.2 percent to 104.6m kWhs relative to the corresponding period in 2017. This outturn was as a result of decreased consumption by VINLEC (4.6%), industrial users (2.6%) and commercial users (0.7%) (*see figure 4.2*). As it relates to the value of electricity consumed, there was an increase of 13.8 percent. This was associated with an appreciation in the fuel surcharge rate, which moved from an average of $0.28 for the period January to September 2017 to $0.37 for the same period in 2018. Meanwhile, there were 350 new connections during the review period compared with 229 for the corresponding period in 2017.

Figure 4.2: Electricity consumption by users Jan – Sept 2017-2018

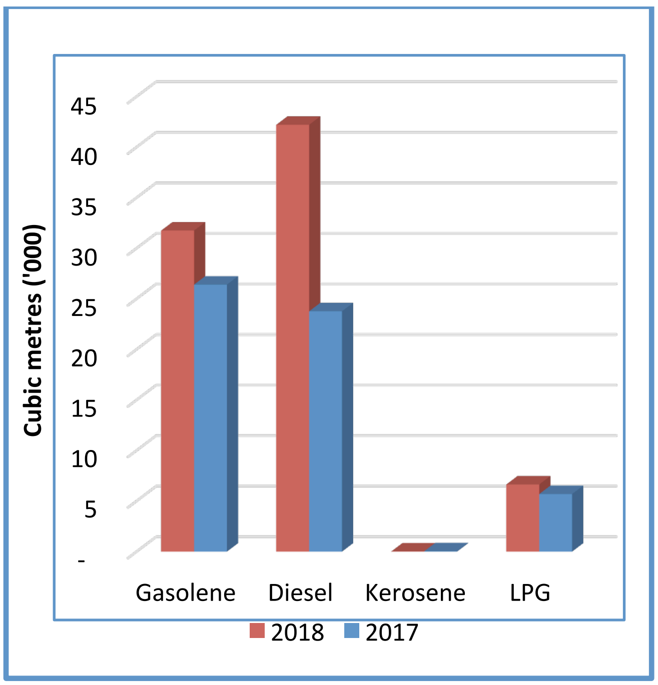


Source: Statistical Office, Ministry of Finance and Economic Planning etc.

Importation of Fuel

As at September 2018, the importation of fuel was up by 43.6 percent when compared with the corresponding period in 2017*(see figure 4.3)*. This was on account of the increased importation of diesel (77.6%), gasoline (20.3%) and liquified petroleum gasoline (16.7%)

Figure 4.3: Importation of fuel, Jan-Sept 2017-2018



Source: Statistical Office, Ministry of Finance and Economic Planning

4.2 Water and Solid Waste

Activity in the Water and Solid Waste sector showed slight improvement for the period January to September 2018. Total revenue for the period surpassed the 2017 figure by $1.3m, due mainly to improvements in solid waste revenue and water sales to ships consequent upon the increased arrivals at both airports and seaports.

During the period under review, the CWSA collaborated with VINLEC, in a joint initiative aimed at ensuring compliance of bill payment of environmental fees in the Grenadines. Under this initiative, customers in the Grenadines with an electricity connection are billed $10 monthly. As a result of this initiative, the compliance rate increased from 10 percent to 55 percent during the first nine months of 2018.

Several capital investments were completed during the period. These included:

- Construction of a 50,000-gallon storage reservoir at Sandy Bay at a cost of $400,000;
- Upgrade of the Majorca Inlet Pipeline at a cost of $600,000;
- The $1.7m rehabilitation and upgrade of the first segment of the Dalaway Transmission Main;
- Investment in Information and Communication Technology through the continuation of the implementation of a Geographical

Information System (GIS) Mapping Project;
- Fencing and retrofitting of storage tank sites;
- Fairhall Distribution Pipeline Replacement Project;
- Pomesette Line Replacement Project; and
- Implementation of another phase of the Meter Replacement Project.

The CWSA will continue to work with various Government ministries and agencies in ensuring that all citizens in every community have access to a pipe-borne water supply.

5. SOCIAL SECTOR

5.1 Education

In keeping with its policy to educate the populace for production and living and to reduce poverty, the government through the Ministry of Education continued to focus on improving the quality of education services. Capacity building and institutional strengthening, as identified in the Education Sector Development Plan 2014-2019, is identified as top priorities in the ministry's thrust to improve quality, access, participation.

Initiatives undertaken during the period under review include the Early Learners' Programme, Upgrading of School Premises and the Technical and Vocational Education Development Project.

Early Childhood Education

There are 129 early childhood centres. Of these, 118 are privately owned and managed by church boards, non-governmental organizations, community groups and other private entities. The remaining eleven (11) are owned by the government. These early childhood centres cater for children between the ages of three to five. For the 2017/18 academic year, there were 3,655 early childhood pupils of which 399 were enrolled in the government owned early childhood centres while 3,256 were enrolled in privately-owned institutions. This is 91 children more than the 2016/17 figure of 3,564.

During the period under review, the early childhood department organized and executed a number of training workshops targeting preschool practitioners with the overall aim of building capacity and promoting best practices. Additionally, 10 retired principals and teachers were trained and certified as assessors. These assessors will be tasked with the monitoring and evaluating of preschool environments to ensure that the required standards are being met.

Primary Education

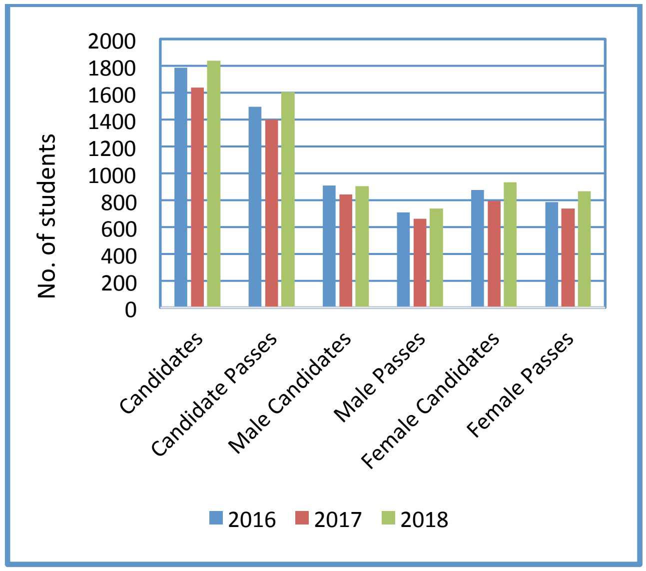
For the 2017/18 school year, there were 13,194 students enrolled in sixty-eight primary schools, comprised of 6,685 males and 6,509 females. This represents a marginal increase of 0.9 percent compared with the 2016/17 enrolment data.

The main assessment tool for academic performance at the primary level is the Caribbean Primary Exit Assessment (CPEA). The CPEA is made up of an external and a school-based assessment in Mathematics, Science, Language Arts and Social Studies. This year was the first time that the students were examined in Social Studies.

In the May 2018 sitting, 1,837 students wrote the final examinations, a 12.1 percent increase when compared with 2017 when 1,638 students wrote the final exams. The results indicate that the proportion of students who met the prescribed standard was 1,606 or 87.4 percent, an improvement of 2.2 percentage points.

An analysis by gender shows that there was an improvement in the performance of both males and females. Of the 934 females who sat the exam, 869 or 93.0 percent met the required standard, a slight increase over the 2017 figure of 92.5 percent. There was also an improvement in males' performance in 2018 which increased to 81.6 percent (903 males sat the 2018 exam with 737 meeting the required standard) relative to 78.6 percent in 2017 *(see figure 5.1)*. Forty-nine schools recorded a pass rate in excess of 80.0 percent, representing an additional 2 schools over last year's figure of 47.

Figure 5.1: CPEA pass rate by sex (2016 - 2018)



Source: Ministry of Education, etc

The need to improve the levels of literacy, numeracy and technology among all learners, continues to be a priority. During the period under review, the Ministry of Education continued to implement the Early Learners Programme which aims at improving the reading achievement of students in Grades K to 3. Under the Upgrading of School Premises Project, four (4) primary schools (Colonaire Government, New Prospect Primary, Paget Farm Government and Calder Government) were upgraded.

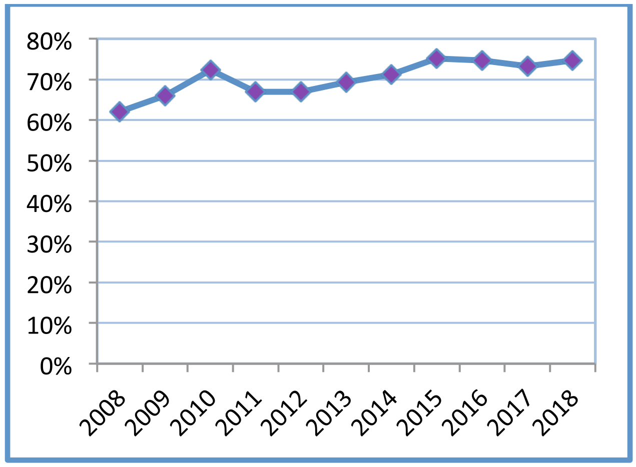
Secondary Education

For the 2017/18 academic year, secondary school enrolment stood at 9,808 (5,010 males, 4,798 females). This is lower than the 10,117 students (5,154 males, 4,963 females) enrolled during the 2016/17 school year.

An assessment of the academic performance at the secondary level can be gauged from performance at the Caribbean Secondary Education Certificate (CSEC). The overall pass rate in the CSEC examination increased in 2018, relative to the previous year. The results indicate that 74.7 percent of the candidates were awarded Grades I to III *(see figure 5.2)*. This figure is marginally higher than the 73.3 percent pass rate obtained in 2017. A further breakdown of the results reveals that 16.8 percent of candidates obtained passes in Grade I, 37.3 percent in Grade II while 45.9 percent of the candidates obtained passes in Grade III. This compares to the previous year's figures of 11.5 percent at Grade I, 27.3 percent at Grade II and 34.5 percent at Grade III. A 67.9 percent pass rate was recorded for English A while for Mathematics the pass rate was 46.8 percent.

Two (2) schools recorded pass rates exceeding 90.0 percent, while five (5) schools had pass rates in the 80s. Thirteen (13) schools obtained pass rates between 60.0 and 80.0 percent.

Figure 5.2: CSEC pass rate for the period 2008-2018



Source: Ministry of Education etc.

During the period under review, infrastructural improvements were carried out on seven secondary schools under the Upgrading of School Premises Project. These were Georgetown Secondary, St. Clair Dacon Secondary, Dr. J.P. Eustace Secondary, Girls' High School, St. Vincent Boys' Grammar School, Intermediate High School and Bethel High School.

Tertiary Education

Tertiary level education continued to be a major focus of the GoSVG. At present, there are more than 370 persons pursuing university level certification by distance and on campus in several countries. The reported number of persons studying reflects data from the Training Department of the Service Commissions. Notwithstanding, there are persons who have funded their training and also pursuing studies through distance education and online and are not accounted for. These investments in tertiary level training auger well for the human development capacity of the country.

The St. Vincent and the Grenadines Community College (SVGCC) continued its mandate to foster the holistic development of learners through the provision of tertiary education. Two thousand, one hundred and fifty-nine (2,160) students were enrolled at the SVGCC in the 2018/2019 school year, comprising of 2,006 full time students and 154 part time students *(see table 4)*. This enrolment figure is 3 more than the previous year's figure of 2,157.

Table 4: SVGCC Population by Division and Gender 2018/2019 school year

Division	Full-time		Part-time		Total
	Male	Female	Male	Female	
Arts, Sciences and General Studies	355	654	17	14	**1040**
Technical and Vocational Education	361	374	16	4	**755**
Nursing Education	18	139	0	0	**157**
Teacher Education	20	85	24	79	**208**
Total	**754**	**1252**	**57**	**97**	**2160**

Source: SVGCC

The Division of Arts, Sciences and General Studies had the highest enrolment with 1,040 students, down from 1,058 students in the 2017/2018 school year. Enrolment at the Division of Nursing Education also fell on account of a decrease in the intake of students for the Registered Nursing programme as well as, the omission of two core programmes (Midwifery and Nursing Assistants) from the curriculum for the 2018/19 school year. There were 157 students registered at this division compared to 245 in the previous school year. Enrolment at the Division of Technical and Vocational Education increased for the period under review with 755 students, up from 667 students in the previous school year. More students also enrolled at the Division of Teacher Education for the 2018/19 school year with 208 students compared to 187 in the previous school year.

