Adaptation Strategy in Response to The New EU Sugar Regime
2006 – 2013

April 2006

Ministry of Sustainable Development

Document of the Government of St. Kitts and Nevis
Box 1: Key Facts

Birth rate: 14 per 1000 (2004)
Official Language: English
GDP growth: 3.5% p.a. (1994-2004)
Life expectancy: 72 years (2004)
Infant mortality: 17 per 1000 (2004)
Literacy rate: 98% (2004)
External debt: US$298 million (2005)
**ABBREVIATIONS**

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Description</th>
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<tbody>
<tr>
<td>ACP</td>
<td>African Caribbean and Pacific</td>
</tr>
<tr>
<td>AIDS</td>
<td>Acquired Immune Deficiency Syndrome</td>
</tr>
<tr>
<td>AVEC</td>
<td>Advanced Vocational Education Centre</td>
</tr>
<tr>
<td>BNTF</td>
<td>Basic Needs Trust Fund</td>
</tr>
<tr>
<td>CAP</td>
<td>Caribbean Amblyomma Programme</td>
</tr>
<tr>
<td>CAP</td>
<td>Common Agricultural Policy</td>
</tr>
<tr>
<td>CAPE</td>
<td>Caribbean Advanced Proficiency Examination</td>
</tr>
<tr>
<td>CARICOM</td>
<td>Caribbean Community</td>
</tr>
<tr>
<td>CARTAC</td>
<td>Caribbean Technical Assistance Centre</td>
</tr>
<tr>
<td>CATV</td>
<td>Cable Television</td>
</tr>
<tr>
<td>CBD</td>
<td>Convention on Biological Diversity</td>
</tr>
<tr>
<td>CBO</td>
<td>Community-Based Organization</td>
</tr>
<tr>
<td>CDB</td>
<td>Caribbean Development Bank</td>
</tr>
<tr>
<td>CDM</td>
<td>Comprehensive Disaster Management</td>
</tr>
<tr>
<td>CFBC</td>
<td>Clarence Fitzroy Byrant College</td>
</tr>
<tr>
<td>CIC</td>
<td>Chamber of Industry and Commerce</td>
</tr>
<tr>
<td>CPA</td>
<td>Country Poverty Assessment</td>
</tr>
<tr>
<td>CPU</td>
<td>Centralised Purchasing Unit</td>
</tr>
<tr>
<td>CSA</td>
<td>Community Situational Analysis</td>
</tr>
<tr>
<td>CSME</td>
<td>CARICOM Single Market and Economy</td>
</tr>
<tr>
<td>CTO</td>
<td>Caribbean Tourism Organization</td>
</tr>
<tr>
<td>CXC</td>
<td>Caribbean Examination Council</td>
</tr>
<tr>
<td>DFID</td>
<td>Department for International Development</td>
</tr>
<tr>
<td>DOA</td>
<td>Department of Agriculture</td>
</tr>
<tr>
<td>DPPE</td>
<td>Department of Physical Planning and Environment</td>
</tr>
<tr>
<td>EC</td>
<td>Eastern Caribbean</td>
</tr>
<tr>
<td>EC</td>
<td>European Community</td>
</tr>
<tr>
<td>ECCB</td>
<td>Eastern Caribbean Central Bank</td>
</tr>
<tr>
<td>ECCU</td>
<td>Eastern Caribbean Currency Union</td>
</tr>
<tr>
<td>E-Commerce</td>
<td>Electronic Commerce</td>
</tr>
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<td>ECEF</td>
<td>Eastern Caribbean Enterprise Fund</td>
</tr>
<tr>
<td>ECemp</td>
<td>Eastern Caribbean Economic Management Programme</td>
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<td>ECTEL</td>
<td>Eastern Caribbean Telecommunications Authority</td>
</tr>
<tr>
<td>EIA</td>
<td>Environmental Impact Assessment</td>
</tr>
<tr>
<td>EPA</td>
<td>Economic Partnership Agreement</td>
</tr>
<tr>
<td>EU</td>
<td>European Union</td>
</tr>
<tr>
<td>FAO</td>
<td>Food and Agricultural Organization</td>
</tr>
<tr>
<td>FATF</td>
<td>Financial Action Task Force</td>
</tr>
<tr>
<td>GAP</td>
<td>Good Agricultural Practices</td>
</tr>
<tr>
<td>GDP</td>
<td>Gross Domestic Product</td>
</tr>
<tr>
<td>GIS</td>
<td>Geographic Information System</td>
</tr>
<tr>
<td>GSKN</td>
<td>Government of St. Kitts and Nevis</td>
</tr>
<tr>
<td>HIV</td>
<td>Human Immunodeficiency Virus</td>
</tr>
<tr>
<td>ICDL</td>
<td>International Computer Drivers Licence</td>
</tr>
<tr>
<td>ICT</td>
<td>Information and Communications Technology</td>
</tr>
<tr>
<td>IICA</td>
<td>Inter-American Institute for Cooperation on Agriculture</td>
</tr>
<tr>
<td>IMF</td>
<td>International Monetary Fund</td>
</tr>
<tr>
<td>IT</td>
<td>Information Technology</td>
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</table>
### TABLE 1:

**St. Kitts and Nevis**  
**Selected Economic and Financial Indicators**

<table>
<thead>
<tr>
<th></th>
<th>2001</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
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<tr>
<td>Mid Year Population</td>
<td>46,325</td>
<td>46,710</td>
<td>47,317</td>
<td>48,155</td>
<td>48,637</td>
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<tr>
<td><strong>GROSS DOMESTIC PRODUCT (GDP)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>GDP at current market prices Ec$millions</td>
<td>930.8</td>
<td>959.2</td>
<td>997.4</td>
<td>1109.7</td>
<td>1182.6</td>
</tr>
<tr>
<td>Annual rate of growth in real GDP (%)</td>
<td>1.7</td>
<td>-0.3</td>
<td>-0.9</td>
<td>6.4</td>
<td>4.8</td>
</tr>
<tr>
<td>Per Capita GDP (current market prices) EC$</td>
<td>20,093</td>
<td>20,535</td>
<td>21,079</td>
<td>23,022</td>
<td>24,333</td>
</tr>
<tr>
<td><strong>PRICES</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Consumer Prices (end-of-period)</td>
<td>1.8</td>
<td>1.7</td>
<td>3.1</td>
<td>1.7</td>
<td>7.2</td>
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<tr>
<td>GDP Deflator</td>
<td>140.5</td>
<td>142.6</td>
<td>147.4</td>
<td>153.2</td>
<td>155.5</td>
</tr>
<tr>
<td><strong>Money (EC$000)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Broad Money (M2)</td>
<td>794,235</td>
<td>844,799</td>
<td>903,048</td>
<td>1,098,694</td>
<td>1,150,838</td>
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<td>Net Foreign Assets</td>
<td>239,285</td>
<td>315,078</td>
<td>402,268</td>
<td>272,934</td>
<td>244,189</td>
</tr>
<tr>
<td>Net Domestic Assets</td>
<td>554,950</td>
<td>529,721</td>
<td>500,800</td>
<td>825,590</td>
<td>905,700</td>
</tr>
<tr>
<td>of which:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Credit of public sector</td>
<td>301,240</td>
<td>286,567</td>
<td>237,622</td>
<td>212,778</td>
<td>318,541</td>
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<td>Credit of private sector</td>
<td>675,623</td>
<td>659,253</td>
<td>687,396</td>
<td>747,991</td>
<td>804,406</td>
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<td><strong>CENTRAL GOVERNMENT FINANCES (EC$million)</strong></td>
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<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current revenue</td>
<td>267.3</td>
<td>299.0</td>
<td>321.4</td>
<td>365.4</td>
<td>423.1</td>
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<tr>
<td>Current expenditure</td>
<td>307.0</td>
<td>323.5</td>
<td>333.1</td>
<td>381.5</td>
<td>432.5</td>
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<td>Current account balance</td>
<td>-39.7</td>
<td>-24.5</td>
<td>-11.8</td>
<td>-16.1</td>
<td>-9.4</td>
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<tr>
<td>Capital revenue</td>
<td>3.7</td>
<td>6.5</td>
<td>2.2</td>
<td>4.6</td>
<td>4.0</td>
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<tr>
<td>Capital expenditure</td>
<td>95.7</td>
<td>115.9</td>
<td>62.5</td>
<td>66.7</td>
<td>75.6</td>
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<tr>
<td>Total revenue</td>
<td>271.0</td>
<td>305.6</td>
<td>323.6</td>
<td>370.0</td>
<td>427.1</td>
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<td>Total expenditure and net lending</td>
<td>402.7</td>
<td>490.7</td>
<td>409.6</td>
<td>459.5</td>
<td>508.1</td>
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<td>Grants</td>
<td>21.7</td>
<td>27.9</td>
<td>6.1</td>
<td>4.1</td>
<td>32.2</td>
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<tr>
<td>Overall balance</td>
<td>-109.4</td>
<td>-157.2</td>
<td>-79.9</td>
<td>-85.8</td>
<td>-48.8</td>
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<tr>
<td><strong>CENTRAL GOVERNMENT FINANCES(in percent of GDP)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current revenue</td>
<td>28.9</td>
<td>31.6</td>
<td>32.2</td>
<td>32.9</td>
<td>35.8</td>
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<tr>
<td>Current expenditure</td>
<td>33.2</td>
<td>34.2</td>
<td>33.4</td>
<td>34.4</td>
<td>36.6</td>
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<tr>
<td>Current account balance</td>
<td>-4.3</td>
<td>-2.6</td>
<td>-1.2</td>
<td>-1.4</td>
<td>-0.8</td>
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<tr>
<td>Capital revenue</td>
<td>0.4</td>
<td>0.7</td>
<td>0.2</td>
<td>0.5</td>
<td>0.3</td>
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<tr>
<td>Capital expenditure</td>
<td>10.4</td>
<td>12.3</td>
<td>6.3</td>
<td>6.7</td>
<td>6.4</td>
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<tr>
<td>Total revenue</td>
<td>29.1</td>
<td>31.9</td>
<td>32.4</td>
<td>37.1</td>
<td>36.1</td>
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<tr>
<td>Total expenditure and net lending</td>
<td>43.3</td>
<td>51.2</td>
<td>41.1</td>
<td>46.1</td>
<td>43.0</td>
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<tr>
<td>Grants</td>
<td>2.3</td>
<td>2.9</td>
<td>0.6</td>
<td>0.4</td>
<td>2.7</td>
</tr>
<tr>
<td>Overall balance</td>
<td>-11.8</td>
<td>-16.6</td>
<td>-8.0</td>
<td>-8.6</td>
<td>-4.1</td>
</tr>
<tr>
<td><strong>EXTERNAL SECTOR (EC$million)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current account balance</td>
<td>-286.0</td>
<td>-336.4</td>
<td>-312.5</td>
<td>-236.4</td>
<td>-225.3</td>
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<tr>
<td>Trade balance</td>
<td>-236.2</td>
<td>-278.0</td>
<td>-244.7</td>
<td>-171.8</td>
<td>-134.6</td>
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<tr>
<td>Services, net</td>
<td>65.0</td>
<td>31.3</td>
<td>74.9</td>
<td>146.8</td>
<td>202.0</td>
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<td>Income, net</td>
<td>-93.4</td>
<td>-102.8</td>
<td>-118.0</td>
<td>-113.8</td>
<td>-140.7</td>
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<tr>
<td>Transfers, net</td>
<td>43.7</td>
<td>44.4</td>
<td>50.2</td>
<td>49.2</td>
<td>49.9</td>
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<tr>
<td>Capital and Financial Account</td>
<td>308.4</td>
<td>353.5</td>
<td>297.4</td>
<td>267.6</td>
<td>225.3</td>
</tr>
<tr>
<td>Overall balance</td>
<td>31.3</td>
<td>23.3</td>
<td>-2.59</td>
<td>36.9</td>
<td>0.0</td>
</tr>
<tr>
<td><strong>EXTERNAL SECTOR ( in percent of GDP)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current account balance</td>
<td>-31.0</td>
<td>-34.6</td>
<td>-23.4</td>
<td>-21.3</td>
<td>-19.1</td>
</tr>
<tr>
<td>Trade balance</td>
<td>-25.4</td>
<td>-29.0</td>
<td>-24.5</td>
<td>-15.5</td>
<td>-11.4</td>
</tr>
<tr>
<td>Capital and Financial Account</td>
<td>33.1</td>
<td>36.9</td>
<td>29.8</td>
<td>24.1</td>
<td>19.1</td>
</tr>
<tr>
<td>Overall balance</td>
<td>3.4</td>
<td>2.4</td>
<td>-0.3</td>
<td>3.3</td>
<td>0.0</td>
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<tr>
<td><strong>AVERAGE EXCHANGE RATE</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>EC dollars per US dollar</td>
<td>2.70</td>
<td>2.70</td>
<td>2.70</td>
<td>2.70</td>
<td>2.70</td>
</tr>
</tbody>
</table>

Source: St. Kitts and Nevis Authorities, ECCB  
p - provisional  
e - estimated
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FOREWORD

The 30th of July 2005 marked the end of the commercial production of sugar on St. Kitts and thus brought about the final demise of the industry that had dominated the socio-economic landscape of St. Kitts and Nevis for over three hundred and fifty years. Although the emotional and historic significance of this event cannot be exaggerated, what is of greater concern to us today is how we can move on from that chequered past and forge an economically sustainable and socially secure future for our children and ourselves. St. Kitts and Nevis is therefore now at the beginning of a momentous change that will lay the foundation for its economic and social development throughout this century and beyond.

