

ADDRESSING ON-GOING SOCIO-ECONOMIC CHALLENGES CONSEQUENT UPON THE INTERNATIONAL ECONOMIC CRISIS

By

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INTRODUCTION

The basis for my Government's approach to the on-going socio-economic challenges facing St. Vincent and the Grenadines was outlined in my 2009 Budget Speech delivered on December 01, 2008. In that speech I stated as follows:-

"In St. Vincent and the Grenadines we have so far been spared any instability in our banking and financial system because the banks are well-regulated through the Eastern Caribbean Central Bank as part of the Eastern Caribbean Currency Union. However, in the macro-economy there has been a deceleration of economic growth in 2008 compared with the robust acceleration recorded in 2006 and 2007. In 2009, modest economic

growth is forecast. We must ever be cognizant that St. Vincent and the Grenadines is a small, vulnerable, open economy with a relatively narrow economic base. It is remarkable, though, that despite all the external economic and climatic shocks of recent years, our country has not only survived but thrived. Still, we must be ever mindful of our level of development or under-development, and of our goals, our possibilities, our strengths, and our quest for upliftment.

“Meanwhile, the fiscal situation of the central government in St. Vincent and the Grenadines has remained stable, though challenging, through careful management of the available resources.

“It is in this immediate context and against the pre-existing background of our economy structurally and empirically, that this Budget is fashioned. The central focus remains the quest to build a modern, competitive, many-sided, post-colonial economy which is at once

local, national, regional, and global. There is no need to alter the fundamental underpinnings of the government's people-centred vision, its well-articulated over-arching economic philosophy, grounded in a tripartite base of the private, public and cooperative sectors, its socio-economic policies, and specific programmes. At the same time, prudent adjustments, re-fashioned emphases, boldly creative responses, and other targeted strategic interventions are demanded for these more challenging times and circumstances.

"Accordingly, the central theme of our Budget for the upcoming year revolves around continued socio-economic development, competitiveness, and fiscal consolidation at a time of financial turmoil and economic uncertainty internationally. This country's monetary policy remains focussed on currency stability, an efficacious regulatory regime, economic growth, the containment of inflation, and fiscal consolidation. All this has been recently re-confirmed at the October 2008

meeting of the Monetary Council of the Eastern Caribbean Central Bank.

“On the fiscal side, more than ever, the Government remains committed to a counter-cyclical fiscal policy which is at once prudent and enterprising. Any other approach in these especially challenging economic circumstances would be folly in the short-term and short-sighted in the long-run. A pro-cyclical fiscal policy would merely hasten hardship and halt the prospect of an economic advance when the next up-turn occurs internationally. Indeed, a pro-cyclical fiscal policy is a path to economic ruin, especially for the poor and working people, but also for the nation as a whole. Thus, my government rejects as a wholly bad idea, uttered by those who embrace a “reckless conservatism”, that because of a supposedly short-term macro-economic compulsion, we must cut capital spending on worthwhile public investment, especially in productive infrastructure, education, and health, or chop worthwhile social

programmes designed to protect and advance our citizens, particularly the most vulnerable.

“At the same time, the admixture of prudence and enterprise in fiscal policy and practice must become ever more refocused and creative to ensure continued socio-economic progress, sharpened business competitiveness, further tax reductions, targeted public sector investments, sensible debt management, fiscal consolidation, and overall macro-economic stability. This Budget contains several initiatives, in addition to pre-existing ones, to achieve these commendable objectives.

Central to this bundle of creative initiatives and focussed continuity are the following:-

- 1. The deepening and consolidation of the Education Revolution, including a more rapid absorption of*

relevant know-how, technology, and applied science, for living and production.

2. *An intensification of the war against poverty - especially the seemingly intractable pockets thereof. This is vital in ensuring, too, an increased equity and an equality of opportunity in the society. The elderly, poor and economically-disadvantaged children constitute a special focus for action.*

3. *The creation of more jobs, particularly quality jobs, and a continued reform of the labour market. These policy issues are inextricably bound, too, with the twin processes of rural transformation and rapid urbanisation.*

4. *The further reduction of taxation to the benefit of companies and individuals. Moreover, there will*

be a refashioning of the tax system to bolster business competitiveness, fairness and equity.