In 2018, a total of 610 students wrote the Caribbean Advanced Proficiency Examinations (CAPE) in 23 subject areas with Art and Design and Green Engineering being offered for the first time. Of the students writing CAPE, 91.0 percent obtained a passing grade. A 100 % pass rate was recorded in the following subjects: Art and Design (Unit 1), Digital Media (Unit 1 & 2), Environmental Science (Unit 2), French (Unit 1 & 2), Geography (Unit 2), Integrated Mathematics (Unit 1), Literatures in English (Unit 1&2), Physical Education (Unit 2), Physics (U2) and Spanish (U1).

Technical and Vocational Education and Training (TVET)

The Ministry continued to establish mechanisms for the development of relevant and quality (TVET) programmes. During the period under review, four (4) Technical Institutes were rehabilitated. Additionally, a total of 203 unemployed and "at risk" youths completed level 1 Caribbean Vocational Qualification (CVQ) training in Welding, Construction, Electrical Installation, Industrial Food Preparation, Data Operation and Plumbing at these Institutes. A marketing and promotion strategy for TVET in SVG was also developed.

Adult and Continuing Education

The Department of Adult and Continuing Education (DACE) is responsible for educating the marginalized, poor, unemployed and those who are unable to access formal education, while promoting lifelong learning. Education and employment activities are provided through its programmes in collaboration with local and international stakeholders. Several academic and skills programmes are offered free of cost to adults 17 years and older. The academic programmes offered are complemented with basic social and business skills training to prepare the trainees to become more responsible and perform an active role in society. During the period under review, the programmes offered included: English Language, Mathematics, Principles of Accounts, Principles of Business, Aesthetics, Basic Automobile Maintenance, Cosmetology, Carpentry, Floral Arrangements and Tie-dyeing.

5.2 Health

With the overall aim of improving the quality of health care for all Vincentians, the Government of St Vincent and the Grenadines continued to invest in the health sector. For the 2018 budget, the Ministry of Health, Wellness and the Environment had the third largest recurrent spending allocation, highlighting the importance of the sector.

During the review period, access was improved as well as secondary and tertiary health care services expanded to include new treatment modalities with the opening of the Modern Medical and Diagnostic Centre at Georgetown in July. The operationalisation of this facility provides improved access to advance and highly specialized diagnostic and treatment services, especially in the rural communities. As at September 30, 2018, a total of 6,384 patients utilised the services at the Modern Medical Complex. These services include surgical, dialysis, oncology, ophthalmology, diagnostic (radiology, ultrasound and laboratory), endoscopy, intensive care and related services.

Additionally, the two recently completed polyclinics at Buccament and Mesopotamia were equipped with ambulances, medical equipment and furniture. Some of the services to be offered will include: maternal and child health care, dental services, ophthalmology, gastroenterology, physiotherapy and emergency services and care.

There were several interventions geared at improving the nutritional and physical status of the population to reduce the incidence of nutritional disorders and chronic non-communicable diseases (CNCD). This was done through establishing a mechanism for operationalising a National Food and Nutrition Surveillance System to assess and monitor the nutritional status and other related factors of the population.

Some of the activities included:

- Establishment of a system to monitor the nutritional status of infants and young children (birth to fifty-nine months) registered at health centres and a child Nutritional Status Report was developed;

- Design and implementation of a protocol for the study on Nutritional Status of Children in three primary schools; and
- Conduct a Caribbean Iodine and Sodium survey in three primary schools in collaboration with PAHO and the Ministry of Education.

The cluster of CNCDs comprising diabetes, hypertension, cardio-vascular diseases, and cancers has emerged as the leading cause of morbidity, mortality and disability among Vincentians. Efforts have been made to strengthen the clinical management and improve the surveillance of CNCDs, improve the supportive environments as well as strengthen the human resource capacity for health care delivery. During the period January to September 2018 the following were accomplished:

- CNCDs and risk factors were assessed and a draft surveillance manual was developed.
- A draft Diabetes Integrated Care Model Strategy was developed with the assistance of Taiwan.
- Public consultations were held in May 2018 to guide the development of the Tobacco Control Legislation.
- A No-Smoking media campaign was conducted.
- A Draft national nutrition standard for the school feeding programme was updated.
- A human resource for health policy and action plan was developed.
- A workplace Wellness programme was designed and implemented to support healthy behavior in the workplace.

HIV/AIDS care and treatment continued to be made available to those in need. These were complemented by ongoing efforts geared at raising awareness about HIV/AIDS. As part of these efforts, the importance and benefits of safe sex practices were highlighted through various promotions and television advertisements. Awareness sessions were held at several educational institutions with the aim of providing targeted programmes on the prevention of HIV. Additionally, training for health care providers was conducted on HIV testing as well as in legal literacy and human rights for persons living with the virus. Further, there was the re-launch of the HIV Case Base Surveillance on the theory and practice of the newly developed HIV Clinical Management module.

5.3 Social Development

The government, through the Ministry of National Mobilisation, Social Development, Family, Gender Affairs, Persons with Disabilities embarked on providing a multidimensional approach towards the improvement of the social condition of the population.

Social Protection

For the period January to September, an investment of $11,021,230.66 was made to the Public Assistance programme. This investment provided support to 10,754 individuals from a total of 6,433 households.

Table 5: Distribution of Public Assistance, Jan – Sept, 2018

Assistance Type	# Households	# Individual Beneficiaries
Emergency & Monthly	3233	5946
Home Help for the Elderly	200	208
National Assistance Fund	3000	4600
TOTAL	**6,433**	**10,754**

Source: Ministry of National Mobilisation, etc.

Child Care and Development

Residential services were provided to protect more than thirty (30) boys in need of care and rehabilitation to both at the state-owned centre and at all other non-state centres supported by government. Additionally, eighteen (18) programmes to increase abuse awareness were conducted in more than six (6) communities that were child and gender sensitive. More than 20 children were reintegrated with their biological or adopted families while the recruiting process for foster parents is ongoing. Various programmes were held during the review period, including: abuse awareness, behavioural modification and parenting skills.

Youth Development

For the period under review, the Youth Affairs Division continued the implementation of various programmes. Two new 4H clubs were launched and fifty-four new members inducted. A sports anti-crime campaign among dysfunctional families as an anticrime mechanism in eight (8) vulnerable communities targeting the youth was implemented successfully in collaboration with the Sports Division. The Youth in Agriculture Programme commenced with thirty youths being trained in various agri-businesses practices

Gender Development

The Ministry of National Mobilisation, through the Gender Development Division, continued to organize programmes to empower individuals and discourage gender discrimination. For the first nine months of 2018, several campaigns and programmes were implemented. These included:

- Anti-violence campaigns in Carriere, Diamonds, Diamond Village and Langley Park. The participants were sensitized in the areas of:
  - Domestic violence in St. Vincent and the Grenadines;
  - Domestic Violence: Crime and Law (Mechanism and Legislation); and
  - Family Court: Roles and responsibilities.
- Continuation of the Men As Partners programme was implemented in the community of Arnos Vale in the following areas:
  - Teen Pregnancy
  - Child Abuse
  - Men's Health
  - Parenting
  - Masculinity
  - HIV/Aids; Multiple Sex Partners
  - Safe Sex
  - Gender roles and responsibilities
  - Financial Management
- Three (3) victims support groups for domestic violence survivors were formalized.
- Social empowerment services were provided to single-headed households. The participants in this programme engaged in empowerment sessions in the following areas:
  - Conflict resolution and problem solving
  - Communication skills
  - Job application writing
  - Job preparation (dress code, interviews)
  - Family planning and safe sex
  - Money management and time management
  - Business management

Community and Co-operative Development

This department continued to support physical and social infrastructure initiatives in communities. During the review period, work commenced on upgrading 'nine steps' at Rose Place, as well as in Bottle and Glass, Barrouallie and Fairhall where some earthen footpaths will be upgraded to concrete. Household rain water harvesting has commenced at Bottle and Glass and Fairhall. Six dormant school co-operatives were revived. Also, three 30ft x 80ft fully integrated green houses in vegetable production were operationalised in three piloted schools (George Stephens, New Adelphi and Central Leeward Secondary school) under the school cooperative agri-business project.

Zero Hunger Trust Fund

The Zero Hunger Trust Fund was established in 2016 with the principal remit of eradicating hunger in St. Vincent and the Grenadines, consistent with the targets established under goal 2 the Sustainable Development Goals. To fulfil this mandate, the Fund supports existing social safety net programmes currently being implemented by the government, as well as, designs strategic interventions to reduce the number of families and households falling into poverty and hunger. The main source of income for the ZHTF for 2018 continued to be the 2 percent telecommunications levy. Additionally, the ZHTF received support from Dubai Cares, and locally, from private individuals. For the period January to September 2018, income totalled $1.6m and expenditures amounted $1.2m. Total expenditure incurred for the first nine months in 2017 amounted to $0.5 m.

During the period under review the Fund invested in three cohorts of the population namely the children 'adopt a classroom', youth "rapid training" and elderly nutrition support'. As it regards the investment in children, the Fund has sponsored 330 grades 1 and 2 students in 12 primary schools. These schools are the Barrouallie Anglican; Barrouallie Government; Calliaqua Anglican; Chateaubelair Methodist; Clare Valley Primary; Fair Hall Primary; Fancy Government Gomea Methodist; Lauders Primary; Mayreau Government; Rose Hall Government; and Sandy Bay Government. Students benefitting from the programme received all text books, a cash donation of $350.00 to assist with the purchase of school items: book bags and uniforms. In addition, the entire student population in the sponsored schools are provided with a daily lunch as well as fruits and coconut water to sustain their nutritional intake. An important aspect of the programme is the agreement with farmers within the communities to supply fresh fruits and vegetables to the schools. The parents of the sponsored students benefited from parenting and empowerment skills workshops. These workshops enabled parents to be better equipped to communicate and interact with their children.

During the period under review, two complementary components were added to the adopt a classroom programme, students in grade 1 were provided with free eye test and glasses where necessary. The other component was the learning support in the 12 schools sponsored by the ZHTF. Accordingly, the ZHTF, working in close collaboration with the Ministry of Education, recruited twelve (12) teachers to enhance the reading skills of students in those schools. This support also provides for closer monitoring of students.

As it relates to the unemployed youth skills training and apprenticeship programme, forty-five (45) young persons received training in the review period in the following areas: Computer Repairs, Graphic Designs and Cosmetology. Successful students were placed on three months apprenticeship.

Another important ZHTF initiative is the Golden Years Nutrition Support programme. For the first nine months of 2018, approximately 360 beneficiaries collected gift certificates under this programme. Recipients have the following characteristics: eighty (80) years and older and have no reliable source of income or financial support. Each person received gift vouchers valued at $300.00 every three months.

Enhanced Country Poverty Assessment

The Enhanced Country Poverty Assessment (eCPA), a comprehensive study of living conditions, was officially launched on February 13th 2018. Its main objective is to inform poverty reduction policies, programmes and strategies. The eCPA has five (5) components: a joint Survey of Living Conditions and Household Budgets (SLC/HBS); a Participatory Poverty Assessment (PPA); an Institutional Assessment (IA), a Macro-Social and Economic Analysis (MSEA) and Poverty and Vulnerability Mapping (PVM).

The SLC/HBS, which is the only quantitative element of the eCPA, is designed to collect information from 1,695 randomly selected households across St Vincent and the Grenadines over a period of 9 - 12 months. The SLC/HBS questionnaire covers, *inter alia*, questions on consumption, food security, climate change impact, and other relevant information necessary to assess poverty, vulnerability and inequality. Questionnaire administration for the SLC/HBS began in March 2018 and by September 2018, was 75 percent complete with an average response rate of 69 percent.

The PPA and IA components began in September 2018 with training of field research facilitators and IA support workers.

The MSEA component of the study is scheduled to begin in the first quarter of 2019. The PVM exercise will be conducted upon completion of the other four (4) components.

The eCPA is supported by financing by the World Bank under the Human Development Service Delivery Project (HDSDP) at an estimated cost of US$800,000. Technical support for the eCPA is also provided by the Caribbean Development Bank (CDB) through the Organization of Eastern Caribbean State (OECS) Commission.

5.4 Social Security

The National Insurance Services (NIS) celebrated on 5th January 2018, thirty-one (31) years of providing sustainable social security protection to the people of St. Vincent and the Grenadines. As at September 2018, the total number of insured persons amounted to 38,758 compared to 37, 346 for the same period in 2017. The financial performance of the NIS for the review period January to September 2018 was less favourable compared to the previous year. This was manifested in the reduction in net income, as a result of a growth in benefits to an aging population.

The 10th Actuarial assessment of the NIS revealed that under the current benefit and contribution provisions, the Fund is unsustainable in the long term. This is attributable to environmental factors which serve as inhibitors to the sustainability of the Fund. One of the major inhibitors is demographics, which is reflected by an aging population brought about by increasing life expectancy and falling fertility rates. These account for the high dependency ratio of the NIS. In 2018, the dependency ratio stood at 5.5. Accordingly, the NIS is undergoing preparatory work for further pension reforms.