The Adaptation Strategy that is outlined here is our attempt to chart a course to guide us as we set about the task of reconstruction and transformation over the next ten years. It takes into account the fact that we are not starting from scratch - that indeed since 1983 when St. Kitts and Nevis became an independent state, much progress has been made in recasting the old plantation-based economy and diversifying away from sugar. We have been fortunate that our economic diversification drive was initiated in time for us to benefit from the new services industries, such as Tourism, Financial Services and Information and Communications Technology that mushroomed during the 1980s and 1990s, and we intend to continue to build on the success of these sectors going forward. We are also determined, now more than ever, to support the education of our people so that they can apply their creative talents more effectively to solving the problems of development in the context of these new and exciting sectors and future technological advances.

The Adaptation Strategy was framed in the knowledge that even as we envision a bright and prosperous future for all, we face considerable challenges that can seriously undermine our efforts to achieve our goals. These challenges range from developing a viable agriculture out of the ashes of the plantation so that we can ensure food security while conserving the environment – to securing technical and financial resources from international partners to fund the programme - to managing and ultimately reducing the national debt in order to maximise the development dividend of any future growth. We are not daunted, however, we have faced and overcome enormous obstacles throughout our history because we are a resourceful and resilient people. We must always take inspiration from the fact that what we have done before we can do again.

The programme that we are putting forward in the Adaptation Strategy requires that we summon up our past resolve and work together to make it a reality. It explicitly acknowledges that the public sector, the
business community and all elements of civil society must do their part and make their contribution for this national transformation initiative to succeed. For many of us it will necessitate an upward shift in the way that we have previously operated. For all of us it must result in a culture change. The Government is taking the lead and asking you to partner with us as we embark on this challenging undertaking. It is a worthwhile and important charge and our country’s future depends on its achievement.

Honourable Dr. Denzil L. Douglas
Prime Minister, St. Kitts and Nevis
ACKNOWLEDGEMENTS

The preparation of this report was coordinated by the Ministry of Sustainable Development of the Government of St. Kitts and Nevis. Drafting of the report was jointly undertaken by a multi-disciplinary team led by Hilary Hazel, Permanent Secretary, Ministry of Sustainable Development and National Authorising Officer (NAO) and comprising the following: Amicia Mussenden, Shirley Skerritt, Howard Richardson, Patrick Williams of the Ministry of Sustainable Development; Versilie Francis, Khama Edmeade of the Ministry of Finance; Dr. Jerome Thomas of the Ministry of Agriculture; and Jovil Martin of the Ministry of Social Development. Special thanks are expressed to Verlene Simpson, Lavern Greaves, Tesslyn Simmonds, Rhon Boddie and Kimberly Tucker from the Ministry of Sustainable Development and Jefferene James of the Ministry of Finance for their valuable support in researching various topics, preparing written briefs and in compiling some key tables for inclusion in the strategy.

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Government of St. Kitts and Nevis peer reviewers included Ambassador Wendell Lawrence (Financial Consultant in the Ministry of Finance), Janet Harris (Financial Secretary) and Dr. Hermia Morton-Anthony (Permanent Secretary, Ministry of Housing, Agriculture, Fisheries and Cooperatives). External peer reviewers were Darran Newman (Social Development Adviser, EC Delegation in Barbados and the Eastern Caribbean), Sandra Pepera (Head, DFID – Caribbean), Pat Holden (Senior Social Development Adviser, DFID-Caribbean), Elmer Harris (Country Economist, Caribbean Development Bank) and Laurel Bain (Director, Statistics Department, Eastern Caribbean Central Bank). Valuable comments and advice were also received from Ambassador Amos Tincani (Head, EC Delegation in Barbados and the Eastern Caribbean).

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EXECUTIVE SUMMARY

1. St. Kitts and Nevis (SKN) is one of the 18 ACP countries that have been impacted by changes to the EU/ACP Sugar Protocol, that will result in a 36% fall in the intervention price of sugar in the EU market over a four-year period beginning in 2006. SKN is in a unique position when compared with other ACP states in that consequent on these changes, it made the decision to cease the production of sugar for export under the Protocol arrangements and has so far been the only ACP state to do so.

2. The strategic response of St. Kitts and Nevis in exiting from sugar production has to be understood from the perspective of the historical context and the current regional and global economic trends. Historically, the combination of monoculture and primary production together with diseconomies of scale in production and the openness of the economy have resulted in economic vulnerability and a lack of sustained economic growth over time.

3. Correspondingly, the contemporary global economic scene presents SKN with some extremely difficult challenges. These challenges include increased trade liberalisation resulting in the erosion of preferential trade arrangements; changes brought about by advanced technological developments particularly in the field of information and communications; the declining availability of concessional aid; a widening and intensification of international linkages in trade, finance and production; and increased competition in the wider global economy.

4. In addition to the changing external environment, there are challenges inherent within the domestic context given high levels of public sector indebtedness and fiscal imbalances, in conjunction with the closure of the sugar industry, and relatively high levels of poverty. Economic restructuring and transformation in SKN is therefore necessary in order to meet these challenges and ultimately to facilitate greater integration into the world economy.

5. One of the major challenges SKN faces is how to take advantage of the opportunities presented in the context of globalisation and increased trade liberalisation. In confronting this challenge, SKN has begun to implement programmes to achieve sustainable economic growth, with emphasis on improving international competitiveness and promoting private sector development. As a consequence, the focus on economic policy will be to maintain the shift away from direct government intervention in the market, by
limiting its participation in the production and trade of goods and services, and creating an enabling environment for private sector development and for the efficient operation of the market.

6. The latter entails, *inter alia*, the maintenance of macroeconomic stability, the development of appropriate legal and regulatory frameworks and the efficient provision of public goods (such as, education and health). There is also a key role for the Government and the donor community to play in facilitating and strengthening the supply-side capabilities of the economy. A crucial role for the donor community will be to provide adequate levels of concessional finance to fund infrastructural and social development programmes and technical assistance to enhance management and policy formulation capacity within the public sector in SKN.

7. Accelerating and sustaining economic growth in SKN is important to foster social development, improve fiscal performance, reduce unemployment and poverty, and ensure a more sustainable external position in an increasingly competitive regional and international environment. The acceleration and sustainability of economic growth will depend significantly on the country’s ability to improve competitiveness. The strategic focus in promoting growth in SKN is therefore on five areas: (i) macroeconomic policies to reduce vulnerability and encourage and facilitate investment; (ii) improving competitiveness in the production and export of goods and services; (iii) interventionist social policies to support economic development and protect the most vulnerable; (iv) ensuring an environmentally sustainable development agenda; and (v) organising to achieve success in economic restructuring and transformation. It is also important to stress that the programme of social and economic transformation arising from these strategies will be implemented within a challenging institutional milieu that includes public sector reform, private sector development, regional integration and a programme of infrastructure improvements to support the development process.

**Macroeconomic Policies to Reduce Vulnerability and Facilitate Investment**

8. The challenge of sustaining economic growth will require the Government to undertake structural and economic reforms to create a more investment-friendly economic environment, premised on the key components of good economic management, stable macroeconomic policy, secure property rights, reliable infrastructure, and effective institutional capacity. The promotion of sustained growth in SKN will require concerted attention to a number of areas, including: improving the environment for private sector led growth through rationalisation of the role of the state in economic activity; accelerating the pace of economic diversification; promoting an investment environment conducive to private sector
development by simplifying the regulatory framework within which businesses must operate; and improving and maintaining the infrastructure to support economic growth. Structural reforms that make the economy more flexible and raise long-term growth potential will also make the economy more resilient against external shocks. However, realising the benefits of a stable macro-economic environment can be jeopardised if the implementation of adjustment measures is not properly timed and sequenced.

9. Achieving and maintaining macroeconomic stability is dependent on the creation of a stable environment to stimulate higher levels of domestic savings and investment. The importance of domestic savings is increasingly relevant when viewed against the background of declining access to concessionary resources to finance the growth in the level of public sector investment. The strengthening of public expenditure management and an increase in revenue collection will be particularly warranted to achieve significant levels of savings in the sector. Reducing debt accumulation and achieving debt sustainability will likewise be critical in achieving this goal.

10. Strong fiscal policies are required to achieve fiscal sustainability. Prudent fiscal and monetary policies create a favourable climate for private investment and for promoting productivity. Fiscal deficits must be better managed so as to discourage explosive borrowing by the public sector. Fiscal reforms will also be necessary to reduce the debt to GDP ratio and to restore debt sustainability. This will be supported by fiscal consolidation through the implementation of tax reforms and improved expenditure management. The strengthening of fiscal institutions will also be necessary to improve fiscal performance and enable better allocation of resources in the economy.

**Improving Competitiveness in the Production and Export of Goods and Services**

11. While the Government of St Kitts and Nevis has been able to attract significant investment in the tourism industry and the offshore education sector over the years, labour mobility from agriculture to services has not been easy especially for those individuals displaced by the closure of the sugar industry. At this juncture in the country’s development, therefore, building a strong skills base is particularly important for improving competitiveness because of the country’s growing reliance on services. Education and training, focussed on improving the productivity of the labour force, have been identified as key initiatives in the economic transformation process. Performance-based remuneration packages and other similar labour market reforms are also recommended. The following are currently being planned: (a) a framework for constantly reviewing the curriculum of educational institutions to ensure relevancy to
the job market, and (b) encouraging and facilitating job fairs to expose students to available job opportunities.

12. Improving the efficiency of traditional sectors and diversifying the economy is the two-pronged approach identified to restructure the productive and export sectors. The dismantling of preferential trading arrangements and the closure of the sugar industry reinforce the urgency for rapid diversification of production and exports. In this regard and given the rate of growth of the services sector worldwide, there appears to be considerable potential for St. Kitts and Nevis to expand the services sector. The sector offers significant scope for increasing economic growth, employment, and foreign exchange earnings and for developing and strengthening linkages with other economic sectors. The Government has already launched initiatives to exploit opportunities especially in the areas of tourism, information and communication technology, offshore financial services and other services and is channelling substantial resources into human resource development and in upgrading the infrastructure needed to accommodate the development of the productive sector.

13. The Government’s strategy for the development of agriculture, following the closure of the sugar industry, is to significantly increase agricultural production in a competitive and sustainable manner through the transformation of the sector to satisfy local demand and for exports. Production will be market led and special emphasis will be placed on the development of competitive commercial farms in both crop and livestock production. In this context issues to be addressed include irrigation, feeder roads, extension services, marketing, the application of technology and land allocation and tenure. Developing and strengthening farmer groups will be an area of particular focus while the working relationship with stakeholder groups will be further enhanced.

14. International tourism will continue to be an important contributor to gross domestic product, employment and foreign exchange earnings in SKN. However, long-term tourism development will require careful planning and marketing, which must be responsive to changing market demands. Niche marketing is recognised as an important aspect of tourism development, and the tourism authorities have identified the segment(s) of the market in which SKN can compete effectively in terms of price and quality. Success in accessing niche markets will depend on effective institutional and management capacity and appropriate human resource development. The Government, in association with the private sector, will need to upgrade tourism infrastructure, including hotels, tourist attractions, roads, and utilities (electricity and water services). The sector can also benefit from new promotional strategies aimed at repackaging tourism products to increase their value and interest to tourists.
15. The development of a competitive information communication technology services sector in the medium term in SKN will have to be complemented by rapid growth in domestic information technology applications and the development of the necessary local expertise and facilities based on a modern telecommunication infrastructure. SKN intends to be selective its approach to product mix and the type of capability to develop, taking into consideration a realistic entry strategy and the choice of carriers. SKN will need to continue to upgrade and reform its telecommunications infrastructure and legislative framework to be in a position to export ICT services competitively.

**Social Policies to Support Economic Development and Protect the Most Vulnerable**

16. Vulnerable groups in society must not be forgotten during the economic adjustment process. It will be necessary to cushion the effects of adjustment on the most adversely affected groups. Special safety net provision must be made for the poor and for selected former workers of the sugar industry. The extent to which social safety net programmes are successful throughout the adjustment period will depend on how well they are combined with programmes to retrain and resettle displaced workers and the unemployed into meaningful jobs that are needed in the economy.

17. The underlying rationale for raising the skills base of the economy, specifically in the advanced technology fields, is that many of the opportunities for expanding exports involve effectively combining technology with labour to significantly enhance labour productivity. This requires a sound programme of education and training geared to produce the skills required in the new economic environment in SKN. Raising the level of education of the general public would contribute to raising productivity in the country. However, in the new global economy, production and competitiveness have become increasingly knowledge-based. The ability of SKN to compete effectively will depend on a skilled, educated and flexible labour force capable of adapting and integrating new technologies into the production process. Consequently, there is the need to address human resource development through increased investment in education, especially at the technical and vocational levels.

18. The balance between social and economic development remains a primary focus for the Government of St Kitts and Nevis. It is generally felt that there needs to be greater linkages between social programmes and other aspects of the country’s economic development strategy. Currently the increased level of criminal activity particularly among young people, has caused great concern in communities given the potential to undermine the quality of life for all and its negative impact on the investment climate for industries like tourism. The Government is therefore implementing a strategy that
focuses on the reduction of crime and violence through more vigilant and effective law enforcement and also locates the implementation of comprehensive crime reduction programmes within the context of the social, psychological and economic dimensions of criminal behaviour. The government is also collaborating with its partners in the sub-region to merge corrections and probation services. In the medium term, however, it will be necessary to fully modernise the security apparatus of the state in order to ensure the long-term viability of strategic approaches.