5. *The provision of additional and targeted financing and incentives for the private sector in fishing, tourism, agriculture, the information technology industry, and specified manufacturing enterprises.*
6. *An emphasis on the National Food Production Plan and Rural Transformation.*
7. *A sharpened focus of the public sector investment programme on infrastructural enhancement linked directly to production, and on economic and human resources development, within the context of fiscal prudence. Indeed, this kind of sensible government spending also facilitates the private sector in their investments in existing and newer industries.*

8. *A more robust mobilisation of direct private investment, from local, foreign and diaspora sources.*
9. *An appropriate and developmental National Energy Policy, including initiatives in alternative energy such as solar, wind, and geo-thermal.*
10. *A strategic focus on more efficient road transportation, airport and seaport development, air and sea transport.*
11. *A more profound deepening of regional integration within the OECS and CARICOM as a strategic imperative.*
12. *An improved good governance apparatus including further public sector reform, the enhancement of the partnership between government and civil society, the final realisation of*

constitutional reform, and a proper maintenance of law, order, and national security.

13. *The further broadening of a productive foreign policy, including that related to the economy and trade, which is at once principled, progressive and pragmatic.*

14. *The continuing quest to uplift the spirit, dream, and reality of our nation and our Caribbean civilisation. Our "Vincy Homecoming" venture for 2009 is thus vital in this regard.*

INSTITUTIONAL ARRANGEMENTS FOR THE TASKS AHEAD

In tackling the tasks ahead, my Government has been engaged in further strengthening its institutional arrangements locally and its linkages regionally and internationally. Locally, we have embarked on the following:-

1. I addressed the nation on January 12, 2009, and accordingly outlined the immediate tasks ahead, and I summoned our people to work harder and smarter in these more challenging times. This speech was broadcast live on radio and published in full in the Searchlight newspaper. It was broadcast on television. It sharpened the public discussion on our collective work ahead.

2. At our first Cabinet meeting for 2009 on January 7th we mapped the practical way forward. At each subsequent Cabinet meeting we assess the progress of our on-going plans and work.

3. I have led consultations with critical stakeholders, including the hoteliers and others in the tourism sector, the principals of the Mustique Company and Canouan Developers, the air transport operators (LIAT and SVG Air), the stakeholders in agriculture including WINFA and SVG Producers, the Permanent Secretaries and Chief Officers of public enterprises, and a few of the public enterprises individually.

Arising out of each of these encounters, progress was made in carrying out our immediate and strategic tasks.

4. Cabinet has established two important Committees which will begin their work shortly, namely: (a) A Cabinet Sub-Committee on Public Works chaired by the Deputy Prime Minister and including the current Minister of Works Clayton Burgin, the past Minister of Works Julian Francis, and relevant public officials. Vital work is to be done by and through the Ministries of Works and Agriculture and Fisheries. Thus, these two bodies.
5. The institutional arrangements in the Ministry of Tourism have been strengthened with the start-up from January 01, 2009, of the National Tourism Authority.
6. The institutional arrangements in the Ministry of Education have been strengthened through several initiatives including the start-up of the integrated body of the St. Vincent and the Grenadines Community College.

7. The revitalisation of the Police Oversight Body (POD) with three members: Reverend Victor Job as Chairman and two other members, Mr. Charles James (a former Police Officer) and the experienced lawyer Mr. Ronald Jack.
8. The restructuring of the banana industry for the better, through the Banana Industry Bill which is scheduled for debate in Parliament on Tuesday January 03, 2009.
9. The strengthening of the regulation of building societies by replacing the Registrar of the High Court as regulator by the office of the Director of Finance and Planning in which is lodged a Single Regulatory Unit for non-banking financial institutions.
10. A Cabinet Retreat will take place on Thursday February 5th so as to enhance the quality and timely delivery of its work.

11. On Monday February 9th an all-day Retreat of the vital state-owned enterprise National Properties will occur.

Regionally my Government has been engaged in strengthening our works on the immediate and strategic tasks through the following, among other activities:

1. Participation in the Cuba-CARICOM Summit on December 10, 2008 at which measures to address the international economic crisis were discussed and Cuba-CARICOM relations fortified.
2. Participation in the Latin America and Caribbean Summit in Brazil on December 18th and 19th 2008. Practical steps to deepen regional integration were adopted.
3. Participation in the OECS-Eastern Caribbean Central Bank (ECCB) joint meeting in St. Kitts on January 15th and 16th 2009. Short-term and medium-term measures were adopted in response to the socio-economic fall-out of the

international economic crisis. I was elected as Chairman of the Task Force to coordinate the sub-regional response. Other members of the Task Force are Grenadian Prime Minister Tillman Thomas (current OECS Chairman), Antiguan Minister of Finance Dr. Errol Cort (current Chairman of the Monetary Council of ECCB) the Governor of the Central Bank Sir Dwight Venner, and the Director General of the OECS Dr. Len Ishmael.

4. Participation in the meeting of the CARICOM Council of Ministers of Finance and Planning in Barbados on January 29, 2009. This meeting addressed CARICOM's response to the crisis. A Task Force under the Chairmanship of the Caribbean Development Bank was set up to report by the end of March 2009 a full package of regional measures in addition to those initiated nationally. St. Vincent and the Grenadines is a member of the Task Force representing the Less Developed Countries of CARICOM.