In 2019, the core goal of the NIS would be to enhance financial sustainability through growing revenues from contributions and investment, collecting contribution arrears, enhancing cost structures, pension reform and improving customer satisfaction.

6. ENVIRONMENTAL SUSTAINABILITY

Government's work in environmental sustainability is premised on Goal 4 of the NESDP: *Improving Physical Infrastructure, Preserving the Environment and Building Resilience to Climate Change*; and in fulfillment of its obligations under various multilateral environmental agreements including the Paris Agreement, the Sustainable Development Goals and the SAMOA Pathway.

The approach to achieving these goals is to ensure:

- cross-sectoral collaboration among key agencies to explore synergies;
- linkages between local, regional and international issues;
- public-private sector partnerships;
- effective and efficient mobilization and utilization of resources; and
- communication for behavioral change.

In keeping with Goal 4 of the NESDP, the mission of the Sustainable Development Unit is to lead the process of achieving environmental sustainability in Saint Vincent and the Grenadines through the facilitation of an integrated and participatory approach to environmental governance; the sustainable management and development of natural resources, effective pollution prevention and control; mainstreaming climate resilience in all sectors and demonstrating the value of building a 'blue-green' economy.

In the area of environmental governance[5], several plans and policies are being developed through consultative processes and under the guidance of various multi-stakeholder committees. Firstly, the National Ocean Policy and Strategic Action Plan was completed and approved by Cabinet in July, 2018. This policy and strategic action plan lays out the Government's vision and framework for optimizing the economic contribution of our coastal and marine resources and developing a sustainable blue

[5] Environmental governance refers to the sum of organizations, policy instruments, financing mechanisms, rules, procedures and norms that regulate environmental protection. The end goal of environmental governance is to improve the state of the environment and to eventually lead to the broader goal of sustainable development. (Najam, Papa and Taiyab, 2006).

economy[6]. During the period under review, work began and will continue under the OECS CROP[7] project, which will, *inter alia*, develop a marine zoning and a multiuse spatial plan for improving environmentally sound management of marine resources for the achievement of sustainable economic development.

Significant policy and planning work is also ongoing under the climate change focal area. This includes the completion of final draft of a National Adaptation Plan and an associated Financing Strategy, as well as sectoral adaptation plans for agriculture and water. These plans are undergoing formal review and will be submitted for consideration by Cabinet in 2019. A Nationally Appropriate Mitigation Action (NAMA) for the transport sector is also currently being finalized. This NAMA takes in to consideration priorities/actions which have been identified in several national documents including the National Energy Policy, the National Energy Action Plan, and SVG's Second National Communication to the United Nations Framework Convention on Climate Change (UNFCCC).

The NAMA has three (3) components:

- Component 1 – improvement of fuel efficiency in the transport sector;
- Component 2 – introduction of plug-in hybrid and electric vehicles; and,
- Component 3 – improved public and private transportation system.

This document will assist in the leveraging of funds to implement the NAMA, including technology transfer and technical assistance needed to achieve intended transformations in the sector. Tackling emissions in the transport sector will lead to improvements in air quality, particularly in key transportation corridors.

During the period under review, work commenced on the development of a comprehensive climate change policy for St. Vincent and the Grenadines. This policy will result in the creation of an effective coordinating mechanism for all climate change and associated activities, streamlining implementation of climate change efforts, reducing duplications and enabling more efficient and effective use of available resources.

Under the pollution prevention and control focal area, work continued on the draft Integrated Chemicals Management Act and revised Montreal Protocol regulations. This

[6] This aligns with NESDP Goal 1(objectives 1.1, 1.3) and Goal 4 (Objective 4.7).

[7] The OECS Caribbean Regional Oceanscape Project funded by the Global Environment Facility (GEF).

Act will establish a robust system for lifecycle chemicals management, including mechanisms for prohibition, restriction and regulation of the import, export, production, transportation, storage, distribution, sale, use and sound disposal of chemicals. The Act will not only incorporate international treaty obligations with respect to the management of chemicals into national law, but will establish appropriate mechanisms to safeguard human health and ecosystems from the potential adverse impacts on air, water and soil.

The revised Montreal Protocol regulations will enable St. Vincent and the Grenadines to maintain compliance under the Montreal Protocol, and will facilitate the effective implementation of the Kigali Amendment which will enter into force on January 1, 2019. This will result in the phase out of the use of Hydrofluorocarbons (HFCs), refrigerant gases which are significant contributors to global warming and climate change. The revised regulations, therefore, includes, *inter alia*:

- Technicians certification and registration, which is intended to formalize the refrigeration and air conditioning sector in line with national educational reform goals, regional and global standards and enabling free movement of labour; and
- Revised licensing and quota systems.

These regulations will result in economy-wide transition towards more energy efficient refrigeration technologies and contribute to achieving the goals set out in the National Energy Policy.

Communication, education and public awareness is another important aspect of 'soft governance' being employed in order to bring about sustainable development in SVG. During January to September, 2018, efforts focused on raising awareness of global environmental issues through the celebration of various international environmental days. Activities included tree planting exercises on Zero Emissions Day and educational tours to protected areas in celebration of International Biodiversity Day. Seminars on the impact of ozone depletion on health were also conducted in the Southern Grenadines in observance of World Ozone Day.

Work began in the period under review on targeted public awareness initiatives to change unsustainable patterns of behavior such as open-burning, which results in the release of unintentional persistent organic pollutants (UPOPs) that are deleterious to human health and ecosystems. In 2018, a decision was taken to work with businesses and consumers to reduce demand for single-use plastics, and accelerate communications on the value of ecosystems, thereby reducing biodiversity loss and optimizing the economic benefits.

In addition to the work on environmental policy and governance, research was undertaken on emerging environmental threats which informed the implementation of targeted on-the-ground interventions in at-risk communities. These include the following focal areas:

a. Pollution Prevention and Control:

- A mercury rapid assessment and hotspot analysis was conducted to establish a baseline of mercury sources and contaminated sites in SVG in order to inform further policy development. Additionally, an assessment of mercury levels was conducted by taking hair samples from women of childbearing age island-wide to determine the levels of exposure and the associated risks to mercury such as neurological defects. Sampling was also done of skin care products, like bleaching creams, available for sale on the Vincentian market to determine the level of risk posed to users. Sampling of popularly consumed fish was also conducted to determine which species have the highest levels of bio-accumulated mercury.

- An updated national inventory of Persistent Organic Pollutants (POPs) was completed and used to inform the development of a National Implementation Plan.

b. Climate Change Adaptation

The Government's thrust towards climate change adaptation and mitigation is guided by Goal 4 of the National Economic and Social Development Plan 2013-2025, the United Nations Framework Convention on Climate Change and its Paris Agreement and the Sustainable Development Goals. According to the Global Climate Risk Index, St Vincent and the Grenadines is ranked among the top five (5) SIDS most affected by natural disasters in 2016. This Index analyses the quantifiable impacts of extreme weather events in terms of fatalities and economic losses. Adaptation is key towards our economic, social and environmental development, having experienced more than $790.1m in damage and losses due to climate-related events, since 2010. The Government of St Vincent and the

Grenadines has responded with a number of initiatives:

- **Completion of a National Adaptation Plan (NAP)**

  In an effort to increase our resilience to climatic events and improve the coordination of adaptation efforts, a National Adaptation Plan was completed. The implementation of the NAP and its supplemental Agricultural and Water Adaptation Strategies will address water and food security, reduction of loss due to coastal and riverine flooding and landslides and sector resilience building.

- **Climate Change Adaptation in Agriculture**

  Critical sections of the Langley Park irrigation systems were rebuilt with connections to at least eight (8) farms, with the potential for further expansion to all farms in the area. Additionally, a climate change adaptation project is being implemented in Belmont. This will introduce a special specie of heat-tolerant goats into the local livestock population. The objective of this is to strengthen the resilience of livestock against the effects of climate variability, specifically rising temperatures.

- **Sand mining**

  Sand mining coupled with the increasing ferocity and frequency of storm surges have led to severe denudation of beaches and coastlines, resulting in the loss of critical coastal protection. Data show that the beaches have considerably narrowed in areas where sand mining activities are carried out. Moreover, given the peculiar circumstances of small island states such as Saint Vincent and the Grenadines, where approximately 85 percent of critical infrastructure is situated along the coastal belt, mining is unsustainable, in light of sea level rise and the sand's function as a storm energy buffer. The Government of St. Vincent and the Grenadines has banned coastal sand mining at Brighton and Diamond beaches and has adopted a monitoring mechanism for the importation and the extraction of sand at Rabacca (Drip) with a view to reducing coastal degradation.

- **The Regional Disaster Vulnerability Reduction Project**

  This project has improved national climate change resilience with complementary adaptation work in coastal and river defense. Activities undertaken during the review period included slope stabilisation and road alignment at Ginger Village, slope stabilisation at Troumaca (English and German Gutters), river embankment protection at North River and South River in Kingstown.

- **Installation of a Coral Reef Early Warning System (CREWS)**

  Coral reefs provide a range of benefits to islands. They do not only sustain our fisheries section and provide numerous ecosystem services such as diving and snorkelling sites but they are also critical to marine ecosystem health and are an excellent form of coastal defense or ecosystem-based adaptation. In September 2018, a Coral Reef Early Warning System was installed in the Tobago Cays. This site was chosen based on its value to the tourism sector and the richness of the marine biodiversity. The CREWS station assists in the monitoring of the health of coral reefs and is one of many interventions and investment in the development of the blue economy.

- **Restoration of the Ashton Lagoon on Union Island**

  In collaboration with the Sustainable Grenadines Inc., USD $600,000.00 was allocated to the Ashton Lagoon Restoration Project. This is intended to restore health to the coral reefs and mangroves and is complemented with the addition of an interpretation centre, a bird watch tower and other tourist activities on the island. In addition, on the Grenadine Island of Mayreau, works were undertaken to improve the water storage to the residents through the completion of a 70,000 gallons water tank system.

- **A Ridge-to-Reef Project**

  This project was conceptualised during the period under review and is intended to address land degradation and biodiversity loss in three (3) watershed areas across Saint Vincent and the Grenadines. This USD $3,757,102 project is funded by the Global Environment Facility (GEF).

The main objective of this project is to enhance biodiversity and ecosystem services conservation through an expanded and strengthened Protected Areas system and Sustainable Land Management measures. Further, USD $4m was secured from the GEF 7 resources in 2018 and will be programmed in 2019.

c. Mitigation

Climate change adaptation is critical to an island state's existence; however, climate mitigation is critical to global existence. Greenhouse gas emissions although localised has global implications and require global action. According to the Intergovernmental Panel on Climate Change (IPCC) 2018 report, "constraining global warming to 1.5°C above pre-industrial level, rather than to 2°C and higher, is projected to have many benefits for terrestrial and wetland ecosystems and for the preservation of their services..."

During the review period, initiatives undertaken include:

- **Geothermal Energy**

Work continued on the US$90M 10-15 MW geothermal plant. Geothermal Development Project. Other initiatives geared at reducing greenhouse gases and supporting cleaner energy solution was the USD$1.7m Promoting Access to Clean Energy Solutions (PACES) project. This project has successfully installed and commissioned a 160kWh solar PV system at the Argyle International Airport and a bio-digester at the Belle Isle Correctional Facility.

- **Completion of a National Ocean Policy**

Oceans are important for sustaining life and livelihoods and serves as a carbon sink. It is estimated that the ocean sequesters approximately 40% of anthropogenic-sourced CO_2 from the atmosphere. During the period under review, the Government of Saint Vincent and the Grenadines approved the National Ocean Policy. This policy provides guidance on the sustainable management and use of Saint Vincent and the Grenadines' marine waters and resources.

- **Styrofoam Ban**

  In May 2018, the Styrofoam ban was fully implemented introducing a range of alternatives to this form of plastic, one of the world's leading sources of marine pollution.

7. PUBLIC SECTOR INVESTMENT PROGRAMME

7.1 INTRODUCTION

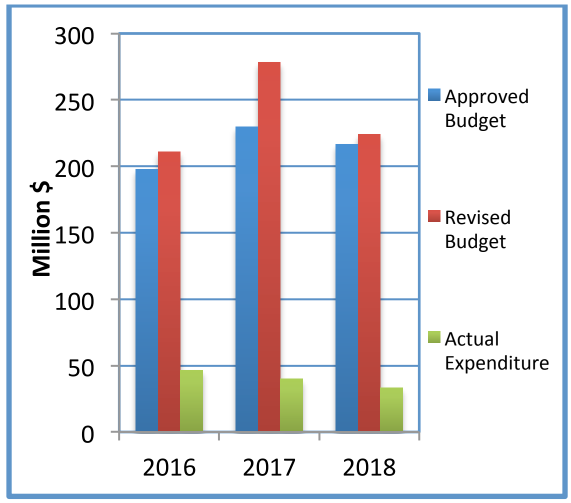
The Public Sector Investment Programme (PSIP) outlines the government's investment priorities, and comprises projects and programmes that are designed to stimulate and sustain economic growth and development and building resilience to climate change. The 2018 PSIP Review is presented in three (3) sections. The first section provides a summary of the expenditure recorded in fiscal year 2018 viz-a-viz the approved budget, and actual spending; and is categorised according to types and sources of funding. Section two (2) provides a sectoral analysis of the PSIP including a review of programmes and projects implemented as at September, 30th 2018. The final section discusses the PSIP outlook for 2018.