**Ensuring an Environmentally Sustainable Development Agenda**

19. The social and economic benefits of environmental protection are not easily quantifiable. The sugar industry in SKN fulfilled a significant environmental management role and bore the costs of extensive environmental services from which the country as a whole benefited. Many of these services such as ghaut stabilisation and the maintenance of drainage systems also contributed directly to natural disaster preparedness and mitigation. As a direct result of the closure of the sugar industry, therefore, the GSKN will now have to absorb both the costs and actual activities associated with these environmental services, in particular the conservation activities formerly undertaken by the SSMC.

20. The environment remains the linchpin of any post sugar adjustment programme because GSKN recognises that maintaining environmental sustainability is critical to sustaining economic activities particularly tourism, agriculture and fisheries. Improving environmental policies and mitigating the environmental impact of the closure of the sugar industry are also important for sustaining long term economic growth and competitiveness, reducing poverty and improving the quality of life of people in the Federation. Consequently, as part of an integrated approach to the adjustment process GSKN will seek to implement projects within the following broad areas: land use planning and management, watershed management, coastal area management, management of protected areas, and disaster management and risk reduction.

**Cross-Cutting Issues**

21. The GSKN has been involved in a rolling public sector reform process where the emphasis has shifted between different areas of the public sector as circumstances dictate. The objective of the reform agenda is to foster a modernisation imperative that would allow the sector to fulfil its enabling and facilitating role in an efficient and effective way while adhering to the good governance ideals of transparency and accountability. Currently the focus is on civil service improvements, privatisation and
commercialisation, and statistical development. The three areas of focus are interconnected and highlight what the major public service concerns must be for a small state like SKN at this time: firstly how to carry out all the functions of a democratic society with an extremely limited human resource base; secondly what should be the proper limits for a developing country like SKN on state participation in direct economic activity; and finally how to harness technology to support the state in all its multifarious roles.

22. Private sector led growth is the basis of the adaptation strategy that is being put forward by SKN. This comes from the understanding that the state cannot do everything and that even if it could that would not be desirable. The Government’s programme is therefore posited on creating the conditions for the development of a strong and independent private sector by among other things: supporting the sector through the provision of public goods like education and health; entering into partnerships with the sector when it is in the public interest to do so; and above all maintaining a stable political and economic system. In the context of St. Kitts and Nevis, private sector led growth must involve getting away from the inherited mercantile model and developing an indigenously based, productive sector that can create and exploit the opportunities that will bring prosperity.

23. St. Kitts and Nevis is a member of a two-tier regional integration system consisting of the OECS and CARICOM. Like many similar arrangements, while the logic and benefits are obvious, the process of achieving integration through institution building, harmonisation, and convergence has not been easy. In addition to issues around the pooling of sovereignty, the differences in country size and stages of development are some of the obstacles that must be overcome if the CSME initiative is to succeed. St. Kitts and Nevis is one of the OECS countries that decided to join the CSME in June 2006. The country is classified as a Less Developed Country (LDC) within the CARICOM organization because of the vulnerability posed by its small size. Given its high level of indebtedness and the financial losses incurred by the closure of the sugar industry, SKN is relying on instruments like the proposed CARICOM development fund to produce a fairer competitive environment for it within the CSME.

24. St. Kitts and Nevis must provide the appropriate physical and social infrastructure if it is to deliver on the major proposed sectoral strategies and associated programmes. Although many of the infrastructural matters have been raised in other parts of the report e.g. telecommunications as an aspect of ICT, it is still important to consider the area as a whole and to see it as an indispensable underpinning of the transformation programme. Certain types of infrastructure development are related to safety and security and protection of the environment and yet others go in tandem with specific economic and development projects to ensure their feasibility. The GSKN has not just a role but also a responsibility to
provide or to facilitate the provision of infrastructure that falls into the category of public goods, some of which may constitute basic human rights for its citizens e.g. water, shelter. It is important for SKN to earmark resources for the infrastructure inputs of the adaptation strategy so that they are not shelved in the financial squeeze resulting from high indebtedness, and the financial impact of the loss of the sugar industry.

**Achieving Success in Economic Restructuring and Transformation**

25. Strengthening public sector governance, improving public sector management, ensuring transparency and accountability in the management of public enterprises, and maintaining a sound economic environment will improve the allocation of resources and in turn the growth potential in SKN.

26. It will also be necessary to review the role of the Government, in order to shift its emphasis from one of direct involvement in economic activity to one in which it focuses primarily on creating an environment conducive to the evolution of a strong and active private sector. The Government’s role in economic management will be directed at achieving economic stability, sustained growth, high levels of employment and low inflation. In addition to implementing appropriate policies, the Government has a central role in establishing a regulatory and supervisory framework that promotes competition; protects investors, employers and labour; and, in general, ensures that markets are fair.

27. The groundwork for the new role of the Government is already being undertaken as evidenced by the commercialisation and privatisation thrust and initiatives to encourage fiscal discipline with the implementation of the Structural Adjustment Technical Assistance Programme (SATAP). There are also ongoing initiatives to reform the tax structure as an important component of the effort to stimulate both domestic and foreign investor interest. The Government nevertheless would need to develop a clear vision and a structured framework for charting the future of the economy and society. This will involve establishing the appropriate institutional framework and restructuring public institutions for effective public administration.

28. The public sector investment programme will be reviewed to ensure that it focuses on the provision of appropriate physical infrastructure, poverty reduction and the development of human resources, and other social services. In the context of the large debt overhang and relatively weak fiscal performance, the focus on investment projects will be on those activities that can generate rapid and significant economic growth and increased tax revenues to allow for the timely servicing of the debt.
Careful review in the provision of the economic infrastructure, including air and seaports; roads and bridges; tourist-related facilities and public utilities including water, electricity and telecommunications, will be undertaken.

29. The following are some important elements for achieving success in the economic restructuring and transformation programme in SKN.

(a) Government’s leadership in the process of adjustment and transformation. It is important for the Government to clearly express its firm commitment to the economic restructuring process by actively participating in its design and development.

(b) Realistic programmes need to be developed. There is need for a clear agreement on programmes and realistic expectations. External donors would need to be realistic in preparing the financing plans to support the restructuring/transformation programme in SKN.

(c) Flexibility in policymaking is important but consistency of government policy is necessary to build confidence in the private sector.

(d) The development of institutional capacity needs to be emphasised from the outset, because institution-building takes time and the results will not be immediate. It will be essential to implement measures that economise on the use of scarce resources.

(e) Fiscal discipline such as tax and other structural reforms and improved expenditure management will be paramount.
CHAPTER 1. INTRODUCTION

A. LOCATION, POPULATION AND SOCIO-ECONOMIC PROFILE

1.1 St. Kitts and Nevis is a Federation consisting of two islands located in the Leeward Islands group of the Lesser Antillean segment of the Caribbean Archipelago i.e. in the Eastern Caribbean. St. Kitts is located at latitude 17°15’ north and longitude 62°45’ west while Nevis is located two miles (3 km) south-east of St. Kitts at latitude 17°10’ north and longitude 62°35’ west. The two islands have a combined land area of 104 sq. miles (269 sq. km.), with St. Kitts, the larger of the two, being 68 sq. miles (176 sq. km.), and Nevis 36 sq. miles (93 sq. km.) in area. Both islands are volcanic in origin with central mountain ranges that dominate the landscape and radiate downward to the coasts. The islands have a tropical maritime climate largely influenced by the north-eastern trade winds and a mean temperature of 27°C with only small diurnal and seasonal variations. The settlement patterns in both islands consist of a series of small villages along the islands’ main coastal roads. The primary urban hubs in St. Kitts are the capital, Basseterre, and the small towns of Sandy Point and Cayon. In Nevis the population is concentrated in the capital, Charlestown.

1.2 St. Kitts and Nevis gained full independence from the United Kingdom in 1983 and has since maintained a Westminster style democracy with the Queen as titular head of state represented by a Governor General and in which the Prime Minister leads the majority party in Parliament. Nevis has considerable autonomy and has its own island assembly (Nevis Island Assembly), a Premier, and a Deputy Governor General, supported by a semi-autonomous Nevis Island Administration. St. Kitts and Nevis has full adult suffrage and a history of free and fair elections, within a multi-party electoral system.

1.3 At the time of the 2001 Census, the population of the country was 46,325, with 35,217 inhabitants in St. Kitts and 11,108 inhabitants in Nevis. The annual average rate of population growth between 1990 and 2000 was 1.3%. This positive rate of growth is expected to remain constant at 1.3% between 2000 and 2015 in contrast to the period from 1960 to 1990 when each decade registered negative population growth due primarily to out migration. Although St. Kitts and Nevis is nearing the demographic turning point in terms of the ratio of younger to older age cohorts, the country still has a relatively young population. In 2001, an estimated 46.6% of the population were under the age of 25, 29% were under the age of 15 and 7.9% over the age of 65.
1.4 The Federation established all-inclusive education, health and social security systems beginning in the late 1960s that have resulted in relatively high average rates of human and social development. However, these developments have probably been overstated as the crude per capita averages on which they are based have failed to factor in the negative impacts of several counter factual indices. For example, SKN’s Poverty Assessment Report (2001) classified 30.5% of the population of St. Kitts as poor, and 11% were found to be in extreme poverty or indigent. In Nevis the numbers are slightly higher, with 32% of the population classified as poor and 17% of the population as extremely poor or indigent. In addition, the high emigration rate particularly among the educated elite has severely limited human capital formation. Equally, in spite of almost universal basic literacy, the country has failed to both train and retain a multi-skilled and flexible workforce in sufficient numbers to effect the technological and economic transformation needed to sustain continuing economic development in the twenty-first century. The favourable human development statistics have also masked growing concerns about social exclusion, the impact of HIV AIDS and increasing incidents of violent crime in the society.

1.5 The economy of SKN registered positive rates of growth throughout the 1980s and 1990s. However, growth rates have been significantly lower for the latter half of that period and into the early 2000s. This was due to a series of exogenous shocks reflecting both the extreme openness of the local economy and its vulnerability to natural disasters. The economy has been historically dependent on the export of sugar. This was accompanied by small-scale cotton cultivation and small-scale commercial production of fruits and vegetables in Nevis. However, from the late 1970s onward the country has pursued a policy of economic diversification that has led to the development of other economic activities such as light manufacturing, construction, and tourism, and in the 1990s a significant offshore financial services sector primarily in Nevis. Although there are currently plans to continue to diversify specifically into the ICT and other new technology areas, tourism has now emerged as the main growth sector of the economy and is the principal source of employment and foreign exchange earnings.

B. THE SUGAR INDUSTRY - A STORY OF ADAPTATION AND DECLINE

1.6 The sugar industry and the development of its concomitant plantation system can be said to have defined the socio-cultural as well as the economic milieu of St. Kitts and Nevis for the past three hundred and fifty years. The industry was introduced into the islands sometime around the mid sixteen hundreds and from then on, St. Kitts and Nevis were developed as classic plantation monocultures with dependence on one industry - sugar, worked by ‘unfree’ labour, predominantly African imported under appalling conditions from the African continent. Slavery was officially abolished in 1832, but the plantation
continued with some modifications as the dominant mode of production for the rest of the nineteenth and throughout the twentieth centuries, finally coming to an end at the beginning of the twenty-first century, in July 2005. During that time the industry has so dominated the physical and psychological landscape of the country, particularly that of the island of St. Kitts, that for sometime now the island has been known colloquially as ‘sugar city’. In spite of its enduring socio-cultural impacts, however, the economic story of sugar has been typified by adaptation to economic developments in Europe with each succeeding phase ending in contraction and decline.

1.7 Given the longevity of the industry and its all encompassing span it is not surprising that the fortunes of sugar have shaped and continue to exert an overwhelming influence on the economy and society of St. Kitts and Nevis. The period of high profitability for the industry lasted for about a century and a half from the mid seventeenth to the late eighteenth centuries when the major European powers jostled for control of the islands and the plantation system reached its apogee. Great fortunes were made from sugar during this period but were invested in the technological and industrial innovation that underpinned the industrial revolution then occurring in Europe. As the long slow decline of the sugar industry became evident at the beginning of the 19th century, it was clear that there had been very little investment in any other economic enterprise in territories like St. Kitts and Nevis. The islands were in fact barred from anything but primary agricultural production by the same set of colonial rules known as the Navigation Acts that provoked the American War of Independence in 1776.

1.8 The immediate post-emancipation period was the era of greatest decline in the history of the sugar industry in St. Kitts and Nevis. The response of the planters to the demand of workers in the industry for their right as free people to a wage for their labour almost led to the cessation of sugar production on the islands. In the atmosphere of bitter stalemate that ensued, the industry’s pre-emancipation infrastructure was neglected and increasingly fell into disrepair, investment in plant and machinery came to a halt and many of the smaller estates were virtually abandoned. By the end of the nineteenth century the plantation system in St. Kitts and Nevis was in total shambles with resulting dire socio-economic consequences due to the absence of alternative productive activities.

1.9 As the twentieth century rolled in, stagnation in the sugar industry in St. Kitts and Nevis was an established fact of economic life. The industry had long suffered from absentee ownership and the effect of this could be seen in the lack of technological and other improvements. Commercial sugar production was finally discontinued on Nevis at this time and the land was subdivided and sold to a few cotton and subsistence smallholders. In St. Kitts, however, with its rich sandy loam soil ideally suited to sugar cane
cultivation, a different solution was found. The landowners decided to rationalise the industry by centralising sugar processing and linking the estates by rail to one main processing factory. Following these improvements there was a gradual increase in production and return to profitability, which peaked between 1955 and 1960 when over 50,000 long tons of sugar was produced on over 13,000 acres of prime agricultural land.