5. Other regional engagements through CARICOM, OECS, and the ECCB have been taking place.

6. My Government has met with representatives of PDVSA, the state-owned company of Venezuela in the strengthening Petro-Caribe.

Internationally, our diplomatic representatives overseas and members of Cabinet have been focusing on lifting our work internationally in these more challenging times. Several initiatives are being taken.

ON-GOING WORK

The Estimates and Budget for 2009 were fashioned in the crucible of the on-going challenges arising from the regional and international situation. Thus, the Estimates and the fiscal measures constitute the fulcrum around which our work for 2009 revolves. We are busily sourcing all grant monies, loans, and technical assistance indentified in the Budget. Similarly, we are

collecting the various items of local revenue. It is too early to say whether we are on target to meet our local revenue estimates. Hitherto, our estimates have been met.

At the same time the on-going recurrent and capital works of the Government is continuing apace.

Given the fact that events in the unfolding international economic crisis are moving swiftly and, in some cases, unexpectedly, our plans are under constant review and adjustments or shifts are accordingly being made.

Since January 2009 my Government has undertaken additional initiatives to meet the challenges, including:

(A) **TOURISM**

1. More intense and aggressively-focussed marketing.
2. Coordinating with hoteliers special packages for visitors.

3. Elaborating enhanced training opportunities in the tourism sector.
4. Pushing faster than ever the development of the tourism product, including tourism sites.
5. The provision by Government of two important measures of relief for tourism operators: (a) From February to at least October 31, 2009, electricity rates for hotels and guest houses would be effectively reduced by 14 percent from commercial rates to domestic; and (b) the reduction of corporate taxes on the tourism sector (hotels, apartments, tour operators, yacht operators) from 30 percent to 20 percent for the year 2009.
6. Actively and vigorously pursuing work in every tourism segment through the Tourism Authority, the Ministry of Tourism, and coordination regionally.

7. Push for the implementation of the planned private sector tourism investments.
8. Enhanced flights to and from St. Vincent and the Grenadines and within St. Vincent and the Grenadines through LIAT flights to Canouan from Barbados and Puerto Rico and the connecting use of four new Twin Otters (19-seaters) operated by SVG Air.

(B) **AGRICULTURE AND FISHERIES**

1. Establishment of the Standing Committee on Agriculture and Fisheries and working closer with the relevant stakeholders.
2. Restructuring the banana industry, for the better.
3. Ordering fertiliser on a timely basis and distributing/selling them expeditiously.

4. Starting-up the operations of the Owia Fisheries Complex by April 2009 and uplift the fisheries sector generally.
5. Focussed implementation of the National Food Production Plan.
6. Operationalise the Land Bank Programme.
7. Push for timely implementation of the main Result Indicators in the 2009 Estimates.

(C) **CONSTRUCTION, ENERGY, INDUSTRY**

Construction is a vital sector in the transitioning of a goods-based economy to a service-based one. In these more challenging times it is more important. Thus, the many-sided focus, including regional coordination, to lift the construction sector more markedly.

The Cabinet Sub-Committee on Public Works is central to driving this focus. So, too, would the Roads, Buildings and General Services Authority when it becomes operational on July 01, 2009.

Regarding the energy sector my Government is pushing for greater efficiencies in VINLEC and the diversification of the energy base towards wind, solar and geothermal energy. Our aim in the medium-term is to lay the ground work to make us the first "green" country in the not-too-distant future.

Emphasis is being placed too by my government in the light manufacturing, agro-processing, and information technology industries. The Ministry of Technology and Industry, NIPI, the Centre for Enterprise Development, and the National Commercial Bank are at the heart of this thrust in conjunction with the enterprising private entrepreneurs in these fields.

We continue, too, to pursue work in the international financial services sector as an important area of economic activity.

(D) **SAFETY NETS**

In my 2009 Budget Address I identified a series of safety net measures available from the Central Government. Among these I listed 20 which amount to some \$40 million. This is in addition to the substantial contributory and non-contributory pensions and other payments through the National Insurance Services (NIS).

The loss of jobs by approximately 100 persons since the start of the year has caused my Government to elaborate in conjunction with the NIS further safety net supports. These will be announced shortly.

(E) **PEOPLE'S INVOLVEMENT**

In these more challenging times our people must work harder and smarter; be more productive and disciplined; be more caring, loving, peaceful and united. We have it in us to triumph yet again over adversity and make even better lives for ourselves as a whole and individually.

Our public sector must be more efficient in its delivery of goods and services. We have improved over recent years but much better can still be done. Unless each person in St. Vincent and the Grenadines works harder and smarter than ever we would not achieve the best possible results.