7.2 OVERVIEW

A sum of $216.6m was approved for the implementation of the 2018 capital programme. During the period under review, the budget was revised to $224.5m, a 3.6 percent increase over the original budget.

Preliminary data at the end of September 2018 indicate that $33.4m or 14.9 percent of the revised budget was expended (*see figure 7.1)*, compared with $39.9m or 14.3 percent for the same period in 2017.

Figure 7.1: Capital Performance



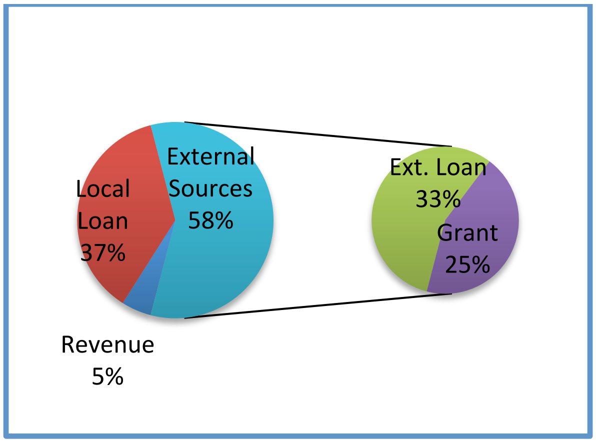
Source: Ministry of Finance, Economic Planning, etc

There are several factors that contributed to this low implementation rate of the PSIP. These include a lag in the journalising of expenditure by the implementing agencies, longer than anticipated procurement period, human resource constraints, poor performance of contractors and consultants and technical delays.

7.3 FINANCING THE PSIP

The PSIP is financed by a combination of domestic and external funds from various bilateral and multilateral sources. For 2018, external financing accounted for 58.2 percent (Grants, 25.5% and Loans, 32.7%), while domestic financing accounted for 41.8 percent (Local Loans, 36.9% and Revenue, 4.9% (*see figure 7.2)*.

Figure 7.2: 2018 Capital Budget by Type of Funds



Source: Ministry of Finance, Economic Planning, etc

As it relates to domestic financing, $11.1m was budgeted from Revenue and $82.9m from Loans. Externally, $57.1m was allocated from Grants and $73.3m from Loans. The funds were allocated mainly to the Environmental Protection and Economic Affairs sectors.

SOURCES OF FINANCING

Domestic financing was obtained from local loans and revenues. They were budgeted mainly to provide counterpart funding for externally financed projects, the rehabilitation of roads and bridges, and for other investments in general administration, national security, health and education.

The major sources of bilateral financing were the Government of the Republic of China (Taiwan) ($11.5m), the Government of Kuwait ($8.2m), UK Department for International Development (DFID) ($8.0m) and UK Caribbean Infrastructure Partnership Fund (UKCIF) ($7.0m). The Republic of China (Taiwan) funds were mainly for repair and renovation of buildings and road rehabilitations. The Kuwait and DFID funds were sourced for road construction and geothermal development, respectively.

Multilateral funds came principally from the World Bank (inclusive of the Climate Investment Fund) ($37.8m), the Caribbean Development Bank (CDB) ($23.2m) and the European Union (EU) ($15.3m). Other contributors were OPEC Fund for International Development (OFID) ($5.1m) and Abu-Dhabi Fund for Development (ADFD) ($3.0m).

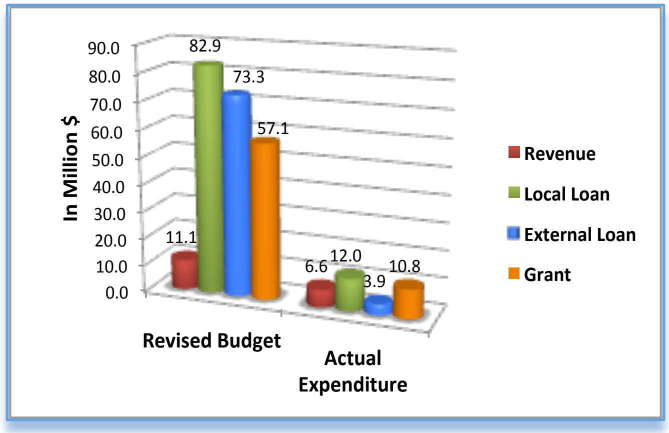
The World Bank funded investments were mainly in disaster vulnerability reduction and information communication technology (ICT). The CDB funds were allocated for natural disaster management and reconstruction; technical, vocation education and training; while, the EU investments were allocated to agriculture, health and disaster vulnerability reduction.

7.4 ACTUAL EXPENDITURE

For the period under review, $33.3m was expended, of which, $18.6m or 55.6 percent was from local loans. This expenditure was mainly for the purchase of a coastguard vessel, purchase of two (2) fire tenders for the Georgetown and Barrouallie Police Stations, Capitalization of Contingency Fund and Capital Subscription to CDB/IMF and World Bank.

Spending from external resources amounted to $14.7m or 44.4 percent of the total expenditure. This expenditure was mainly for implementation of Agriculture Modernization Project, Regional Disaster Vulnerability Reduction Project (RDVRP) and Caribbean Regional Communication Infrastructure Project (CARCIP). Figure 7.3 shows revised budget verses actual expenditure by type of funds.

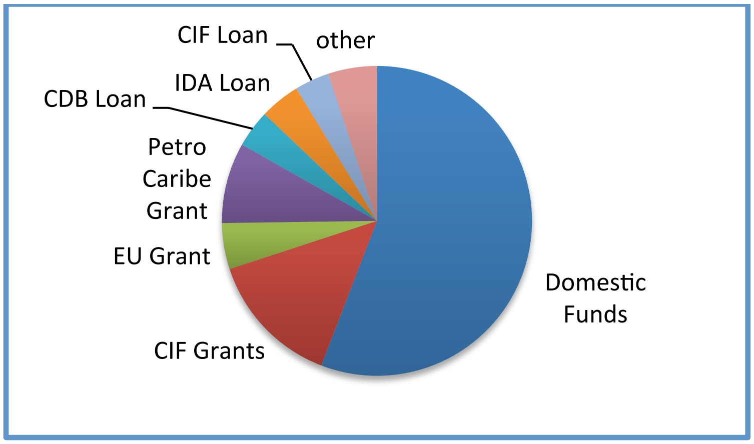
Figure 7.3: Revised Budget vs Actual by Type of Funds



Source: Ministry of Finance, Economic Planning, etc

Figure 7.4 provides a pictorial view of the actual expenditure by source of funds. It shows that a significant portion of the funds expended was from grants (EU, IDA and Petro Caribe) and external loans from the World Bank and CDB.

Figure 7.4: 2018 Actual Expenditure by Source of Funds



Source: Ministry of Finance, Economic Planning, etc

7.5 SECTOR PERFORMANCE

Overview

The PSIP is classified in accordance with the COFOG (Classification of Functions of Government) system. Within this system, expenditure is categorized into ten sectors: General Public Service; Defense; Public Order and Safety; Economic Affairs; Environmental Protection; Housing and Community Amenities; Health; Recreation, Culture and Religion; Education; and Social Protection. The 2018 revised budget was allocated as follows: Economic Affairs (42.0%), Environmental Protection (29.6%), Education (6.1%), Housing and Community Amenities (5.8%), General Public Service (5.1%) and Health (5.1%).

Environmental Protection recorded the highest expenditure ($12.9m or 38.7%), followed by Public Order and Safety ($5.2m or 15.6%); Economic Affairs ($4.8m or 14.4%); Education ($4.3m or 12.9%); Housing and Community Amenities ($3.1m or 9.3%) and Health ($1.8m or 5.4%). The next section provides further details on the sectors' performance.

Environmental Protection

In 2018, $66.3m was allocated to this sector, compared with $44.2m in 2017. This increase was attributed to the capitalization of the Contingency Fund, which was initiated in 2017, to finance post disaster re-construction and rehabilitation activities. At the end of September 2018, a balance of $9.8 m was accumulated in the fund.

At the end of September 2018, expenditure amounted to $12.9m. This was mainly for the World Bank funded RDVRP which amounted to $5.9m. The main activities included:

- Construction of satellite warehouses at Rose Hall, Sandy Bay Mesopotamia, Georgetown and Union Island;
- North and South River embankment protection;
- Slope stabilization at Troumaca (English and German Gutter);
- Slope stabilization and road realignment at Ginger Village;
- Rehabilitation of the Clifton water tank;
- Design of the Acute Referral Hospital; and
- Draft of a National Physical Development Plan.

Works are ongoing on CDB – financed projects, including the Natural Disaster Management and Reconstruction Projects where payments are being made directly by CDB, but have not been journalized and reflected in the Government's accounts. The activities undertaken included:

- River training works at Caratal and Lauders-Lowmans;
- Reconstruction of Campden Park Community Centre;
- Reconstruction of a bridge at Freeland, Mesopotamia;
- Installation of gabion baskets at Yambou, Teviot and Zenga rivers;
- River bank protection at Teviot and Zenga rivers; and
- Construction of a retaining wall at Tourama.

Other spending was recorded for the Contingency Fund Capitalization ($6.6m) and Japan-Caribbean Climate Change Partnership Programme ($0.18m).

Public Order and Safety

This sector had a revised budget of $8.4m, with an actual expenditure of $5.2m. This was mainly for part payment on the purchase of one (1) coast guard vessel $3.5m and two (2) Fire Tenders for Georgetown and Barrouallie Police Stations.

Economic Affairs

A total of $95.1m of the 2018 revised budget was allocated to the Economic Affairs sector. The main allocation was directed to the transport subsector ($51.8m), specifically for rehabilitation and reconstruction of roads, bridges and river defense.

Actual reported expenditure in this sector amounted to $4.8m. This was mainly in the Agriculture ($2.2m) and General Economic, Commercial and Labour Affairs sub-sectors ($1.4m). Other sub-sectors that recorded expenditure are Communication $0.82m, Transport $0.3m, fuel and energy $0.083m and Tourism $0.037m.

Capital spending in the Agriculture sub-sector improved in 2018, due to the continued implementation of the EU financed, Agriculture Modernization Programme – Banana Accompanying Measures (BAM). During the reporting period, $2.2m of the revised budget was expended compared with $0.9m in 2017. These funds were used for upgrading of the Langley Park Facility; construction of On-Farm infrastructure for livestock, greenhouse park facility at Montreal, and a food science laboratory at the St. Vincent and the Grenadines Community College - Division of Technical and Vocational Education (SVGCC – DTVE).

In addition, $0.05m was spent to carry out repair works on the arrowroot processing plant, $0.019m on the upgrade of the agriculture extension station at Rivulet and $0.027m on soil mapping exercise under the Soil Fertility Mapping Project.

In the General Economic, Commercial and Labour Affairs sub-sector, expenditure was for Capital Subscription ($1.4m). This expenditure covered the annual costs of membership/subscription to regional and international organizations such as the Caribbean Development Bank, IMF and the World Bank.

Over 80 percent of the communication expenditure was derived from the business incubation and training grants programme under the Caribbean Communication Infrastructure Programme (CARCIP). This is a World Bank Funded Regional Project that aims to develop micro and small ICT businesses, making them globally competitive. Since the commencement of the programme in 2015, sixteen- (16) businesses have benefited from training, incubation services and the provision of ICT equipment. For the period under review, expenditure on the programme is approximately $0.4m.

Many of the beneficiaries are in a better position to expand their services and capitalize on the opportunities in the growing demand for ICT services.

Over 750 persons benefited from training in the following ICT-related areas: CompTIA A+, CompTIA Network+, Graphics Design, Animation, Web Page Design, International Computer Driving License (ICDL) Base, AutoCAD and Dressmaking using technology equipment.

Seventy-two percent of the Transport sub-sector expenditure was for the construction of the Layou Foot Bridge. Other expenditure was used for remedial works on the section of the South Leeward Highway (Nelson Mandela Highway) between the Central Water and Sewerage Authority and Gibson Corner. This section of the road was significantly affected by underground water.