FIGURE 1.1: Output and Exports of SSMC 1912-2005

1.10 Preoccupied with restructuring the local industry, the small cane sugar producers in SKN seemed unaware of the looming threat of competition from within their traditional market posed by the advent of the European sugar beet industry as well as the vast industries of Australia and Brazil now made enormously more profitable through mechanisation. These factors ensured that even though the local industry would sometimes rally in response to external events or internal adjustments, the long-term trend would be downward. Two world wars punctuated by the labour riots that accompanied the birth of the trade union movement throughout the Anglophone Caribbean in the nineteen thirties would only accentuate this trend.

1.11 In St. Kitts and Nevis where the historic labour riots started in 1935, it was almost inevitable that a labour organization fighting for the rights of sugar workers would develop into a popular political force. No one who lived on the islands could escape the pervasive influence of an industry that monopolised the factors land and labour. In the post war period the sugar industry became the proving ground of the
struggle for self-determination and eventually of a nascent independence movement. It then became apparent that the people of St. Kitts and Nevis would have to take control of the industry if they were to have any chance of charting their own economic destiny. By the nineteen seventies, after preceding decades of conflict and uncertainty two events occurred that would decide the future of sugar in St. Kitts and Nevis. In the mid nineteen seventies, almost simultaneously, the industry was purchased by the state from the remnant of the planter class, while on the heels of Britain joining the European Community, the Sugar Protocol, a treaty which seemed to guarantee the industry’s future was negotiated between the Community and the group of African, Caribbean and Pacific (ACP) sugar producers that had traditionally supplied the European market.

1.12 Even these hopeful events, however, failed to stop the secular decline of the sugar industry. Beginning in the mid 1980s, the industry’s difficulties intensified as a result of a combination of factors including the concurrent effects of increased labour costs, high factory operating costs and lower revenue from exports of sugar despite a guaranteed price under preferential arrangements; high fixed costs with no possibility for expansion of the area under cultivation; and a series of hurricanes and flood damage between 1995 and 1999 followed by unusual drought in 2002 and 2003. The production of sugar in St Kitts became uneconomic, resulting in significant annual financial losses and the accumulation of debt. In addition, the cost of borrowing increased and loans became increasingly difficult to obtain. The industry has been cash-strapped in recent years and has been unable to procure spares and import supplies on a timely basis, which impacted negatively on production and productivity. It was not surprising therefore that SSMC has sustained annual financial losses exceeding $35 mn per year since 2002 and had accumulated debt amounting to $315 mn at the end of 2004. The sugar industry contributed about 4% of GDP annually to the total public debt.

1.13 Although the importance of the sugar industry in the economy has declined over the years, the industry has played a crucial multifunctional role within the context of the social and economic development of SKN. The industry has been the custodian of the country’s landscape in protecting the environment from degradation. Sugar cane cultivation provides valuable environmental benefits by protecting the best agricultural areas from soil erosion and it supplies good cover on the steep slopes. As the largest user of cultivable land, the industry has maintained roads, bridges, culverts, and has been the lead agency in the areas of soil conservation and ghaut stabilization. Furthermore, the sugarcane fields add aesthetic value to the country’s landscape, which in turn impacts positively on the tourism sector. Despite its dismal financial performance, the sugar industry has also made significant contributions to economic and social development through the provision of health, welfare and other social services to its
workers as well as the wider community; employing approximately 1,500 persons (the largest industrial employer in the country); and supporting and sustaining a stable rural economy.

**FIGURE 1.2: Sugar Cane Production 1955-2005**

1.14 The decision to cease the production of sugar for export under the EU/ACP Sugar Protocol Agreement was made in December 2004 as the Government acknowledged that the sugar industry had reached a decisive juncture in its history due to its unprofitable financial performance, its high level of indebtedness to the local banking system and unfavourable external developments regarding the Protocol Arrangements. These external developments were the erosion of trade preferences and the reform of the EU Sugar regime in which the intervention price would decline by 36% over a four-year period beginning July 2006.

The sugar industry was closed on July 30, 2005 after being in existence in St Kitts and Nevis for over 350 years. The demise of the industry now presents a multiplicity of challenges relating to fiscal, environmental, economic and social issues in the context of the small size of the economy; the relative importance of the sugar industry in the social and economic spheres of rural stability; weak fiscal performance and high level of public sector indebtedness; and the magnitude of the level of resources (both financial and human) needed for economic and social transformation. These challenges, however, provide an opportunity to reconfigure the economy of SKN to be more productive and competitive as the
Government prepares to formulate and implement an economy-wide adjustment programme (EU Adaptation Strategy and Action Plan). A clearly defined national development vision, plan and comprehensive strategy placed within an appropriate medium-term framework together with Government ownership of the adjustment programme is essential in addressing future developments following the exit from sugar production. Success of the transition/adjustment process will require effective management of the process and timely access to a significant amount of resources to implement the adjustment strategy and programme. Currently, a strategic transition process is in place to accelerate the movement away from the production of sugar for export.

C. THE WAY FORWARD – CONSULTATION, DIALOGUE AND DEBATE

1.15 The closure of the sugar industry must be viewed against the backdrop of an extraordinarily extensive series of reviews, studies, debates and consultations stretching back from at least the early 1990s. During this period there were three significant reports that examined the state of the industry and attempted to extrapolate a more sustainable future based on all the known and foreseen factors. The first of these was the SSMC Five Year Plan (1993-1997) produced by Booker Tate Ltd in 1993. This was followed in 1995 by the World Bank Project - St. Christopher and Nevis Agricultural Diversification Project, Land Use; and in 1999 the SABAS Sugar Study – Final Report. These reports were the result of in depth investigations into the structure and operation of the sugar industry in SKN and by extension the agricultural sector, and their publication was accompanied by widespread media coverage and public consultations that kept the industry at the top of the national agenda.

1.16 Beginning in 2000, after the publication of the SABAS Sugar Study, consultation with domestic, regional and international stakeholders on the future of the sugar industry became much more intensive. The debate on the challenges facing the industry, which had been ongoing in a variety of fora in country, now more explicitly included regional and international development partners. A number of expert committees comprised of both government and NSA representatives also began considering and advising on the options for the industry and for the country as a whole post sugar. These stimulated continuing national dialogue and substantially contributed to conditioning the country to accept the hard decisions that were subsequently made on the future of the industry.

1.17 This intensive stage of consultations was launched in July 2000, under the general title of “The Way Forward for the Sugar Industry”. A Special Committee to oversee, review and report on the consultation process and outcome was also established during this period. Over the following six months
there were at least fifteen major consultation meetings with sugar workers, the local Chamber of Industry and Commerce, and town hall meetings in all communities throughout the island of St. Kitts, while the local Economic Society and other non state actors such as church groups, fishermen’s cooperatives and the Youth Parliament also joined in the discussions. These in turn generated extensive public dialogue/debate on the issues and challenges facing the industry, boosted by countrywide TV and radio panel discussions and press coverage.

1.18 In December 2000, the Special Committee on The Way Forward for the Sugar Industry published its final report. The Committee reported in detail on the outcome of the consultations, identifying issues of concern including those pertaining to the welfare of sugar workers, land use and tenure, the environmental impacts of possible closure, the sugar industry debts, alternative sugar cane products including possible energy production, and the prospects for non-sugar agriculture. In its report the Committee noted that during the consultations on post sugar scenarios, land and social issues were major concerns along with considerations relating to alternatives to sugar production, given the loss of foreign exchange earnings and the negligible progress to date in agricultural diversification.

1.19 The Special Committee’s report was significant in that it not only reported on the consultations but also examined the different options and recommendations put forward during the consultation exercises within the domestic, regional and international context. The report therefore provided the impetus for the establishment of a number of expert committees and sub-committees on the sugar industry. In January 2001 the Special Committee itself was renamed the St. Kitts Sugar Manufacturing Redevelopment Committee (SSMRC) reflecting the new focus of its work. This was described as advising the Government on the two options of either closing or maintaining the industry. The SSMRC was also given the responsibility of setting up subcommittees to inform its work and to prepare an implementation schedule for reporting back to the Cabinet on the proposals. In the first quarter of 2001, the following four subcommittees were set up: Land Use; Diversification; Joint Finance; and Retirement. The work of the various committees/subcommittees was largely completed during the first half of 2001 and the SSMRC considered and reported on the findings in the last quarter of 2001. An assessment of the output of the committees reveals that there is a remarkable congruence between the identified issues, concerns and proposals and those that have come to the fore in the immediate pre and post closure period. In fact it is fair to conclude that the committees correctly predicted all the significant matters relating the closure of the sugar industry in St. Kitts and Nevis.
1.20 Another important outcome of the Special Committee/SSMRC’s work was the Government’s request to UNECLAC Caribbean sub-regional office to commission a social audit of sugar workers, which would provide a social survey of sugar workers including needs and skills assessments; undertake a labour market survey to ascertain the absorptive capacity of the labour market both current and projected, with a view to the placement of sugar workers into other sectors of the economy; and make recommendations on the development of social safety net policies and programmes for sugar workers in the event of closure of the industry. This UNECLAC social audit explicitly targeting sugar workers was carried out during 2002. The study later became the basis of the work on social protection completed by the OECS in 2005 and which informed the social safety net and other social protection policies that were implemented during the immediate transition period and beyond.

1.21 Discussions on the sugar industry were also at the centre of the interaction of SKN with its major development partners over at least the last six years. The multilateral financial institutions i.e. the IMF and The World Bank paid special attention to the industry in their multi annual country reviews, economic studies and forecasts throughout this period. In early 2002 the FAO held a series of in depth in country workshops on agricultural diversification post sugar. From 2002 onwards, in addition to the FAO workshops, there were annual in country meetings on the sugar industry that brought together agencies including the EC, ROC/Taiwan, UNECLAC, CDB, UNDP, the OECS, USAID, IICA and other bilateral and multilateral funding partners. The most important of these were the 2003 SSMC Strategic Visioning Retreat and the 2004 workshop/symposium on “Strategic Options for Structural Adjustment of the Economy of St. Kitts-Nevis in the Context of the Decline of the Sugar Industry”. The status of the industry has also been a central theme in the close and consistent dialogue between SKN and the EC during this time, and the Country Support Strategy for the 9th EDF National Indicative Programme prepared in 2001 was framed within that context.

1.22 A special meeting on the sugar industry was held in November 2004, just before the announcement to close the industry was made in the Throne Speech in December of that year. The meeting included the full Government Cabinet, and a wide representation of leading Government and sugar industry officials, NSAs and regional organisations. This was both the culmination of the pre sugar consultation period and the beginning of a post sugar realism as its focus reflected the preoccupations that would dominate the post sugar era – managing transition and adjustment strategies.

1.23 The importance of the long period of dialogue and debate that preceded the decision to exit the sugar industry in SKN cannot be overestimated as the concerns that it threw up continue to reverberate
and shape the national agenda. As the prelude to the more urgent consultations that followed in 2005, it provided both comprehensive background information and the context within which a way forward could be charted. By involving all the relevant stakeholders, the discussions prepared the ground for national acceptance and regional and international understanding.

D. BACKGROUND TO THE 2006-2013 ADAPTATION STRATEGY

1.25 The immediate background to the presentation of this strategy are the changes to those treaty arrangements that for thirty years have defined the trading relationship with regard to sugar between Western European EU member states and their former colonies in Africa, the Caribbean, and the Pacific, known as the EU/ACP Sugar Protocol. These changes are being implemented primarily as a consequence of the reform of the European Union’s Common Agricultural Policy, CAP, but they are also being driven by the liberalisation and market opening aspects of the current phase of globalisation that have triggered ongoing disputes within the international trading system administered by the WTO. This has resulted in successful challenges to elements of the Sugar Protocol by large sugar producers such as Brazil, Australia and Thailand, in which those arrangements have been portrayed as part of a preferential, subsidised regime responsible for distorting the world market for sugar.

1.26 When the Sugar Protocol was established in 1975 as part of the Lomé Agreement, it was not designed as a generalised system of subsidies, although it did commit the EU to purchasing a specific amount of sugar at a guaranteed price from the ACP countries. As a treaty arrangement the Agreement also committed the ACP sugar producing countries to supplying the agreed amounts of sugar to the EU at the guaranteed price, but at the time that the Sugar Protocol was agreed in 1975, the guaranteed price was below the world market price of sugar. The ACP countries, a few of which, including St. Kitts and Nevis, were then still colonies, decided to sacrifice price advantage for price stability and market security. This was a rational strategy in the context of their position as commodity exporting countries facing then as now the disadvantages of market instability and falling prices both absolutely and relatively.

1.27 However, there were clear indications from at least the mid 1990s onward that a reform of the EU’s sugar regime was inevitable and that that reform would predictably result in a significant fall in the price of sugar within the EU’s internal market. It has now been decided that the price reduction would be at the level of 36% to be implemented over a period of four years beginning in 2006/7. The proposals indicate that both the international trading environment and the nature of bilateral trading agreements
have been irrevocably transformed by the advent of the WTO. They also mark the beginning of the end of the non-reciprocal benefits that ACP States have enjoyed vis-à-vis the EU over the past two decades. Taken together with other developments e.g. EU enlargement, budgetisation, EPAs, and the tariff only regime from 2006, they imply that from 2007 onwards, the relationship between the EU and the ACP States will be defined primarily by new trading arrangements.

1.28 The EU’s response to the impact of the proposed changes on the social and economic development of the ACP countries is outlined in the 2004 European Commission Staff Working Paper “Action Plan on accompanying measures for Sugar Protocol countries affected by the reform of the EU sugar regime.” In the paper, which was formally presented to those Caribbean states that are party to the Sugar Protocol Agreement in March 2005, the EU outlined the basis of the support that would be given to affected ACP states and described the process that those states would have to follow in order to access that support. Central to the outlined process was the requirement for the affected countries to produce an Adaptation Strategy and Action Plan.

E. OBJECTIVES BEING PURSUED IN THE ADAPTATION STRATEGY

1.29 The St. Kitts and Nevis Adaptation Strategy is in line with the following objectives as set out in Art. 4 1(b) and (c) of the REGULATION (EC) No 266/2006 establishing accompanying measures for Sugar Protocol countries affected by the reform of the EU sugar regime. i.e.:

(i) to promote the economic diversification of sugar-dependent areas; and

(ii) to address broader impacts generated by the adaptation process, possibly related, but not restricted, to employment and social services, land use and environmental restoration, the energy sector, research and innovation and macroeconomic stability.

(i) To promote the economic diversification of sugar-dependent areas

1.30 There is no doubt that the end of sugar cane cultivation in the country will have a negative impact on the rural economy in the sugar dependent areas of St. Kitts. The rural villages developed as an integral part of the sugar plantation and in many, community life has already been under stress due to the shift in population as employment in the sugar industry has contracted. Some villages have also been in decline because of emigration in the latter half of the twentieth century. It is therefore to be expected that if other economic activities are not provided in those areas, the fragile network of small local businesses and their trading spin-offs will disappear thus further eroding these settlements. It should also be stressed that,
because of the heavy geographic concentration of sugar employment in certain areas (primarily in the northern half of the island), the multiplier effects of closure could be locally severe. Hence in the affected areas there is bound to be considerable loss of income and hardship – in the absence of further remedial measures – once the cushion of severance payments to ex-SSMC employees disappears by late 2006. It is therefore important that in the Action Plan of the Adaptation Strategy special attention is given to projects that would help to regenerate the rural economy.

(ii) To address broader impacts generated by the adaptation process, possibly related, but not restricted, to employment and social services, land use and environmental restoration, the energy sector, research and innovation and macroeconomic stability

1.31 The multi-functional role of the sugar industry in St. Kitts and Nevis and particularly the sugar sector’s dominating position with regard to the factors land and labour, implies that the whole socio-economic structure of the country will be impacted by the loss of the industry. These effects, which are both direct and indirect, include all of those set out in 1.20(b). In addition, there are at least three other foreseen implications that will require careful planning and implementation – the knock on consequences for other sectors of the economy particularly services; the future of non-sugar agriculture in the post sugar era; and the development of new activities, possibly even new economic sectors that will set the economy on a more sustainable and secure footing.
CHAPTER 2. FISCAL AND DEBT MANAGEMENT

A. OVERVIEW OF FISCAL AND DEBT PERFORMANCE

2.1 SKN’s fiscal performance deteriorated significantly after 1998 as a direct consequence of the impact of hurricanes and the use of counter-cyclical fiscal policies aimed at stimulating economic growth and promoting social development. The resulting impact was fiscal dis-savings and large overall deficits. The current account balance shifted from a surplus of 1.4% of GDP in 1997 to a deficit of 4.6% in 2000 and to a deficit of 2.5% of GDP in 2002. The overall fiscal balance likewise deteriorated from 3.2% of GDP in 1997 to 16.4% of GDP in 2002. The adverse movement in fiscal savings did not restrict capital expenditure as the Government increased its borrowing to finance its public sector investment programme (PSIP). Capital expenditure rose from 5% of GDP in 1997 to 17.5% of GDP in 2002. A significant proportion of this capital expenditure was for rehabilitation and reconstruction of infrastructure arising from hurricane damage and for social development projects.

2.2 The Government acknowledged the unsustainability of its fiscal policy stance and its possible impact on macroeconomic stability and implemented a fiscal adjustment programme in 2003. The adjustment programme included revenue enhancement measures, improved current and capital expenditure management and structural measures to improve efficiency in public sector management. The adjustment programme focused on reducing the fiscal imbalances over the medium term by enhancing revenue collection through strengthening tax administration, increasing the rates of some categories of taxes, and improving expenditure management. The revenue enhancement measures included the customs modernisation programme, which emphasised fraud detection, auditing, and training; audits of private companies by the Inland Revenue Department and other tax measures including increasing the customs service charge.

2.3 The expenditure measures included tighter control over the wage bill and government procurement and careful review of the capital programme to finance essential development projects. The expenditure measures directed at enhancing control over non-interest current expenditure included lowering the wage bill by cancelling the annual bonus to civil servants for six consecutive years (2000 to 2005), restricting the growth of the civil service by instituting a freeze on hiring except for critical positions, renewing the contracts of temporary workers only for essential services, and restricting the

1/ The medium term Structural Adjustment Technical Assistance Programme (SATAP) was implemented with assistance from the Caribbean Technical Assistance Centre (CARTAC) and the ECCB.
payment of overtime and other payroll related charges; and by the pre-authorisation of commitments. The structural reform measures implemented included the strengthening of tax administration through legislation with the enactment of the Tax Administration Act; establishing a reliable database of all government employees; tightening the rules on import duty and tax exemptions, and the setting up of a Privatisation and Commercialisation Unit. Institutional arrangements for monitoring, reviewing and addressing follow-up measures of the adjustment programme were strengthened. These measures included the appointment of a Director of Fiscal Affairs to monitor the fiscal affairs of the country on a daily basis and the appointment of an Economic and Financial Committee, to report quarterly to the Cabinet and advise on the areas that required critical attention. The new regular reporting of budgetary issues to Cabinet provided an enhanced basis for effective decision-making.

**TABLE 2.1: Central Government Finances 1997-2005**

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<td>Current Revenue</td>
<td>29.7</td>
<td>30.5</td>
<td>30.6</td>
<td>28.6</td>
<td>28.7</td>
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<td>Current Expenditure</td>
<td>28.3</td>
<td>30.1</td>
<td>32.7</td>
<td>33.2</td>
<td>33.0</td>
<td>33.7</td>
<td>33.4</td>
<td>34.4</td>
<td>33.8</td>
</tr>
<tr>
<td>Current Account Balance</td>
<td>1.4</td>
<td>0.4</td>
<td>(2.0)</td>
<td>(4.6)</td>
<td>(4.3)</td>
<td>(2.5)</td>
<td>(1.2)</td>
<td>(1.5)</td>
<td>0.9</td>
</tr>
<tr>
<td>Capital Revenue &amp; Grants</td>
<td>0.4</td>
<td>0.2</td>
<td>1.1</td>
<td>1.4</td>
<td>2.8</td>
<td>3.6</td>
<td>0.8</td>
<td>0.8</td>
<td>2.7</td>
</tr>
<tr>
<td>Capital Expenditure</td>
<td>5.0</td>
<td>8.3</td>
<td>11.0</td>
<td>11.1</td>
<td>10.3</td>
<td>17.5</td>
<td>7.7</td>
<td>7.0</td>
<td>6.1</td>
</tr>
<tr>
<td>Overall Balance</td>
<td>(3.2)</td>
<td>(7.7)</td>
<td>(11.9)</td>
<td>(14.3)</td>
<td>(11.8)</td>
<td>(16.4)</td>
<td>(8.0)</td>
<td>(7.7)</td>
<td>(2.5)</td>
</tr>
</tbody>
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Source: Ministry of Finance

2.4 The fiscal adjustment programme achieved significant success in the period 2003-2005 although the situation remained unsustainable. In 2003, the current account deficit declined to $11.8 mn (1.2% of GDP) and $16.1 mn (1.5% of GDP) in 2004. However, a surplus of $10 mn (0.9% of GDP) was realised in 2005 in contrast to a deficit of $40.8 mn (4.6% of GDP) in 2000. The overall deficit declined to $79.9 mn (8.0% of GDP) in 2003 and $85.4 mn (7.7% of GDP) in 2004. Likewise in 2005, the overall balance further improved to $32.5 mn (2.5% of GDP) from $157.2 mn (16.4% of GDP) in 2002. The fiscal improvement during the period 2003-2005 was due to increases in revenue collection; control of non-interest recurrent expenditures and a significant reduction in capital expenditure. Current revenue rose by 15.7% to $422.9 mn in 2005. The ratio of current revenue to GDP averaged 29.9% annually between 1998 and 2002 and increased to an average of 33.3% annually over the period 2003-2005, largely reflecting policy changes and the growth in economic activities. Current expenditure rose by 8.2% to $412.8 mn in 2005. The ratio of current expenditure to GDP averaged 32.5% annually between 1998 and 2002 and increased to an average of 33.9% for the period 2003-2005. The fiscal improvement as a
percentage of GDP was reflected in the movement from 16.4% in 2002 to 8% in 2003, to 7.7% in 2004 and to 2.5% in 2005.

2.5 The fiscal situation in SKN, however, remains challenging. The closure of the St. Kitts Sugar Manufacturing Corporation (SSMC) will adversely affect the Central Government fiscal position as the costs associated with a number of activities formerly undertaken by SSMC are expected to be transferred to the Central Government accounts. In addition, the Central Government is expected to service the debt obligations of SSMC. Consequently, an analysis of the fiscal impact of the closure of SSMC is imperative in order to enhance the Government’s commitment to the Structural Adjustment Technical Assistance Programme (SATAP). Fiscal adjustment would need to be intensified, in a phased and orderly manner, to achieve targets of a current account fiscal surplus of 4% of GDP and overall deficit of no more than 3% of GDP as suggested for the ECCU and to achieve fiscal and debt sustainability and maintain sovereign credit worthiness.

FIGURE 2.1: St. Kitts and Nevis Total Public Debt 1997-2005

2.6 The stock of total public sector debt increased from $721.6 mn (97.2% of GDP) at the end of 1997 to an estimated $2,053.4 mn (173.6% of GDP) at the end of 2005. Total external public debt rose from $330 mn (44.5% of GDP) at the end of 1997 to $805.3 mn (68.1% of GDP) at the end of 2005. Likewise, total domestic public debt grew from $391.6 mn (52.8% of GDP) at the end of 1997 to
$1,248.1 mn (105.5% of GDP) at the end of 2005. The losses of the sugar industry of about $35 mn annually added approximately 4% of GDP to the total public sector debt yearly for the period 2000-2004. The total debt of SSMC was estimated at $380 mn at the end of 2005. The high level of public sector indebtedness resulted in higher debt service payments. Total Central Government debt service rose from 17.7% of current revenue in 1998 to 38.6% in 2005. Despite larger debt servicing obligations, GSKN has serviced its debt in a timely manner. However, the high level of public indebtedness and debt servicing obligations remain major concerns for the administration and the private sector.

2.7 The persistent high fiscal deficits, the accumulated losses of the sugar industry, and large capital expenditures accounted in large measure for the rapid growth in public sector indebtedness. In addition, the impact of a series of hurricanes in the mid 1990s also accounted for the debt problems in SKN. Significant infrastructural damage was incurred by the passage of hurricane Luis in 1995, hurricane Georges in 1998, and hurricane Lenny in 1999 on hotel plant, residential houses, schools, hospitals, roads, ports and agricultural lands. The estimated damage of these hurricanes was as follows: Luis US$197 mn (85.4% of GDP); Georges US$484 mn (140% of GDP); and Lenny US$41.4 mn (13.6% of GDP). There was also significant loss of income as most tourism facilities on both islands sustained damage and had to be closed for varying periods. The rehabilitation and reconstruction of damaged infrastructure, together with significant public sector investment in housing, the upgrading of health and sporting facilities, schools, roads, air and seaports as well as the upgrading of utilities (water and electricity) all contributed to the accumulation of high debt levels. Immediately after the passage of hurricanes, the authorities often have to incur debt locally as the administrative procedures for granting financial assistance from regional and international agencies are generally lengthy. The incurring of domestic commercial debt usually attracts higher interest rates and shorter maturity structures.

2.8 The high level of public indebtedness in SKN endangers macroeconomic stability and is a significant impediment to the efficient allocation of resources. High public sector debt is a drag on the economy since it discourages private sector investment, constrains the flexibility of fiscal policy and tends to keep borrowing costs high. The high debt levels in SKN retard economic growth by directing resources from growth enhancing investments towards debt servicing costs. The high debt to GDP ratio also makes SKN more vulnerable to shocks such as rising interest rates. High interest rates would increase the debt servicing costs and further squeeze Government expenditure on essential services including health, education and other social development programmes and on growth-promoting investments. Also, in the event of a global down turn or the occurrence of natural disasters, the Government will have little flexibility in the use of counter-cyclical fiscal policies. Sustained efforts are
needed to reduce the debt burden by maintaining a high primary balance surplus on the fiscal accounts and by restructuring the debt, both in terms of its maturity structure and foreign currency exposure.

**B. FISCAL OBJECTIVES**

2.9 The achievement of fiscal and debt sustainability in SKN will require prudent fiscal management through the intensification of the fiscal adjustment (SATAP) programme and measures to reduce the debt over the medium term. Strong fiscal measures would have to be implemented to generate adequate domestic revenue to cover current operations and a fiscal surplus to contribute to the financing of the capital programme. Prudent debt management is also an important aspect of the adjustment programme. The fiscal adjustment programme sets fiscal performance targets (revenue, expenditure and fiscal balances) as well as targets to reduce the debt stock over the adjustment period. The success of fiscal adjustment measures will result in a reduction in the public sector borrowing requirement over the medium term. The adjustment programme is being developed within the context of the following fiscal guidelines that have been approved by the Monetary Council of the ECCB:

(i) current account fiscal surplus of 4.0% of GDP
(ii) overall fiscal deficit not to exceed 3.0% of GDP
(iii) debt to GDP not to exceed 60.0%
(iv) debt servicing to current revenue of no more than 15.0%

2.10 The projected fiscal balances over the medium term indicate that strong fiscal discipline will be required to achieve convergence on the targets by 2010. The projected current account balance is targeted to achieve a surplus of 2.4% of GDP, while the overall deficit is projected to achieve the target of 3% of GDP by 2010. In this regard, the fiscal and debt sustainability framework over the medium term will focus on policies of tax reforms, expenditure management, public enterprise reforms, debt management, and institutional strengthening of fiscal institutions.
C. STRATEGIES FOR ACHIEVING FISCAL AND DEBT SUSTAINABILITY

(1) Revenue Measures

(i) Tax Measures

2.11 The tax reform measures in the short to medium term will focus on broadening the tax base, simplifying the tax system and enhancing compliance. Emphasis will also be placed on improving efficiency and effectiveness in tax administration. The revenue measures would include:

(a) Social Services Levy: Increasing the social services levy from 8% to 10% for salaries in excess of $8,000 per month.