In 2018, a revised budget of $11.5m was allocated for major developments in energy. This allocation was geared towards investment in renewable energy technologies and energy efficiency and conservation practices. These initiatives include Geothermal Development, Solar PV Demonstration, Promoting Access to Clean Energy Services and Energy for Sustainable Development projects.

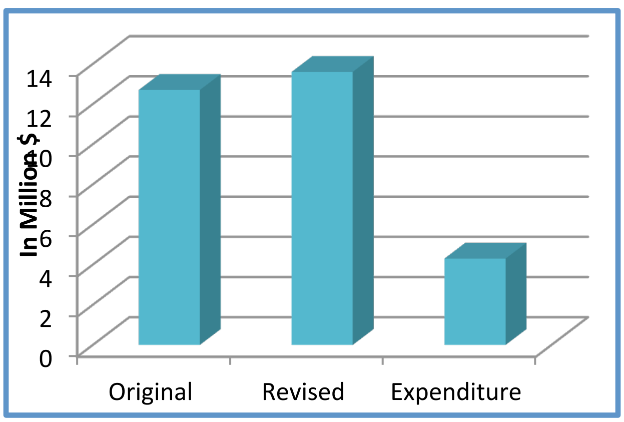
The US$90m Geothermal Development Project continued with civil works at the drilling site. Once completed, it is expected to reduce the cost of doing business and the dependence on imported fossil fuels. Under the Solar PV Demonstration Project, $0.08m was used to commence installation of a 200kWh PV system at the St. Vincent and the Grenadines Community College (SVGCC).

In 2018, the Tourism subsector revised budget amounted to $5.2m. This allocation included the Tourism and Private Sector Development Project ($1.5m), under which the fire fighting and the laundry and storage facilities are being constructed at the Hospitality and Maritime Training Institute (HMTI). In addition, $1.0m has been allocated to enhance the tourism sector under the World Bank - financed OECS Regional Tourism Competitiveness Project. As at September 2018, $0.037m was expended on this project.

Education Sector

In 2018, the Education sector had an allocation of $13.6m compared with $7.0m in 2017, representing an increase of 94.3 percent. At the end of September 2018, $4.3m or 31.6 percent of the total allocation was expended compared with 44.3% of the same period in 2017*(see figure 7.5)*. Funds allocated in 2018 were geared towards the purchasing of equipment, books and furniture along with training and upgrading of schools.

Figure 7.5: Education Sector: Revised Vs Actual



Source: Ministry of Finance, Economic Planning, etc

The main expenditure recorded was for the following:

(1) Support for Education and Training Programme (SET). Funds were expended from two sources– Republic of China/ Taiwan (ROC) ($0.3m) and Petro Caribe ($1.3m). For the 2017-2018 programme year, 244 individuals gained work experience in various public sector agencies and departments.

(2) For the Technical and Vocational Education Training Development Project (TVET) $1.4m was expended. Activities undertaken included: rehabilitation works at the Barrouallie and Georgetown Technical Institutes, which were 95 percent completed, and training of 203 unemployed/youths at risk.

Other expenditures recorded included the upgrading of school premises and purchase of furniture and equipment. For the upgrading of school premises Phase IV, approximately $1.0m was expended on eleven schools: Georgetown Secondary, Colonarie Government, New Prospect Primary, Calder Government, St. Clair Dacon, Girls High School, St. Vincent Grammar School, Intermediate High School, Westwood Methodist, Bethel High School and Paget Farm Government.

In relation to the purchase of furniture and equipment, $0.2m was expended for the period under review.

Housing and Community Amenities Sector

In 2018, $12.9m was allocated for housing and community development. This represents a reduction of 55.1 percent compared with $23.4m for the same period in 2017.

Actual expenditure amounted to $3.1m or 24 percent of the revised budget. The funds were used mainly on the following: (1) Housing Rehabilitation Project, where $1.5m was expended on the repair to homes of persons who were affected by climate change variability phenomenon particularly from intense torrential rain events. Construction of 121 homes (1 and 2 bedrooms along with bathrooms) for the indigent poor dubbed 'Lives to Live'.

(2) Land Purchase for development ($1.0m).

The other initiatives which recorded expenditure included: Low Income Housing Project – ($0.24m), Clare Valley Reconstruction Housing Project ($0.2m) for the replacement of a home; and Gibson Corner Settlement ($0.07m) including payment for the Enhams Road.

Under the Community Amenities section, $0.04m was expended on Special Development Projects – Phase II. This project focuses on small development works for communities throughout the country.

General Public Service

For 2018, $12.9m was allocated to the General Public Service sector compared with $58.1m in 2017. For the period under review, $0.4m was expended. Expenditure was recorded on the purchase of furniture and equipment for various government departments ($0.2m), the rehabilitation of the administrative building ($0.1m), repairs and renovation to the SVG Bureau of Standards building ($0.09m) and the Project Management and Coordination Unit in the Economic Planning Division ($0.02m).

Health Sector

A revised budget of $11.4m was allocated to the health sector for capital investments in 2018. This represents a 31.7 percent decrease over the 2017 allocation. These investments were directed to further develop and modernize the health sector.

Preliminary data indicate that actual expenditure for the period under review amounted to $1.8m or 15.8 percent of the sector's revised budget. Compared with same period in 2017, the actual expenditure of the revised budget was 25.1 percent.

Contributing to the 2018 expenditure is the completion of the Modern Medical Complex ($1.6m). The Complex, which has been renamed "Georgetown Diagnostics and Treatment Center" was opened on the 2nd July, 2018 and is now operational. A range of services being offered at the facility includes: dialysis, oncology, ophthalmology, diagnostic (radiology, ultrasound, and laboratory), endoscopy, intensive care and related outpatient services.

Modern Medical Complex

There was also expenditure on other projects such as: the equipping of Mesopotamia and Buccament polyclinics under the 10th EDF – Modernization of the Health Sector Project ($0.06m); Capacity Building Project for the Prevention and Control of Diabetes ($0.04m); Infectious Disease Control II ($0.04); and PAHO/WHO Assistance project – Phase II ($0.08m).

Buccament Polyclinic

Mespo Polyclinic

Other Sectors

These sectors comprise of Recreation, Culture and Religion and Social Protection. For the period under review, expenditure was recorded in Social Protection ($0.7m). This sector includes Zero Hunger ($0.2m)-

ROC funds and the Human Development Service Delivery (HDSD) project ($0.5m). The objective of the HDSD is to strengthen service delivery in education, social protection and labour. Expenditure was mainly on the enhanced Country Poverty Assessment (eCPA), which commenced in March 2018. The eCPA will provide critical baseline information for policy formulation.

7.6 PROJECTIONS AT THE END OF 2018

Actual expenditure is projected to be over $100.0m at the end of 2018, which is, approximately 45.0 percent of the year's revised budget. This should result in a four percentage points increase in the implementation rate over 2017 which was 41 percent. Specifically, the major contributors to this projected expenditure will be the Regional Disaster and Vulnerability Reduction Project which anticipates expenditure exceeding $15m, the Geothermal Development Project projected to spend $13m, Agriculture Modernization and Development Programme ($5.0m), CARCIP ($1.0m) and the journalizing of expenditure for externally funded projects, notably, CDB loans and grants ($15.0m).

In addition to the expenditure on other externally funded projects, it is anticipated that domestic financing will contribute $40.0m to the total capital expenditure for 2018.

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8. PROSPECTS

St. Vincent and the Grenadines is anticipated to benefit from continued growth in the World Economy and its largest tourism source market, the USA. In its October 2018 update of the World Economic Outlook (WEO), the IMF projected global growth to remain on its 3.7 percent path over 2018 and 2019. This steady trajectory is expected to be wide-ranging, driven by positive economic advances in both advanced and emerging economies. The US economy is anticipated to grow by 2.9 percent in 2018, building on the 2.2 percent in 2017, as labour market conditions continue to strengthen. These external developments could have favourable knock-on effects on the Caribbean economies, including St Vincent and the Grenadines particularly in trade, tourism, and foreign direct investment.

The growth outlook for St Vincent and the Grenadines is favourable for the short to medium term, benefitting from growing operations at the Argyle International Airport (AIA), and a conducive international environment. As it relates to the AIA, American Airlines will commence weekly year-round flights from Miami in December 2018. This would supplement the current weekly services by Caribbean Airlines (CAL) to New York and Air Canada Rouge to Toronto. As the market continues to grow it is expected that SVG would benefit from more direct flights. These international flights are expected to provide significant opportunities for local and foreign direct investment, tourism, trade, and employment.

Additionally, the recent operationalisation of the $250m world-class Glossy Bay Marina is anticipated to considerably improve yachting activities and represent a valuable complement to stay-over tourism. The re-opening of the Buccament Bay Resort and the construction of hotels at Diamond, Mt. Wynne and Peter’s Hope would increase the room stock significantly and would contribute favourably to the growth potential of the tourism sector. Further, the sector is expected to benefit from continued robust expansion in cruise ship calls and visitor arrivals. These efforts to enhance SVG’s tourism product will be complemented by ramped up and aggressive marketing strategies.

PROSPECTS

Efforts under the $13.4m OECS Regional Tourism Competitiveness Project will focus on site restoration and the promotion of intra-regional travel.

Growth in the agricultural sector is also anticipated to support the economic outlook. This expansion will be propelled by a range of on-going initiatives related to the Banana Accompanying Measures (BAM) Programme, such as the recently launched Montreal Greenhouse Park and the $11.6m OECS Regional Agriculture Competitiveness project. Further, the GoSVG unprecedented policy decision to establish a well-regulated, clearly defined, export-oriented, medical cannabis industry is expected to have a positive impact on the agriculture sector and by extension, the Vincentian economy. Additionally, the sector will receive a strong boost from the fisheries sub-sector, as greater airlift access facilitated by the Argyle International Airport, coupled with the leasing of several state-owned fisheries centres to the private sector. These initiatives have enabled the environment for export of lobster, fish, and conch to the United States of America and the Caribbean.

Value added in the construction sector will strengthen over the medium term, led by activities in the public and private sector. In the sector, capital works include rehabilitation of roads and bridges, coastal defense protection, the Port Modernisation Project, the Geothermal Development Project, Canouan Runway Resurfacing Project and the hotel development projects.

A number of downside risks related to both the external and domestic environment may however mute this favourable outlook for St. Vincent and the Grenadines. Specifically, the probability of adverse geopolitical events may cloud the favourable outlook for the world economy in the medium term and negatively affect visitor sentiment. Further, protectionist trade measures implemented or approved between April and mid-September by the US have created an air of uncertainty and increased the possibility of a trade war that could undermine global economic growth. Meanwhile, tighter financial conditions and higher oil import bills could suppress the growth momentum in emerging and developing economies. In addition, increased frequency and intensity of natural disasters, induced by climate change, places the country at immense risks of damage and losses to important productive natural resources and could significantly erode the economic gains over the past decades.

Notwithstanding, with prudent fiscal management, good governance and significant investment in human resource development, renewable energy and the productive sectors, it is envisaged that growth and development prospects would remain favourable.