(b) Property Taxation: Modernising the property tax administration by introducing a market-based system.

(c) Consumption Tax: Expanding the coverage of services under the existing consumption tax together with a review of rates. The Government is also exploring the possibilities of implementing a broad-based consumption tax or a value-added tax in context of the formation of the Caribbean Single Market and Economy.

(d) Excise Tax: Introduce a 15% excise tax on alcoholic and tobacco products.

(e) Mercantile Tax: For the application of the mercantile tax, establish duty free zones where special conditions would apply to shops in these zones.

(f) Tax Concessions: Develop a policy for granting tax concession by limiting the approval of concessions under the existing Customs Act to 75% of the tax liability.

(g) Modification of the petroleum pricing mechanism to allow domestic prices to adjust in line with changes in petroleum prices on the international market.

(h) Elimination of nuisance taxes that complicate the business environment and which add little to the total revenue collected.

(i) Utilities Tariff Rates: Periodic review of the tariff rates of utilities (water and electricity) to reflect at least the cost of providing these services.

(j) Fees and Charges: An examination of all fees and charges imposed by Government departments to ensure that they fully reflect the cost incurred in providing these services.
(ii) **Tax Administration Reforms**

2.12 The Customs Reform Modernisation Programme will be intensified. The strengthening of the Audit Unit at the Inland Revenue Department will also be continued in the medium term. The objectives of the reform of tax administration include:

(a) restructuring of the tax departments to respond more effectively in a changing economy by reducing transactions costs, optimizing revenue yields, strengthening the planning and research capability, establishing performance standards and enhancing the environment for economic competitiveness;

(b) redesigning procedures and the legal framework to increase compliance and enforcement;

(c) improving and integrating tax administration information systems;

(d) strengthening tax coordination at the local level; and

(e) enhancing human and physical resources to foster efficiency in service delivery.

(2) **Expenditure Measures**

(i) **Containing the wage bill**

2.13 Implementing the proposed civil service reforms will rationalize the civil service employment process, link remuneration to labour productivity, and control and limit the growth of non-permanent staff in the civil service.

(ii) **Reducing the cost of goods and services**

2.14 This will be achieved by implementing commitment accounting, improving procurement procedures and through debt management programmes.

(a) **Commitment Accounting**: A critical component in improving expenditure management is to contain excessive spending. This involves upgrading the Treasury’s computer system to facilitate real time processing of transactions and greater control over Government’s operations (commitment accounting) by ensuring that Departments stay within their allocated expenditure envelopes. In conjunction with the Eastern Caribbean Economic Management Programme (ECEMP), the GSKN has introduced a Government
Wide Area Network. One component of this network, FITRIX, is a financial, payroll, and purchasing system that links all Ministries and Departments to the Treasury. This module will assist the Ministry of Finance to automatically track all financial commitments and ensure that line Ministries and Departments do not go outside their set expenditure envelopes.

(b) Reducing interest payments by debt restructuring programmes and by debt reduction programmes.

(c) Procurement Policy: The Government is committed to improving procurement procedures to effect cost savings. In this regard, the Central Purchasing Unit (CPU) was established and it is envisaged that this Unit will engage in bulk purchasing of all goods and services required for the Government. New procurement guidelines are currently being established as part of the new Finance Administration Act.

(d) Rationalization of Public Sector Investment Programme: Ongoing efforts in the management and coordination of the PSIP aimed at making improvements to the capital budget will be sustained and strengthened so as to allow for better project selection, implementation and supervision. The capital programme will be rationalized with projects being prioritized in terms of their development impact and resource availability.

(iii) Use of Privatisation Programme Proceeds

2.15 The proceeds from the privatization programme will be used primarily to reduce the outstanding stock of public debt.

(iv) Cost Recovery

2.16 A cost recovery programme will be reviewed and modified to reflect cost of services to the public.

(3) Structural Reform Measures

(i) Reinstate the Government Procurement Board and establish transparent procedures, rules and enforcement guidelines to ensure proper functioning of the Board, and efficiency and effectiveness in the procurement of goods and services.

(ii) Establish a transparent policy for the leasing and sale of Government lands for investment purposes.

(iii) Set up a reliable data base on government employment and accelerate public sector reform and modernisation.
(iv) Enact legislation that makes it obligatory for all extra-budgetary expenditures to be subjected to supplementary budget approval by Parliament.


D. DEBT MANAGEMENT STRATEGY

2.17 A well-defined debt management strategy is essential to the achievement of improved fiscal performance and the attainment of debt sustainability in the medium to long term. The debt management strategy is an integral part of the macroeconomic framework, which requires that Government ensures that the rate of growth in public debt is reduced and that Government can service its debt in a sustainable manner.

2.18 The main objective of the debt management strategy of SKN is to meet the financing requirements and payment obligations of the Government at the lowest possible cost while ensuring that the degree of risk is manageable. Due to the high debt situation in SKN, another core objective is to lower the debt burden over the medium to long term through the reduction of the debt to GDP ratio and moving towards convergence with the ECCB Monetary Council target of 60%.

2.19 Consistent with these core objectives a debt strategy is being developed based on the current macroeconomic conditions and economic objectives. The strategy is in its formative stage and it is anticipated that the Government would require assistance to analyze its debt portfolio and finalize the debt management strategy. The debt strategy will focus on:

(i) Placing the debt to GDP ratio on a downward trajectory

2.20 The approach to the reduction of the debt to GDP ratio will be two pronged. The Government will create an enabling environment to promote sustained economic growth and at the same time seek to restrain the growth in the debt portfolio; by containing borrowing, accessing concessionary funding and donor support wherever possible. The Government will therefore seek to effectively manage its Public Sector Investment Programme by ensuring that projects are properly prioritized and donor support is maximised.

2.21 Prudent fiscal management is the key to the reduction of the debt stock. The maintenance of surpluses will be a critical underpinning of the strategy. Achieving a current account surplus equivalent
to 4% of GDP and reducing the overall fiscal deficit to 3% of GDP over the next five years will be the major challenges of the strategy.

2.22 Measures that are being considered for the debt reduction programme will include the sale of assets and the sale of lands in particular to repay the SSMC debt.

(ii) Maintaining a prudent debt structure

2.23 In the context of the high level of public indebtedness, the debt strategy will focus on the composition and maturity structure of the debt. In addition to seeking the most concessionary/least costly funding available, the Government will seek to finance its capital programme using a variety of debt instruments and longer maturity ranges in order to minimize costs. These measures would aim to limit the risks of currency and interest rate movement on the portfolio.

2.24 The maturity structure of the portfolio would be lengthened particularly by issuing domestic bonds to replace Government Treasury Bills and current account balances. These longer-term issues will give the debt portfolio a more balanced maturity structure and therefore reduce the risks associated with shorter maturities or with rolling over debt under rising interest rate conditions.

2.25 Having a high concentration of the debt portfolio in fixed rate debt would also be foremost in the strategy. Interest payments currently absorb a significant portion of budgetary resources. A high level of variable rate instruments would render the portfolio very sensitive to interest rate movements. Hence ensuring the predictability of interest payments is desirable.

(iii) Diversifying the Debt Portfolio

2.26 The Government recognizes the importance of maintaining a diversified debt structure in order to contain debt-servicing costs. In the domestic market the structure of the instruments will be structured to meet the needs of both individual and institutional investors. A range of maturities and instruments will therefore be developed. Ninety-one day Treasury Bills will continue to be offered and a one year Treasury Bill will be introduced. In addition, Bonds of maturities ranging from five to thirty years will also be offered.
2.27 Increased use will be made of the market-based mechanism offered by the Regional Government Securities Market (RGSM). An objective of the strategy in the medium term would be to extend the range of instruments offered through competitive auction on the RGSM. Emphasis will be placed on transparency, liquidity and regularity in the design and implementation of domestic debt programs in order to maintain a well-functioning regional and domestic market. The Government will also work with market participants and regulators to enhance the integrity and attractiveness to investors of the market for its securities.

E. INSTITUTIONAL STRENGTHENING

2.28 The fiscal stabilization programme currently pursued by the Ministry of Finance, Sustainable Development, and Information and Technology, places considerable emphasis on increasing revenue collection, expenditure management and control and also on monitoring and improving the associated processes. Some institutional strengthening programmes have already been implemented, some are currently underway and others are planned. There is an acknowledgement that strengthening fiscal institutions result in increases in revenue collection, and an improvement in the delivery of services.

(i) Customs Reform

2.29 The reorganization of the Customs Department has allowed it to function more efficiently and as a result there has been a notable improvement in revenue collection. The Government continues to invest heavily in the Customs Reform Project, specifically the implementation of Total Revenue Integrated Processing Systems (TRIPS) that is being undertaken with assistance from the Crown Agents. Under the reform project, management procedures and systems will be upgraded. Officers have received management training and are therefore equipped with the management tools for enhanced revenue collection. There is an urgent need for upgrading the office building, which houses the Customs Department.

(ii) Inland Revenue

2.30 The strengthening of ongoing efforts by the Inland Revenue Department, assisted by International Forensic Auditors, is to be continued with a focus on improving efficiency in revenue collection through audits of private companies. Issues of organizational development, training, audit, anti-commercial fraud activities and further computerization of the operations will also be addressed. In SKN there is a
commitment to implementing a number of the recommendations of the Tax Commission that was appointed by the Eastern Caribbean Central Bank. In particular, the Government is exploring the feasibility of establishing a Revenue Authority that will inter alia ensure compliance with revenue collection policies. The Corporate Income Tax legislation will be amended to allow self-assessment and for payments to be aligned with that of Government. Additional measures will also be enforced to strengthen the collection of arrears.

2.31 The Government recognizes that the current system for valuation and collection of property taxes can be improved and upgraded. The real estate sector of the economy is booming yet the taxes from high valued homes are not being realized. In this regard, the Government has decided to (i) restructure the Property Division of the Inland Revenue Department in order to enhance its efficiency and effectiveness (ii) undertake a fiscal cadastral survey to facilitate the work of the Property Tax Division and to strengthen the land registry.

(iii) Budget and Expenditure Management

2.32 The process of budget consultation is an example of how a governance approach has been embedded in the decision making process. As part of this process, the Government has incrementally extended the annual budget dialogue with economic and social partners (NSAs) to become a national consultation on the economy. This facilitates the development of a multi-year budget programme that would clearly indicate the adjustment path towards achieving the fiscal objectives, a description of the budgetary and other economic measures being undertaken, and the main assumptions about expected economic and financial outcomes.

2.33 The Treasury Department is in the process of being modernized and computerized to enable it to exercise greater control over the processing of expenditure. In addition, the new system enables the Budget Division to monitor expenditure more closely, and it provides real-time information to accounting officers and financial managers in the various ministries and departments to facilitate more effective financial decision-making. Moreover, an Internal Audit Department has been established in the Ministry of Finance to permit greater control over financial transactions, systems and procedure. It is anticipated that this Unit will be strengthened over the medium term.
(iv) Debt Management

2.34 The Debt Unit currently focuses on the recording of debt-related transactions and informing the Accountant General of debt service payments. The Government proposes to strengthen the Debt Unit by appointing a Debt Manager and other skilled personnel. It is expected that there will be greater monitoring of the levels and composition of domestic and external debt on an on-going basis with a view to reporting potential risks and also to carry out analysis in respect of debt. The Government is considering the establishment of a Debt Advisory Committee to advise on debt policies such as the incurring of new debt and the re-organization of the country’s debt portfolio.

2.35 The fully computerized database for debt monitoring and recording, developed by the Commonwealth Secretariat, will be made more accessible to the Advisory Committee, the Budget Unit, the Fiscal Unit and the Department of Economic Affairs and PSIP so that the debt implication of all financial and economic policies and decisions could be evaluated on an ongoing basis and thus guide fiscal policies and decisions.
CHAPTER 3. STRATEGIC SECTORAL FOCUS

A. TOURISM

OVERVIEW

3.1 The tourism sector has been a major driver of economic growth in SKN for the last two decades. The importance of tourism is reflected in its significant contribution to GDP through visitor expenditure, foreign exchange earnings, and employment generation. The Government sees its role as providing an enabling environment - legislative, policy and planning, that would be conducive to the development of a competitive tourism industry in SKN. The uniqueness of the islands as a destination and their natural beauty, culture, reef and forest ecosystem and the warm hospitality of the people make SKN attractive as a tourist destination.

3.2 The performance of the tourism sector over the last several years has been adversely affected by a number of factors, namely, the impact of natural disasters (hurricanes), fluctuations in global economic performance, the September 11 events and the war in Iraq. There was a steady decline in the number of stay-over visitors during the period 1999-2002. The greatest impact was observed in 2002 when stay-over arrivals declined to a period low of 72,852. (See Table 3.1 below) However, the sector rebounded in 2003 and continued to improve thereafter as a direct result of improved global economic performance, greater promotional and marketing efforts, increased airlift to the Federation and higher room capacity on St. Kitts. The tourism sector contribution to GDP declined from 9.3% in 1998 to a record low of 5.4% in 2002 (Table 3.1). Thereafter, the sector’s contribution to GDP increased to 6.9% in 2003 and 8.5% in 2004. Similarly, estimated visitor expenditures contracted from USD75.9 mn in 1998 to US$56.3 mn in 2002 before increasing to US$96.7 mn in 2004.

3.3 The US market continues to be the main market source for tourists while the Caribbean follows as the second most important source of stay-over visitors. The United Kingdom and Canada are also important sources of stay-over visitors. The seasonal pattern in tourism is well defined in SKN with the winter season (December to April) accounting for the majority of stay over visitors. The composition of tourists during the winter and summer seasons is very different. The international, longer-term tourists predominate in the winter season while the regional Caribbean tourists dominate in the summer.
### TABLE 3.1: Selected Tourism Statistics 1998-2004

<table>
<thead>
<tr>
<th>Item</th>
<th>1998</th>
<th>1999</th>
<th>2000</th>
<th>2001</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stay-over arrivals</td>
<td>95,973</td>
<td>87,008</td>
<td>76,350</td>
<td>74,227</td>
<td>72,852</td>
<td>94,617</td>
<td>124,158</td>
</tr>
<tr>
<td>Cruise passenger arrivals</td>
<td>151,475</td>
<td>139,338</td>
<td>170,887</td>
<td>259,134</td>
<td>171,814</td>
<td>156,284</td>
<td>260,566</td>
</tr>
<tr>
<td>Number of calls</td>
<td>322</td>
<td>284</td>
<td>343</td>
<td>358</td>
<td>263</td>
<td>270</td>
<td>373</td>
</tr>
<tr>
<td>Estimated visitor expenditure</td>
<td>75.9</td>
<td>67.8</td>
<td>58.5</td>
<td>61.9</td>
<td>56.3</td>
<td>75.6</td>
<td>96.7</td>
</tr>
<tr>
<td>Tourist accommodation (rooms)</td>
<td>1,543</td>
<td>1,508</td>
<td>1,602</td>
<td>1,489</td>
<td>1,862</td>
<td>1,859</td>
<td>1,895</td>
</tr>
<tr>
<td>Contribution of hotels and</td>
<td>9.3</td>
<td>7.9</td>
<td>5.6</td>
<td>5.7</td>
<td>5.4</td>
<td>6.9</td>
<td>8.5</td>
</tr>
<tr>
<td>restaurants to current GDP (%)</td>
<td>1,508</td>
<td>1,508</td>
<td>1,602</td>
<td>1,489</td>
<td>1,862</td>
<td>1,859</td>
<td>1,895</td>
</tr>
</tbody>
</table>

Source: Department of Statistics, Ministry of Sustainable Development.

3.4 Over the review period, SKN experienced notable fluctuations in cruise passenger arrivals. After registering a decline in 2003 cruise passenger arrivals rebounded in 2004. The good cruise performance is a result of a number of factors including increased marketing and promotion efforts by the local cruise industry stakeholders, completion of the reconstruction works on the berthing facilities at Port Zante, introduction of new tour packages such as the St. Kitts Scenic Railway and the sustained efforts of the tourism authorities in enhancing the tourism product.

### ISSUES AND CONSTRAINTS

3.5 In the context of the closure of the sugar industry and the resulting need for accelerating economic diversification, the Government has identified tourism as a major strategic sector for enhancing economic growth and development. The challenges confronting St. Kitts and Nevis include using its limited resources to create a unique product that would give SKN a competitive edge in the regional market. SKN must address a number of issues and constraints that continue to impact on the future development prospects of the tourism sector and undermine its contribution to economic development. In this regard, the primary concerns of Government and private sector partners alike include:

- (a) inadequate access to scheduled air carriers offering direct airlift from the major tourist markets;
- (b) maintaining the quality of the environment;
- (c) vulnerability of the sector to natural hazards and the lack of diversity in the generating markets;
(d) weak linkages between the tourism sector and the rest of the economy;
(e) inadequate infrastructure to support the expansion of the industry;
(f) insufficient hotel rooms;
(g) maintaining competitiveness with emphasis on product quality and price.
(h) human resource constraints;
(i) seasonal nature of the industry.

STRATEGIC OBJECTIVES AND INITIATIVES

3.6 The underlying objective of the tourism strategy in SKN is the achievement of sustained growth in visitor arrivals to obtain optimal long-term benefits for the population, without adversely affecting the country’s cultural heritage and natural resources. The GSKN strategic response to the key challenge of maintaining a competitive edge is to establish SKN as an up market destination with a high quality product. SKN is also well placed to take advantage of emerging niches in the industry namely, culture/heritage tourism, nature-based tourism, romance, dive, sports, and meetings and conferences. A key element of the tourism strategy is diversifying the product away from simply emphasising hotels/resorts towards the creation of a total package that will define the visitor experience of St. Kitts and Nevis. These approaches have the potential to assist with the establishment of a diversified tourism product which can in turn increase the base of stay-over visitors, enhance the competitiveness of the sector, increase occupancy rates throughout the year, and promote backward and forward linkages with the rest of the economy. Another important feature of the St. Kitts and Nevis strategy is the adoption of a market driven approach to tourism development.

3.7 GSKN received assistance from the OAS in 2002 in the preparation of a Strategic Plan for Tourism Development. However, recent international and national events (primarily the closure of the sugar industry) have created far reaching impacts and implications for the tourism and hospitality industry in the Federation. Consequently, GSKN intends to update the existing Plan in order to develop a comprehensive strategic master plan which will give due consideration to these emerging issues. In the interim, GSKN has identified a number of key areas for immediate attention. The following strategic elements are proposed:

(i) Developing and Upgrading the Tourism Product

3.8 A major element of the tourism strategy is diversifying the tourism product, away from simply
emphasizing resorts to developing and promoting other types of attractions. The natural and cultural assets of the islands offer great prospects in this regard. St. Kitts and Nevis is endowed with great natural beauty, rich culture and heritage that can be packaged to offer even the most discerning guests a unique visitor experience. Therefore, the primary focus over the short to medium term would be to develop and promote the natural assets of the islands to attract more upscale travellers to the visitor mix.

3.9 Protecting the natural environment is an important component of a competitive positioning of the tourism sector in SKN. The Government has assigned a high priority to environmental issues, requiring an environmental assessment of major projects and has encouraged the implementation of environmentally friendly practices. Issues relating to solid waste disposal, sewerage, litter and protection of sensitive environmental areas are being incorporated into tourism development programmes to maintain the natural heritage as an important aspect of the product offering.

3.10 SKN will pursue the following actions to support the development of the tourism product:
(a) Accelerate the implementation of planned projects such as the Old Road Development Project, Basseterre Urban Revitalisation Project and the Black Rocks Project;
(b) Upgrade heritage sites;
(c) Develop museums at selected sites such as the sugar factory on St. Kitts and New River Plantation on Nevis;
(d) Establish National and Marine Parks in suitable locations;
(e) Develop marina and yachting facilities;
(f) Improve the entertainment content of the tourism product.
(g) Maximize the country’s status as a host nation for the 2007 ICC Cricket World Cup enabling St. Kitts and Nevis to be a significant player in the world of sports and events tourism in general;
(h) Collaborate with the Ministry of Sustainable Development, the Hotel and Tourism Association, the Heritage Society and others to promote the principles of sustainable tourism in development project planning;
(i) Improve the legislative framework to support tourism development; and
(j) Implement internationally accepted standards.

(ii) Accelerating the Promotion of Community Tourism

3.11 Development of the tourism industry is seen as a very promising vehicle for achieving the
Government’s objective of improving the living standards of ordinary citizens particularly, those who reside in the rural communities most affected by the closure of the sugar industry. GSKN is cognizant of the need to develop the hospitality sector to expand the potential for income generation within the poorest communities. The product development thrust will not only help to increase awareness within communities of the opportunities that the tourism sector provides but equally important it can actually facilitate their economic empowerment through the creation of opportunities for the development of micro and small to medium sized local enterprises.

3.12 The Government will therefore pursue the following activities to maximise local participation in the industry:

(a) Improve access to credit for potential small entrepreneurs at the community level. The Government intends to establish long term, low interest credit facilities within locally based financial institutions (such as the DBSKN) to be accessed by those demonstrating the potential to set up micro and small to medium sized tourism related businesses.

(b) Foster strong linkages between the tourism sector and other key sectors including agriculture and craft production to generate employment and income particularly within rural communities and among ex-sugar workers.

(c) Review and possibly reorient the existing incentives regime to also benefit community based business enterprises operating within the tourism sector.

(iii) Human Resource Development

3.13 One constraint to the future growth of the tourism sector in SKN is inadequate human resource development, particularly at the supervisory and managerial levels. To address these human resource development concerns in the interim, the Government has built a small hospitality centre at the Clarence Fitzroy Bryant College, which is intended to be a premier training institution in the Federation. Human resource development is a critical component in the efforts to position the St. Kitts and Nevis tourism product at the higher end of the tourism market. In the recent past, training of workers in the hospitality industry has been provided through a number of initiatives namely: special scholarship programmes offered primarily in the US; the Small Tourism Enterprises Program (STEP); and the Hospitality Wing of the Clarence Fitzroy Byrant (CFB) College in St. Kitts. The growing demand for workers in the tourism and hospitality sector necessitates an expansion of all training programmes. Furthermore, there is need for continuous dialogue with service providers to ensure the applicability and quality of the training
programmes and to promote broader community support both for the industry itself and for tourism – related careers.

**BOX 2: Urban Revitalisation and Cultural Heritage**

In order to support its cultural and heritage tourism thrust SKN will be undertaking restoration of historic towns and other areas. The following is an example of one of these projects.

The island of St. Kitts has a historic capital, Basseterre that is overdue for urban renewal to ensure that current and future development retains the best of its historic past. Planning and infrastructure guidelines and standards and an updated Building Code with minimum standards for residential, commercial and industrial development have been established for use by professionals and the public. The recently enacted Development Control and Planning Act (2000) allows for the input of critical government agencies in land planning and management through membership of the Development Control and Planning Board.

A collaborative stakeholder visioning process has been adopted as the most suitable approach to the Basseterre revitalisation initiative. The visioning process involves the following interventions to ensure the success of the urban revitalisation programme for downtown Basseterre:

- The demarcation and designation of the Basseterre historic district to protect important architectural and historic buildings and sites and to create other visitor attractions that will generate revenue and create job opportunities. This will be done by defining the boundary of the Basseterre Historic District; designate downtown Basseterre as a historic zone; enact a new “National Historic Preservation Act”; prepare “Historic Preservation Guidelines and Standards” to regulate maintenance; restoration and rehabilitation of historic buildings and sites and integrate with streetscape improvements; prepare a register of historic buildings and sites; prepare and display interpretation signs/materials in the historic district; restore buildings of architectural interest; concentrate retailing and banking in the heart of the CBD; encourage development of apartments above business establishments; restrict on-street parking in the historic district; create a pedestrian priority route along Fort Street linking the waterfront and Port Zante complex; and restrict change of use and building heights in the historic district.
- The zoning of Basseterre will have the effect of improving streetscapes and providing functional open spaces for passive recreation, widening and modifying side walks to provide easy access to wheelchair users and others who are physically challenged, provide street furniture and amenities including seats, lights and garbage bins, plant appropriate vegetation to upgrade streetscapes, prepare and erect street signs and re-engineer drains along street.
3.14 Human resource initiatives in the tourism and hospitality sector will be focused on the following areas:

(a) Developing and implementing tourism training and awareness programmes;
(b) Expanding training for front-line and other service providers to ensure that they have the tools to enhance the visitor experience and provide a globally competitive service product;
(c) Establish scholarship programmes for nationals to pursue tertiary level training in tourism related fields;
(d) Design and implement special retraining programmes for ex-sugar workers.
(e) Increase investment in education and training.
(f) Formalise arrangements for pairing academic training with internships.
(g) Formalise the links between educational institutions and private sector entities to better target industry needs.
(h) Develop and implement a national tourism human resource development plan.

(iv) Infrastructure Development

3.15 GSKN sees its role as a facilitator for tourism development and therefore accepts responsibility for creating and sustaining an environment conducive to the development of the industry in SKN. In this context the Government will continue to create an enabling environment to attract investment to expand and upgrade the tourism plant by providing fiscal incentives and by directly investing in the provision of infrastructure (water, electricity, roads, port facilities and education) to support tourism development. GSKN has already undertaken a number of investments to promote tourism development. These infrastructure projects include the installation of a permanent control tower in St. Kitts, a new airport terminal in Nevis, reconstruction of the cruise ship pier at Basseterre, major road repairs on both islands, upgrading of hospitals on both islands, the ongoing construction of a second golf course and improvement in the water and electricity services.

3.16 GSKN is committed to the implementation of an infrastructure programme to meet the critical needs of the growing tourism industry. The current focus is on the expansion of the R.L.B. International Airport, the construction of a second cruise pier at Basseterre, construction of the West Basseterre Bypass Road, and the implementation of a major Road Improvement Project on Nevis. GSKN will continue to nurture the partnership with the private sector to facilitate the upgrading and expansion of the tourism
infrastructure to ensure that quality products are provided across the full range of accommodation options and other tourism related facilities. A wider variety of accommodation and attractions will be introduced to appeal to the more sophisticated traveller. These include luxury villas and condominiums, world class golf courses, marinas, spas and wellness centres, gourmet restaurants and high-end shopping facilities.