9. ANNEXES

Annex 1: Gross Domestic Product by Economic Activity in Current Prices 2013- 2017 (EC$m)

SECTOR	2013	2014	2015	2016	2017 Prel
Agriculture, Hunting & Forestry	**118.26**	**121.78**	**117.75**	**135.27**	**137.64**
Crops	98.10	102.16	98.89	115.72	117.31
Bananas	1.03	0.85	0.72	1.07	1.37
Other Crops	97.07	101.31	98.17	114.65	115.94
Livestock	19.23	18.71	17.97	18.67	19.48
Forestry	0.92	0.91	0.89	0.87	0.85
Fishing	**7.93**	**8.03**	**9.11**	**8.68**	**10.05**
Mining & Quarrying	**2.37**	**2.43**	**2.49**	**3.69**	**3.77**
Manufacturing	**86.19**	**97.00**	**97.13**	**103.24**	**101.74**
Electricity & Water	**65.00**	**62.39**	**53.93**	**66.13**	**69.18**
Electricity	51.30	49.12	40.51	52.48	54.56
Water	13.71	13.27	13.42	13.64	14.62
Construction	**145.05**	**128.18**	**137.99**	**135.74**	**142.39**
Wholesale & Retail Trade	**240.65**	**243.16**	**228.76**	**233.29**	**229.97**
Hotels & Restaurants	**47.21**	**42.92**	**45.35**	**33.00**	**36.92**
Hotels	35.21	31.00	33.62	17.08	20.85
Restaurants	12.00	11.92	11.73	15.92	16.07
Transport, Storage and communications	**224.80**	**220.95**	**222.53**	**241.39**	**250.30**
Transport and Storage	**149.47**	**148.95**	**148.11**	**168.68**	**176.74**
Road	110.53	110.59	107.93	119.36	124.84
Sea	13.47	13.37	13.61	14.58	16.32
Air	8.17	8.69	9.24	14.42	14.71
Supporting and auxiliary transport activities	17.31	16.31	17.33	20.32	20.88
Communications	***75.32***	***72.00***	***74.42***	***72.71***	***73.56***
Financial Intermediation	**98.77**	**101.52**	**103.94**	**120.57**	**122.07**
Banks & Other Financial Institutions	62.79	63.70	65.25	76.03	76.32
Insurance and pension funding	29.74	30.95	31.16	34.58	35.38
Activities auxiliary to financial intermediation	6.24	6.87	7.52	9.95	10.38
Real Estate, Renting and Business Activities	**245.07**	**251.16**	**253.29**	**256.55**	**260.86**
Owner Occupied Dwellings	174.71	176.93	178.41	180.55	182.55
Real estate activities	29.56	29.89	30.11	30.44	30.73
Renting of machinery and equipment	7.04	7.01	6.82	6.26	7.61
Computer and related activities	5.94	5.96	5.98	6.00	6.33
Business Services	27.82	31.36	31.97	33.30	33.63
Public Administration, Defence & Compulsory Social Security	**206.77**	**218.34**	**224.67**	**225.01**	**223.47**
Education	**98.45**	**96.20**	**101.73**	**103.01**	**103.82**
Health and Social Work	**55.88**	**54.67**	**55.85**	**56.51**	**56.85**
Other Community, Social & Personal Services	**38.16**	**32.41**	**33.23**	**31.25**	**32.58**
Private Households with Employed Persons	**4.85**	**4.19**	**4.11**	**4.57**	**4.48**
Less FISIM	**17.21**	**17.63**	**17.80**	**20.65**	**19.32**
Gross Value Added at Basic Prices	**1,668.22**	**1,667.69**	**1,674.06**	**1737.23**	**1766.78**
GROWTH RATE	**4.75**	**-0.03**	**0.38**	**0.88**	**1.70**
Taxes on products	*280.12*	*298.72*	*318.75*	*344.91*	*354.40*
Less Subsidies	*1.08*	*1.08*	*1.08*	*1.08*	*1.08*
GDP at Market Prices	**1,947.26**	**1,965.34**	**1,991.74**	**2081.06**	**2120.10**
GROWTH RATE	**4.08**	**0.93**	**1.34**	**2.03**	**1.88**

Source: The Statistical Office, Ministry of Finance, Economic Planning, Sustainable Development and Information Technology

Annex 2: **Gross Domestic Product by Economic Activity in Constant (2006) Prices 2013- 2017 (EC$m)**

SECTOR	2013	2014	2015	2016	2017 Prel
Agriculture, Hunting & Forestry	**88.37**	**90.84**	**86.30**	**93.83**	**97.35**
Crops	69.41	72.27	68.63	75.85	78.50
Bananas	1.54	1.26	1.31	1.95	1.52
Other Crops	67.87	71.00	67.33	73.90	76.98
Livestock	18.17	17.80	16.91	17.24	18.13
Forestry	0.78	0.77	0.75	0.74	0.72
Fishing	**5.58**	**5.71**	**6.20**	**5.38**	**6.05**
Mining & Quarrying	**2.03**	**2.24**	**2.29**	**2.88**	**2.95**
Manufacturing	**58.55**	**62.07**	**63.87**	**64.46**	**66.54**
Electricity & Water	**58.46**	**57.80**	**59.70**	**61.84**	**62.08**
Electricity	44.02	43.87	45.62	47.42	46.62
Water	14.43	13.92	14.08	14.43	15.45
Construction	**123.48**	**109.04**	**118.56**	**117.57**	**125.13**
Wholesale & Retail Trade	**225.20**	**227.12**	**217.51**	**222.13**	**214.36**
Hotels & Restaurants	**33.11**	**32.05**	**33.31**	**33.24**	**27.17**
Hotels	22.55	21.58	23.01	23.11	16.95
Restaurants	10.57	10.46	10.30	10.12	10.22
Transport, Storage & Communication	**208.57**	**208.15**	**207.70**	**202.16**	**206.74**
Transport, Storage	**155.20**	**154.81**	**153.92**	**154.23**	**159.25**
Road	114.13	114.54	111.42	109.99	112.57
Sea	15.95	15.80	16.37	17.23	19.29
Air	1.63	1.58	1.70	1.77	1.72
Supporting and auxiliary transport activities	23.49	22.89	24.43	25.24	25.68
Communications	**53.37**	**53.34**	**53.78**	**47.93**	**47.49**
Financial Intermediation	**102.00**	**105.11**	**108.50**	**109.88**	**109.77**
Banks & Other Financial Institutions	70.19	72.66	75.80	73.83	73.69
Insurance and pension funding	28.14	28.43	28.61	32.10	32.05
Activities auxiliary to financial intermediation	3.67	4.02	4.10	3.95	4.03
Real Estate, Renting & Business Services	**234.62**	**236.41**	**238.32**	**240.32**	**244.36**
Owner Occupied Dwellings	170.52	172.68	174.13	176.22	178.17
Real estate activities	28.85	29.18	29.39	29.71	30.00
Renting of machinery and equipment	7.50	7.46	7.25	6.66	8.09
Computer and related activities	3.95	3.96	3.96	4.09	4.22
Business services	23.80	23.14	23.58	23.65	23.88
Public Administration, Defence & Compulsory Social Security	**169.59**	**179.29**	**179.85**	**180.56**	**178.93**
Education	**67.94**	**65.61**	**67.23**	**71.11**	**71.10**
Health and Social Work	**44.50**	**42.87**	**43.11**	**44.03**	**44.85**
Other Community, Social & Personal Services	**32.00**	**33.00**	**33.71**	**33.24**	**34.45**
Private Households with Employed Persons	**3.50**	**3.43**	**3.36**	**3.40**	**6.43**
Less FISIM	**14.47**	**14.94**	**14.50**	**15.20**	**14.35**
Gross Value Added at Basic Prices	**1,443.05**	**1,445.77**	**1,455.02**	**1470.81**	**1480.91**
GROWTH RATE	**2.49**	**0.19**	**0.64**	**0.83**	**0.69**
Taxes on products	*242.31*	*258.97*	*277.05*	*292.01*	*297.05*
Less Subsidies	*0.93*	*0.93*	*0.93*	*0.91*	*0.90*
GDP at Market Prices	**1,684.43**	**1,703.80**	**1,731.14**	**1761.92**	**1777.07**
GROWTH RATE	**1.83**	**1.15**	**1.60**	**1.9**	**0.86**

Source: The Statistical Office, Ministry of Finance, Economic Planning, Sustainable Development and Information Technology

Annex 3: Percentage Contribution of Gross Value Added by Economic Activity in Current Prices 2013-2017

SECTOR	2013	2014	2015	2016	2017 Prel
Agriculture, Hunting & Forestry	**7.09**	**7.30**	**7.03**	**7.79**	**7.79**
Crops	5.88	6.13	5.91	6.66	6.64
Bananas	0.06	0.05	0.04	0.06	0.08
Other Crops	5.82	6.07	5.86	6.60	6.56
Livestock	1.15	1.12	1.07	1.07	1.10
Forestry	0.06	0.05	0.05	0.05	0.05
Fishing	**0.48**	**0.48**	**0.54**	**0.50**	**0.57**
Mining & Quarrying	**0.14**	**0.15**	**0.15**	**0.21**	**0.21**
Manufacturing	**5.17**	**5.82**	**5.80**	**5.94**	**5.76**
Electricity & Water	**3.90**	**3.74**	**3.22**	**3.81**	**3.92**
Electricity	3.07	2.95	2.42	3.02	3.09
Water	0.82	0.80	0.80	0.79	0.83
Construction	**8.70**	**7.69**	**8.24**	**7.81**	**8.06**
Wholesale & Retail Trade	**14.43**	**14.58**	**13.66**	**13.43**	**13.02**
Hotels & Restaurants	**2.83**	**2.57**	**2.71**	**1.90**	**2.09**
Hotels	2.11	1.86	2.01	0.98	1.18
Restaurants	0.72	0.71	0.70	0.92	0.91
Transport, Storage & Communications	**13.48**	**13.25**	**13.29**	**13.90**	**14.17**
Transport & Storage	**8.96**	**8.93**	**8.85**	**9.71**	**10.00**
Road	6.63	6.63	6.45	6.87	7.07
Sea	0.81	0.80	0.81	0.84	0.92
Air	0.49	0.52	0.55	0.83	0.83
Auxiliary transport activities and storage	1.04	0.98	1.04	1.17	1.18
Communications	**4.52**	**4.32**	**4.45**	**4.19**	**4.16**
Financial Intermediation	**5.92**	**6.09**	**6.21**	**6.94**	**6.91**
Banks & Other Financial Institutions	3.76	3.82	3.90	4.38	4.32
Insurance and pension funding	1.78	1.86	1.86	1.99	2.00
Activities auxiliary to financial intermediation	0.37	0.41	0.45	0.57	0.59
Real Estate & Housing	**14.69**	**15.06**	**15.13**	**14.77**	**14.76**
Owner Occupied Dwellings	10.47	10.61	10.66	10.39	10.33
Real Estate activities	1.77	1.79	1.80	1.75	1.74
Renting of machinery and equipment	0.42	0.42	0.41	0.36	0.43
Computer related services	0.36	0.36	0.36	0.35	0.36
Business services	1.67	1.88	1.91	1.92	1.90
Public Administration, Defence & Compulsory Social Security	**12.39**	**13.09**	**13.42**	**12.95**	**12.65**
Education	**5.90**	**5.77**	**6.08**	**5.93**	**5.88**
Health & Social Work	**3.35**	**3.28**	**3.34**	**3.25**	**3.22**
Other Community, Social & Personal Services	**2.29**	**1.94**	**1.98**	**1.80**	**1.84**
Private Households with Employed Persons	**0.29**	**0.25**	**0.25**	**0.26**	**0.25**
FISM	**1.03**	**1.06**	**1.06**	**1.19**	**1.09**
Gross Value Added at Basic Prices	**100.00**	**100.00**	**100.00**	**100.00**	**100.00**

Source: The Statistical Office, Ministry of Finance, Economic Planning, Sustainable Development and Information Technology

Annex 4: Percentage Contribution of Gross Value Added by Economic Activity in Constant (2006) Prices: 2013-2017

SECTOR	2013	2014	2015	2016	2017 Prel
Agriculture, Hunting & Forestry	**6.12**	**6.28**	**5.93**	**6.38**	**6.57**
Crops	4.81	5.00	4.72	5.16	5.30
Bananas	0.11	0.09	0.09	0.13	0.10
Other Crops	4.70	4.91	4.63	5.02	5.20
Livestock	1.26	1.23	1.16	1.17	1.22
Forestry	0.05	0.05	0.05	0.05	0.05
Fishing	**0.39**	**0.39**	**0.43**	**0.37**	**0.41**
Mining & Quarrying	**0.14**	**0.15**	**0.16**	**0.20**	**0.20**
Manufacturing	**4.06**	**4.29**	**4.39**	**4.38**	**4.49**
Electricity & Water	**4.05**	**4.00**	**4.10**	**4.20**	**4.19**
Electricity	3.05	3.03	3.14	3.22	3.15
Water	1.00	0.96	0.97	0.98	1.04
Construction	**8.56**	**7.54**	**8.15**	**7.99**	**8.45**
Wholesale & Retail Trade	**15.61**	**15.71**	**14.95**	**15.10**	**14.47**
Hotels & Restaurants	**2.29**	**2.22**	**2.29**	**2.26**	**1.83**
Hotels	1.56	1.49	1.58	1.57	1.14
Restaurant	0.73	0.72	0.71	0.69	0.69
Transport, Storage & Communications	**14.45**	**14.40**	**14.27**	**13.74**	**13.96**
Transport & Storage	**10.76**	**10.71**	**10.58**	**10.49**	**10.75**
Road	7.91	7.92	7.66	7.48	7.60
Sea	1.11	1.09	1.13	1.17	1.30
Air	0.11	0.11	0.12	0.12	0.12
Auxiliary transport activities and storage	1.63	1.58	1.68	1.72	1.73
Communications	**3.70**	**3.69**	**3.70**	**3.26**	**3.21**
Financial Intermediation	**7.07**	**7.27**	**7.46**	**7.74**	**7.41**
Banks & Other Financial Institutions	4.86	5.03	5.21	5.02	4.98
Insurance and pension funding	1.95	1.97	1.97	2.18	2.16
Activities auxiliary to financial intermediation	0.25	0.28	0.28	0.27	0.27
Real Estate, Renting and Business services	**16.26**	**16.35**	**16.38**	**16.34**	**16.50**
Owner Occupied Dwellings	11.82	11.94	11.97	11.98	12.03
Real Estate activities	2.00	2.02	2.02	2.02	2.03
Renting of machinery and equipment	0.52	0.52	0.50	0.45	0.55
Computer related services	0.27	0.27	0.27	0.28	0.29
Business services	1.65	1.60	1.62	1.61	1.61
Public Administration, Defence & Compulsory Social Security	**11.75**	**12.40**	**12.36**	**12.28**	**12.08**
Education	**4.71**	**4.54**	**4.62**	**4.83**	**4.80**
Health & Social Work	**3.08**	**2.97**	**2.96**	**2.99**	**3.03**
Other Community, Social & Personal Services	**2.22**	**2.28**	**2.32**	**2.26**	**2.33**
Private Households with Employed Persons	**0.24**	**0.24**	**0.23**	**0.23**	**0.23**
Less FISM	**1.00**	**1.03**	**1.00**	**1.03**	**0.97**
TOTAL	**100.00**	**100.00**	**100.00**	**100.00**	**100.00**

Source: The Statistical Office, Ministry of Finance, Economic Planning, Sustainable Development and Information Technology

Annex 5: Rate of Growth of Gross Value Added by Economic Activity in Current Prices 2013-2017

SECTOR	2013	2014	2015	2016	2017
Agriculture, Hunting & Forestry	**9.12**	**2.98**	**-3.31**	**14.53**	**1.76**
Crops	10.03	4.14	-3.20	16.60	1.37
Bananas	26.46	-17.35	-15.58	-2.04	28.39
Other Crops	9.87	4.36	-3.09	16.81	1.12
Livestock	5.30	-2.70	-3.99	3.93	4.31
Forestry	-2.00	-2.00	-2.00	-2.00	-2.00
Fishing	**14.45**	**1.16**	**13.46**	**-4.70**	**15.80**
Mining & Quarrying	**-3.16**	**2.38**	**2.38**	**-5.04**	**2.20**
Manufacturing	**7.45**	**12.54**	**0.14**	**3.79**	**-1.45**
Electricity & Water	**-1.94**	**-4.01**	**-13.57**	**-9.34**	**4.62**
Electricity	-1.60	-4.23	-17.54	-8.23	3.97
Water	-3.21	-3.18	1.12	-13.39	7.13
Construction	**7.77**	**-11.63**	**7.65**	**-1.63**	**4.90**
Wholesale & Retail Trade	**4.22**	**1.04**	**-5.92**	**1.18**	**-1.42**
Hotels & Restaurants	**10.31**	**-9.09**	**5.67**	**-8.22**	**11.90**
Hotels	15.91	-11.95	8.46	-17.44	22.10
Restaurants	-3.40	-0.69	-1.58	4.28	0.95
Transport, Storage & Communications	**1.91**	**-1.71**	**0.72**	**3.47**	**3.69**
Transport & Storage	**0.36**	**-0.35**	**-0.56**	**5.63**	**4.78**
Road	-0.11	0.05	-2.41	5.24	4.59
Sea	-1.02	-0.76	1.85	5.29	11.90
Air	9.63	6.39	6.39	4.92	2.00
Auxiliary transport activities	0.49	-5.79	6.26	8.79	2.74
Communications	**5.14**	**-4.41**	**3.36**	**-1.21**	**1.17**
Financial Intermediation	**1.65**	**2.78**	**2.38**	**-2.17**	**1.25**
Banks & Other Financial Institutions	0.59	1.45	2.44	-1.98	0.38
Insurance and pension funding	-4.31	4.05	0.70	-4.59	2.30
Activities Auxiliary to financial intermediation	70.06	10.08	9.48	5.59	4.24
Real Estate, Renting and Business Services	**1.57**	**2.48**	**0.85**	**1.35**	**1.68**
Owner Occupied Dwellings	1.15	1.27	0.84	1.13	1.10
Real Estate activities	1.02	1.12	0.74	1.00	0.98
Renting of machinery and equipment	-0.48	-0.44	-2.70	-8.21	21.54
Computer related activities	1.61	0.40	0.20	1.19	5.51
Business Services	5.46	12.73	1.94	4.99	1.00
Public Administration, Defence & Compulsory Social Security	**8.34**	**5.59**	**2.90**	**-0.55**	**-0.68**
Education	**1.77**	**-2.29**	**5.75**	**0.66**	**0.79**
Health & Social Work	**4.28**	**-2.16**	**2.17**	**2.22**	**0.60**
Other Community, Social & Personal Services	**7.91**	**-15.08**	**2.53**	**-10.65**	**4.24**
Private Households with Employed Persons	**2.18**	**-13.50**	**-2.00**	**-7.34**	**-1.81**
Less FISM	**-15.36**	**2.46**	**0.97**	**6.51**	**-6.43**
TOTAL	**4.75**	**-0.03**	**0.38**	**0.88**	**1.70**

Source: The Statistical Office, Ministry of Finance, Economic Planning, Sustainable Development and Information Technology

Annex 6 : Rate of Growth of Gross Value Added by Economic Activity in Constant (2006) Prices 2013-2017

SECTOR	2013	2014	2015	2016	2017
Agriculture, Hunting & Forestry	**5.94**	**2.79**	**-5.00**	**7.89**	**3.76**
Crops	6.78	4.12	-5.03	9.49	3.50
Bananas	9.02	-18.10	3.29	-1.79	-22.24
Other Crops	6.73	4.62	-5.18	9.82	4.18
Livestock	3.23	-2.06	-5.00	1.94	5.14
Forestry	-2.00	-2.00	-2.00	-4.94	-2.00
Fishing	**6.60**	**2.31**	**8.61**	**-13.26**	**12.47**
Mining & Quarrying	**-10.87**	**10.05**	**2.38**	**-5.78**	**2.20**
Manufacturing	**-4.06**	**6.01**	**2.90**	**1.94**	**3.22**
Electricity & Water	**-0.45**	**-1.13**	**3.30**	**3.58**	**0.38**
Electricity	-0.71	-0.35	3.99	3.93	-1.67
Water	0.36	-3.54	1.12	2.45	7.13
Construction	**6.60**	**-11.70**	**8.74**	**-0.84**	**6.43**
Wholesale & Retail Trade	**3.36**	**0.85**	**-4.23**	**1.32**	**-3.50**
Hotels & Restaurants	**-3.20**	**-3.22**	**3.94**	**0.19**	**-18.24**
Hotels	-2.98	-4.28	6.62	0.44	-26.65
Restaurants	-3.66	-0.97	-1.58	-0.38	0.95
Transport, Storage & Communications	**-0.67**	**-0.21**	**-0.21**	**-1.14**	**2.27**
Transport & Storage	**-0.30**	**-0.25**	**-0.58**	**0.21**	**3.25**
Road	0.59	0.36	-2.72	-1.28	2.34
Sea	-1.81	-0.96	3.61	5.29	11.90
Air	-4.51	-3.08	7.45	4.15	-2.51
Auxiliary transport activities and storage	-3.18	-2.54	6.73	3.29	1.74
Communications	**-1.72**	**-0.07**	**0.83**	**-5.22**	**-0.91**
Financial Intermediation	**2.69**	**3.05**	**3.23**	**1.31**	**-0.10**
Banks & Other Financial Institutions	3.36	3.52	4.32	2.70	-0.19
Insurance and pension funding	-0.87	1.01	0.63	-2.35	-0.15
Activities auxiliary to financial intermediation	20.83	9.48	2.00	6.84	2.00
Real Estate, Renting & Business Services	**1.32**	**0.76**	**0.81**	**0.90**	**1.68**
Owner Occupied Dwellings	1.15	1.27	0.84	1.13	1.10
Real estate activities	1.02	1.12	0.74	1.00	0.98
Renting of machinery and equipment	-1.27	-0.64	-2.70	-8.21	21.54
Computer & Related services	0.80	0.20	0.20	2.21	3.24
Business Services	3.90	-2.79	1.92	1.62	1.00
Public Administration, Defence & Compulsory Social Security	**6.59**	**5.72**	**0.31**	**-0.44**	**-0.90**
Education	**2.69**	**-3.42**	**2.46**	**2.49**	**0.00**
Health & Social Work	**-0.81**	**-3.67**	**0.56**	**0.65**	**1.87**
Other Community, Social & Personal Services	**-0.52**	**3.12**	**2.14**	**-3.42**	**3.64**
Private Households with Employed Persons	**2.68**	**-2.00**	**-2.00**	**-1.81**	**1.00**
Less FISM	**-15.78**	**3.32**	**-2.98**	**2.02**	**-5.63**
TOTAL	**2.49**	**0.19**	**0.64**	**0.83**	**0.69**

Source: The Statistical Office, Ministry of Finance, Economic Planning, Sustainable Development and Information Technology

Annex 7: Point to point Inflation Rate January – September 2014-2018

	Jan - Sept 2014	Jan - Sept 2015	Jan - Sept 2016	Jan - Sept 2017	Jan - Sept 2018
January	0.1	-0.2	-2.6	1.9	2.7
February	-0.2	-1.1	-1.3	1.7	2.8
March	-0.4	-1.8	-0.7	1.4	3.1
April	-0.3	-2.2	-1.0	2.9	2.7
May	-0.5	-1.8	-0.1	2.6	2.3
June	-0.2	-1.8	0.9	1.8	2.1
July	0.9	-1.6	0.0	2.1	2.0
August	0.8	-1.9	0.0	2	2.2
September	0.3	-1.7	0.6	1.9	2.3
Average	**0.1**	**-1.6**	**-0.5**	**2.0**	**2.5**

Source: The Statistical Office, Ministry of Finance, Economic Planning, Sustainable Development and Information Technology

Annex 8: Central Government Fiscal Operations (EC$M)

Details	Jan - Sept 2014	Jan - Sept 2015	Jan - Sept 2016	Jan - Sept 2017	Jan - Sept 2018
TOTAL REVENUE & GRANTS	**405.93**	**402.26**	**428.24**	**440.46**	**452.65**
CURRENT REVENUE	**375.17**	**374.90**	**409.64**	**421.74**	**432.74**
Taxes on Income and Profits	83.28	90.58	104.81	106.21	106.49
Taxes on Property	28.21	23.54	27.98	41.85	22.67
Taxes On Goods and Services	105.55	112.36	116.49	120.40	128.73
Taxes on International Trade	88.98	93.35	103.65	100.40	114.43
Property Income	12.38	5.13	2.62	3.10	5.18
Sales of Goods and Services	38.40	41.96	43.60	43.32	48.14
Other Revenue	18.36	7.97	10.50	6.46	7.09
CAPITAL REVENUE & GRANTS	**30.76**	**27.36**	**18.59**	**18.72**	**19.91**
Grants	30.14	11.82	17.38	13.81	19.22
Other	0.62	15.54	1.22	4.91	0.69
TOTAL EXPENDITURE	**444.23**	**429.37**	**432.00**	**457.87**	**452.62**
CURRENT EXPENDITURE	379.22	374.95	385.20	418.10	419.28
CAPITAL EXPENDITURE	65.01	54.42	46.80	39.77	33.34
CURRENT BALANCE	**-4.05**	**-0.05**	**24.44**	**3.64**	**13.46**
PRIMARY BALANCE	**-4.98**	**4.83**	**26.83**	**15.68**	**36.08**
OVERALL BALANCE	**-38.30**	**-27.11**	**-3.76**	**-17.41**	**0.03**

Source: Ministry of Finance and Economic Planning

Annex 9: Debt Composition – EC$M

	Jan-Sept 2013	Jan-Sept 2014	Jan-Sept 2015	Jan -Sept 2016	Jan -Sept 2017	Jan -Sept 2018
Total Public Debt	**1,445.8**	**1,562.5**	**1,593.4**	**1,737.9**	**1,687.9**	**1,614.6**
External Debt	**809.5**	**887.7**	**921.6**	**1,152.6**	**1,113.0**	**1,086.4**
Central Government	728.7	811.2	844.3	898.4	846.3	902.0
Public Corporations	80.8	76.5	77.3	254.2	266.7	184.4
Domestic Debt	**636.3**	**674.8**	**671.8**	**585.3**	**574.9**	**528.2**
Central Government	501.0	537.6	524.0	506.7	494.3	485.2
Public Corporations	135.3	137.2	147.8	78.6	80.6	43.02
Central Government Debt Service	**131.8**	**132.9**	**135.7**	**110.2**	**129.6**	**127.9**
External	**68.2**	**60.8**	**62.9**	**49.5**	**58.8**	**58.0**
Amortisation	49.7	42.5	44.9	37.8	45.9	43.4
Interest Payments	18.5	18.4	18.0	11.7	12.9	14.6
Domestic	**63.6**	**72.0**	**72.8**	**60.7**	**70.8**	**69.8**
Amortisation	34.2	44.7	46.0	41.9	50.6	48.2
Interest Payments	29.4	27.3	26.9	18.8	20.2	21.6
Sinking Fund*	5.5	7.6	7.6	9.1	14.0	13.0
Total Debt as percent of GDP (%)	**74.3%**	**79.5%**	**78.1%**	**81.7%**	**80.0%**	**73.8%**
Debt Service as a percent of current revenue (%)	**26.8%**	**24.8%**	**26.1%**	**25.1%**	**27.2%**	**30%**

Source: Ministry of Finance and Economic Planning

*the Sinking Fund technically is a provision and not considered debt service. It's deferred payment to meet future debt obligation from maturing bullet bonds.

Annex 10: Merchandise Trade – January to September (EC$M)

	Jan – Sept 2014	Jan – Sept 2015	Jan – Sept 2016	Jan – Sept 2017	Jan – Sept 2018
Total Exports	**100.0**	**92.0**	**84.4**	**78.2**	**87.7**
Total Domestic Exports	77.6	82.8	77.6	67.4	80.0
Total Re-Exports	22.4	9.2	6.8	10.8	7.7
Total Imports	**713.2**	**638.**	**665.5**	**629.2**	**692.6**
Trade Balance	***-613.2***	***-546.2***	***-581.1***	***-551.1***	***-604.9***
Imports by S.I.T.C sections	**713.2**	**638.2**	**665.5**	**629.2**	**692.6**
Food & Live Animals	153.8	155.3	149.8	145.7	149.9
Beverages and Tobacco	22.7	23.8	23.9	23.6	24.6
Crude Materials, Inedible Except Fuels	16.2	22.3	23.9	17.9	16.5
Mineral Fuels & Related Materials	144.8	78.0	77.3	64.0	106.7
Animal & Vegetable Oils, Fats & Waxes	3.0	3.0	3.2	2.6	3.0
Chemicals & Related Products	53.6	54.4	53.5	49.3	53.1
Manufactured Goods	117.7	111.9	109.7	116.5	124.6
Machinery & Transport Equipment	134.1	127.8	152.2	142.5	131.4
Miscellaneous Manufactured Articles	67.3	61.7	72.0	67.2	82.9
Commodities & Transactions not classified elsewhere in SITC	0.0	0.0	0.0	0.0	0.0
Exports by S.I.T.C sections	**100.0**	**92.0**	**84.4**	**78.2**	**87.7**
Food & Live Animals	59.1	61.0	56.6	46.5	43.3
Beverages and Tobacco	9.6	13.2	11.8	11.2	13.2
Crude Materials, Inedible Except Fuels	0.8	0.7	0.2	0.3	0.5
Mineral Fuels & Related Materials	0.0	0.0	0.0	0.0	0.0
Animal & Vegetable Oils, Fats & Waxes	0.0	0.0	0.0	0.0	0.0
Chemicals & Related Products	0.7	0.5	0.6	0.8	0.7
Manufactured Goods	9.4	8.9	8.3	9.0	22.8
Machinery & Transport Equipment	13.4	5.1	3.7	8.5	5.2
Miscellaneous Manufactured Articles	7.0	2.6	3.2	1.6	1.9
Commodities & Transactions not classified elsewhere in SITC	0.0	0.0	0.0	0.0	0.0

Source: The Statistical Office, Ministry of Finance, Economic Planning, Sustainable Development and Information Technology

Annex 11: Visitor Arrivals by Visitor Type

Visitor Type	Jan-Sept 2016	Jan-Sept 2017	Jan-Sept 2018	% Change 2017	% Change 2018
By Air					
Stay-Over	58,203	55,955	58,658	-3.9	4.8
Same Day	1,083	1,209	1,004	11.6	-17.0
Sub Total	59,286	57,164	59,662	-3.6	4.4
By Sea					
Yacht	36,134	36,297	43,354	0.5	19.4
Cruiseship	58,247	81,534	149,274	40.0	83.1
Sub Total	94,381	117,831	192,628	24.8	63.5
TOTAL	**153,667**	**174,995**	**252,290**	**13.9**	**44.2**

Source: St. Vincent and the Grenadines Tourism Authority

Annex 12: Stay-Over Visitors by Country of Residence

Countries	Jan-Sept 2016	Jan-Sept 2017	Jan-Sept 2018	Actual Change	% Change
United States of America	17,163	17,443	19,644	2,201	12.6
Canada	5,433	5,997	6,760	763	12.7
Antigua	604	616	629	13	2.1
Barbados	4,696	5,091	5,075	-16	-0.3
Grenada	735	749	760	11	1.5
St Lucia	1,515	1,483	1,506	23	1.6
Trinidad	7,202	6,806	6,339	-467	-6.9
French Caribbean	239	183	170	-13	-7.1
Dutch Caribbean	196	247	205	-42	-17.0
Other Caribbean	3,022	3,566	3,180	-386	-10.8
United Kingdom	12,532	8,615	9,265	650	7.5
France	609	651	657	6	0.9
Germany	537	406	511	105	25.9
Italy	371	466	467	1	0.2
Sweden	330	255	259	4	1.6
Switzerland	262	287	311	24	8.4
Belgium	91	70	89	19	27.1
Spain	110	126	95	-31	-24.6
Ireland	120	124	127	3	2.4
Holland	60	62	66	4	6.5
Norway	109	80	70	-10	-12.5
Other Europe	677	850	826	-24	-2.8
South America	673	816	598	-218	-26.7
Other Countries	917	966	1,049	83	8.6
TOTAL	**58,203**	**55,955**	**58,658**	**2,703**	**4.8**

Source: St. Vincent and the Grenadines Tourism Authority

Annex 13: Cruise Visitors by Port of Entry

Port of Entry	Jan-Sept 2016	Jan-Sept 2017	Jan-Sept 2018	Actual Change	% Change
Kingstown	36,708	49,409	121,300	71,891	145.5
Bequia	10,280	20,895	16,218	-4,677	-22.4
Union Island	11,041	11,109	11,255	146	1.3
Canouan	218	121	501	380	314.0
TOTAL	**58,247**	**81,534**	**149,274**	**67,740**	**83.1**

Source: St. Vincent and the Grenadines Tourism Authority

Annex 14: Yacht Visitors by Port of Entry

Port of Entry	Jan-Sept 2016	Jan-Sept 2017	Jan-Sept 2018	Actual Change	% Change
Kingstown	2,384	2,287	3,149	862	37.7
Bequia	21,326	21,029	24,645	3,616	17.2
Mustique	699	906	1,170	264	29.1
Canouan	677	727	1,218	491	67.5
Walliabou	1,579	1,192	1,171	-21	-1.8
Union Island	8,565	9,529	11,031	1,502	15.8
Chateaubelair	904	627	970	343	54.7
TOTAL	**36,134**	**36,297**	**43,354**	**7,057**	**19.4**

Source: St. Vincent and the Grenadines Tourism Authority

Annex 15: Capital Expenditure by Type of Funds 2017 and 2018

	2017				2018			
Type of Fund	**Approved Budget**	**Revised Budget**	**Actual Expenditure**	**Imp.Rate[8] %**	**Approved Budget**	**Revised Budget**	**Actual Expenditure**	**Imp.Rate %**
Domestic								
Revenue	***6.7***	***6.7***	***0.0***	***0.0***	11.0	11.1	6.6	59.5
Loan	***67.1***	***114.9***	***16.6***	***14.4***	75.9	82.9	12.0	14.5
Total Domestic	**73.8**	**121.6**	**16.6**	***13.7***	**86.9**	**94.0**	**18.6**	19.8
External								
Loan	***91.4***	***91.6***	***11.9***	***13.0***	73.3	73.3	3.9	5.3
Grant	***64.3***	***65.0***	***11.3***	***17.4***	56.4	57.1	10.8	18.9
Total External	**155.7**	**156.6**	**23.2**	***14.8***	**129.7**	**130.4**	**14.7**	11.3
TOTAL	**229.5**	**278.2**	**39.8**	***14.3***	**216.6**	**224.4**	**33.3**	14.8

Source: Ministry of Finance, Economic Planning, etc

[8] **Implementation Rate: Actual Expenditure as a percentage of Revised Expenditure*

Annex 16: Capital Expenditure by Source of Funds 2017 and 2018

		2017			2018		
Type of Funds	**Source of Funds**	**Original EC$ (m)**	**Revised EC$(m)**	**Actual EC$ (m)**	**Original EC$ (m)**	**Revised EC$(m)**	**Actual EC$ (m)**
Domestic	Local Loans	58.8	107.5	15.0	69.0	78.8	9.2
	Petro Caribe	8.3	7.4	1.6	5.8	4.0	2.8
	Local Revenue	6.8	7	0.0	11.0	11.1	6.6
Total Domestic		**73.9**	**121.6**	**16.6**	**85.8**	**93.9**	**18.6**
External Grants	CDB	6.8	6.8	6.0	1.9	1.9	0.1
	PAHO	1.8	1.8	0.1	1.1	1.4	0.1
	GOVT KUWAIT	0.0	0.0	0.0	1.3	0.0	0.0
	Mexico	8.0	8.0	0.0	0.0	0.0	0.0
	GCF	0.1	0.2	0.0	0.7	0.7	0.0
	UK CIF	2.0	2.0	0.0	7.0	7.0	0.0
	CIF	4.0	4.0	2.9	5.0	5.0	4.7
	IDA	0.8	0.8	0.0	1.5	1.5	0.0
	ROC(Taiwan)	8.5	8.5	1.4	13.4	11.5	0.9
	OECS		0.1	0.1	0.0	0.0	0.0
	JAPAN	0.6	0.6	0.1	1.0	1.0	0.2
	UNDP	3.1	3.1	0.0	1.0	1.0	0.0
	EU	18.8	18.8	0.5	15.2	15.3	1.6
	GEF	2.3	2.3	0.0	0.3	0.3	0.0
	SEA	0.1	0.1	0.0	0.0	1.0	0.0
	USAID	0.4	0.0	0.0	0.3	0.3	0.0
	UNEP	0.4	0.4	0.1	0.4	0.4	0.0
	UNICEF	0.1	0.0	0.0	0.1	0.0	0.0
	UN	0.1	0.1	0.0	0.1	0.1	0.0
	UNESCO	0.0	0.0	0.0	0.1	0.0	0.0
	GLOBAL FUND	0.0	0.0	0.0	0.1	0.1	0.0
	Petro Caribe	0.0	1.1	0.0	0.0	1.6	2.8
	DFID	5.0	5.0	0.0	5.0	5.0	0.0
	UNCF	0.0	0.1	0.0	0.0	0.1	0.1
	KAZKHSTAN	0.0	0.1	0.1	0.0	0.0	0.0
	KFW	1.5	1.5	0.0	1.5	1.3	0.0
	OTHER GRANT	0.0	0.1	0.0	0.6	0.6	0.0
Total External Grants		**64.3**	**65**	**11**	**57.5**	**57.1**	**11**
External Loans	CDB	23.4	23.4	0.0	23.2	23.2	1.3
	ECGD	20.7	20.7	0.0		0.0	0.0
	ADFD	3.0	3.0	0.0	3.0	3.0	0.0
	CIF	1.5	1.5	0.2	8.0	8.0	1.2
	ROC(Taiwan)	18.3	18.3	9.1	1.0	1.0	0.1
	GOVT KUWAIT	4.5	4.5	0.0	8.2	8.2	0.0
	IDA	20.0	20.1	2.6	24.8	24.8	1.4
	OFID		0.0	0.0	5.1	5.1	0.0
	Total	**91.4**	**92**	**12**	**73.3**	**73.3**	**4**
Total External Loans							
Grand Total		**229.6**	**278.4**	**39.7**	**216.6**	**224.3**	**33.1**

Source: Ministry of Finance, Economic Planning, etc

Annex 17: Capital Expenditure by Sector 2017 and 2018

	2017			2018		
	Original Budget	Revised Budget	Actual Expenditure	Original Budget	Revised Budget	Actual Expenditure
General Public Services	13.5	58.1	3.1	13.3	12.9	0.5
Public Order and Safety	4.9	4.8	0.0	3.8	8.4	5.2
Economic Affairs	122.5	130.1	18.2	107.4	95.1	4.8
Environmental Protection	40.7	37.4	3.9	53.0	66.3	12.9
Housing and Community Amenities	23.4	23.5	7.3	12.9	12.9	3.1
Health	15.8	16.7	4.2	9.9	11.4	1.8
Recreation, Culture and Religion	0.6	0.6	0.0	1.2	1.4	0.0
Education	7.7	7.0	3.1	12.7	13.6	4.3
Social Protection	0.4	0.0	0.0	2.4	2.4	0.7
Total	**229.5**	**278.2**	**39.8**	**216.6**	**224.4**	**33.3**

Source: Ministry of Finance, Economic Planning, etc