(v) Improving Access to the Destination

3.17 Airlift is recognised as one of the major challenges, in terms of its critical importance to the sustainable development of the tourism industry. In direct response to the problem of inadequate access to scheduled air carriers offering direct airlift from the major tourist markets, GSKN initiated a seat guarantee airlift programme with specific carriers that do not share in the risk associated with the service. These arrangements can only retain strategic value if viewed as a temporary measure therefore GSKN is actively seeking opportunities to develop risk-sharing arrangements as an intermediate step towards fulfilling the requirements for attracting scheduled air services from the major tourist markets.

3.18 A fundamental element of the current approach to the airlift issue in SKN is the establishment of a marketing fund. The experience gained has revealed that investment promotion and marketing are important tools in the development of an efficient and sustainable airlift service. The establishment of the St. Kitts Tourism Authority and the Nevis Tourism Authority with responsibility for marketing and promotion and the establishment of the tourism enhancement fund on St. Kitts contributed significantly to market promotion and product development. However, the establishment of a special marketing fund will give the tourism authorities additional flexibility to negotiate and manage current and future air service agreements. The risk sharing initiative also envisages SKN partnering with other neighbouring islands that are currently experiencing similar constraints.

3.19 The key elements of the Government’s strategic initiative for improving access to the destination are:

(a) Strengthen capacity within Government and private sector agencies to negotiate air services agreements.
(b) Explore alternative options for improving risk sharing in airlift arrangements.
(c) Establish a marketing fund to support the airlift programme.
(d) Encourage greater public/private partnership in marketing and promoting the destination in new and established markets.
(c) Stimulate demand for the SKN tourism product.

(vi) Improving Research Capabilities

3.20 A comprehensive analysis of the contribution of the tourism sector to the national economy is seriously hampered by the lack of relevant data. This deficiency requires urgent attention to improve the decision making process in the tourism sector. Over the medium term efforts will be made to improve the ability of relevant Government and private sector agencies to track the source of tourism arrivals and the details of tourism expenditure to better assess the performance and impact of the sector on a range of economic variables including government revenue, foreign exchange earnings, and the impact on the wider economy. The strategic actions will include the following:

(a) Utilise technology to improve collection, manipulation, management and dissemination of tourism statistics.
(b) Introduce satellite accounting to assist in the capture of industry activities not currently covered under the national accounts statistics.

(vii) Fostering Regional Cooperation

3.21 In respect of tourism development, GSKN is convinced that there are benefits to be derived from regional cooperation. Over the medium term SKN will seek to identify areas where joint approaches to the development of the industry are mutually advantageous. The overarching objective would be to find avenues through which this can be effected. As an important first step in this proposed initiative SKN has joined with other countries in the OECS to establish formal dialogue with the neighbouring French and Dutch Antilles to make such cooperation a reality. GSKN will also continue to explore opportunities for maximising the benefits of its membership in other regional organisations such as the CTO, CARICOM and the ACS.

CAPACITY ENHANCEMENT AND INSTITUTIONAL STRENGTHENING

3.22 The role of the Ministry of Tourism is to provide policy direction and guidance to the Tourism Authority and tourism sector stakeholders. However, in order to effectively carry out its policy formulation and strategic planning role the human resource capabilities of the Ministry must be strengthened. The Ministry of Tourism needs to build capacity in policy formulation, strategic planning,
research and project management. The upgrading of the human resources employed in the sector will enhance GSKN capacity to carefully plan, control and monitor tourism development in the Federation. The Government will also encourage institutional strengthening and capacity building within the private sector institutions serving the industry.
B. AGRICULTURE

OVERVIEW

3.23 The primary objective of the Government’s strategy for the development of agriculture, following the closure of the sugar industry, is to significantly increase agricultural production in a sustainable manner through the transformation of the sector to satisfy local demand and for exports. The focus will be on the development of commercial farms in both crop and livestock production. Production will be market-led and special emphasis will be placed on the commercialisation of farmers in an attempt to transform the sector into one that is competitive. Attention will be placed on the development of commercial farms so as to meet the market opportunities for crop and livestock products. Development and strengthening of farmer groups will be an area of focus for the achievement of the strategic plan while the working relationship with stakeholder groups will be further enhanced. The Marketing Unit will be further developed to respond to market opportunities and the needs of purchasers and producers. An Agricultural Strategic Plan for the period 2005-2009 has been prepared by the Government to guide the development of the sector.

3.24 The main underpinnings of the SKN agricultural thrust are (i) food security, (ii) raising rural incomes, (iii) providing secure employment options, and (iv) foreign exchange savings. Agricultural diversification however has to be considered as part of a holistic development policy to improve the quality of life of all citizens and with special attention to those who have lost their livelihoods and sense of well being due to the closure of the sugar industry. The agricultural sector has the potential to assist with job creation and income generation particularly for those ex-sugar workers who have indicated their desire and intention to continue to work in agriculture. The employment opportunities are intended to encourage agro business enterprises through agro-tourism initiatives, agro-processing and export market development.

3.25 The contribution of the agricultural sector in SKN to GDP has declined from 5.24% to 4.85% between 1999 and 2003 mainly as a consequence of the decline in the contribution of the sugar sector, which fell from 2.09% to 1.65% over the same period. There were negligible increases in the production of food crops and livestock, which went from 0.97% to 1.15% and 0.54% to 0.59% respectively and output in the fisheries sub-sector declined from 1.56% to 1.38%. As a result, the country continued to import over 75% of its annual food consumption with importation during 2003 estimated at $72.3 mn.
3.26 It is intended that the ending of sugar production and the shift from sugar cane cultivation should result in an increase in alternative forms of agricultural production including crops, livestock and fisheries. Development of the sector will focus on these three main areas.

**Crop Production**

3.27 The general objective of the crops programme is to facilitate commercial production of crops to ensure food security, foreign exchange savings and sustainable development. As part of the operational strategy, the programme has been divided into two sub-programmes with one for food crops and the other for fruit and tree crops.

**Vegetable cultivation**

3.28 Vegetables, root and tubers are grown on holdings that are up to 8 hectares in size. Crop farming is dominated by small farmers with average holdings of less than 1.0 hectare and a few larger farms of holdings that are greater than 5.0 hectares. The crops cultivated include pumpkin, carrot, watermelon, cucumber, tomato, sweet pepper, string beans, onion, white potato, sweet potato, peanut, dasheen and yam. Vegetables tend to be grown in the higher elevation while peanuts are grown at the lower altitude. Significant amount of sweet potato and peanut were previously grown on fallow land alongside sugarcane by workers of the SSMC. The domestic annual demand for these crops ranges from 550,000 kg for white potato to 45,000 kg for sweet pepper. Local production of the major vegetables has fluctuated over the 5 year period 1999 to 2003 with annual average production ranging from 142,000 kg for white potato to 15,000 kg for pineapple. However, a large amount of food is imported into the country on a regular basis. The value of vegetables and fruits imported on an annual basis is over $14 mn.

**Fruit and tree crops**

3.29 The landscape of St. Kitts is characterized by a range of fruit trees found in the foothills of mountains, along ghauts and the sides of mountain paths. Traditionally fruits have been consumed seasonally by Kittitians but now there is a strong demand on a continuous basis as persons become more health conscious. There is also a very strong demand in the hospitality sector and opportunities exist for the export market.
3.30 In terms of established orchards, there is one main mango orchard in the Wingfield Mountain. Along with this 13 hectare orchard there also exists two smaller mango orchards in Molineux and Parsons that are managed by individual farmers. Farmers are now planting more of the minor exotics including carambola, hybrid guava, Indian Jujube and wax apple with a small emphasis on the traditional fruits. There has been renewed emphasis on the production of pineapples and a farmers’ association was recently formed with the aim being to ensure production on a year round basis.

Livestock Production

3.31 The general objective of the livestock programme is to increase production and market locally produced meat products thereby increasing the contribution of the sub-sector to national development. In order to achieve this objective, the programme has been divided into three sub-programmes covering large ruminants (beef), small ruminants (mutton) and pork production, respectively.

3.32 Production in the livestock sub-sector during the period 1999 to 2003 has shown significant increases in the production of beef, goat and pork while a marginal decline has been recorded for mutton. The annual production of beef increased by 135% from 35,400 kg in 1999 to 83,200 kg in 2003, while the production of pork increased by 78% from 37,500 to 66,600 kg during the same period. Production of mutton declined marginally from 12,700 to 11,900 kg. During the same period, livestock products continued to be imported in very high volumes and the total value of imported meat and meat preparations in 2003 was $15.5 mn. During 2003 an estimated 48% of the beef consumed was imported which compares with 63% for mutton and 83% for pork respectively. There still exists a large gap between imported meats and locally produced meats with the exception of beef. During 2004 local beef production met the domestic demand for boneless beef, ground beef and beef burgers. However, the challenge still exists to substitute large quantities of imported meats and to sustain the improved level of beef production.

3.33 It is important to note that broiler production was minimal during the period while the demand for eggs was mainly met by local production. Dog attacks primarily on small ruminants have severely restricted the development of sheep and goats. Further development of the livestock sub-sector has been constrained by the longstanding tradition of raising livestock as a part-time activity that is mainly used to supplement income. Introduction of commercial livestock production has consequently been very limited and this has resulted in the poor development and management of allocated lands. Limited access to suitable lands has also restricted the development of the sub-sector.
Beef production

3.34 During 2003, the estimated cattle population in St. Kitts was 3,921 heads raised on an estimated 1,587 ha of land (2000 Preliminary Results of the Agricultural Census). Cattle production is dominated by part-time farmers who generally raise a few animals on unimproved pastures. There are a few medium sized farms (50 to 100 head) and one relatively large farm that is operating in an open range system on the South-east Peninsula. The total number of cattle slaughtered annually has increased from 210 in 1999 to 723 in 2004 and beef production increased from 35,400 to 121,700 kg during the same period. The current level of production cannot be maintained under the present farming system and there is a need to develop commercial farms.

Mutton production (sheep and goat meat)

3.35 An opportunity exists to increase mutton production to 60% of the amount imported in 2003 (105,000kg) which is 63,000 kg. Small ruminant farming is mainly undertaken by part-time farmers who raise less than 100 head of animals. A significant characteristic of these farmers/livestock owners is their reluctance to sell except on special occasions. There is only one large small ruminant farm and it is operated as an open range system on the South-east Peninsular. Significant increases in production would require the development of commercial farms that are financially viable and are demand driven.

Pork production

3.36 Pork production has increased annually in St. Kitts from 27,000 kg in 2000 to 66,600 kg in 2003. It is important to note that the increased pork produced is mainly sold in the fresh market and that there is minimal penetration of supermarkets. Interestingly the data shows that although local production of pork has been on the increase imports have also been increasing. There has been an increasing demand for pork products and this has generated a strong interest in pig production. In 2003, the total amount of pork consumed was estimated at 453,600 kg of which 375,800 kg or 83% was imported.

Abattoir

3.37 The Basseterre Abattoir is unable to efficiently cope with the demand to slaughter and process increasing number of animals and this has signalled the need for improvement and expansion in all aspects of the abattoir. The three main areas that require immediate attention are cold storage, meat transport and the lairage. In response to the challenges demanded by the market, human resource
development will also be a priority for overall development. Special attention will also have to be paid to enhancing the capacity of the staff. Training for abattoir staff will therefore be required to achieve and maintain the highest level of recommended practices. The projected increase in livestock production will not be achieved unless improvement and expansion of the abattoir is implemented.

**Fisheries Development**

3.38 With respect to the fisheries sub-sector, the total landings of fish in 2004 was 913,790 lbs valued at US $2.2 mn. This represented a substantial increase of 38% of volume and 20% of value from the total fish landings in 2003. This was the result of increases in the catch of pelagics such as dolphin (mahi mahi), snapper, tuna, mackerel and conch. Further increases are projected for 2006 as the trend is for local fishers to bring in higher-priced catches.

3.39 The focus of GSKN’s plan for the fisheries sub-sector is to continue to construct fisheries complexes in the main fishing villages on both islands. These facilities, when combined with technical and other support measures being extended by GSKN and donor partners will provide the necessary enabling environment to improve the income-earning potential and livelihood of fishers and their families. Fishers will be encouraged to strengthen and manage their cooperatives as a business, improve safety practices at sea, and to follow health and food safety procedures and standards.

3.40 Fisheries development has remained mainly artisanal in nature with most of the fishing being done from small wooden open boats with outboard motors. Fishers generally spend a few hours at sea at any one time and work for a few days per week. Many of the fishers are part-time and during the past 15 years there has been a decline in the number of boats involved in fishing. However, within recent years an increase in the fish landed has been recorded.

3.41 Most of the traditional methods continue today. However, within the past 10 years, a few of the fishers have started using more modern methods such as scuba diving for conch and lobster, and trolling for pelagics. Trolling for pelagics is encouraged since this fishery is under-utilised. The use of scuba allows a fisher to take as many animals as he wishes from its habitat and this poses a threat to sustainability. GSKN has given support to the fisheries sector through the development of major fish landing sites on St. Kitts with improved facilities for handling, storage and marketing of fish.
BOX 3: Aquaculture in St. Kitts and Nevis

Coordinator of the St. Kitts & Nevis Aquaculture Pilot Project & Environmental Research (SNAPPER), Barrington E Brown Ph.D has succeeded in growing Tilapia in 100% seawater inland in St. Kitts. The pilot project which is located at Conaree in St. Kitts comprises the following main components:

- Five ponds measuring 100’x25’x4’, lined with the thickest non-leaching polyurethane available on the local market;
- 150ft of 2” schedule 40 PVC pipe threaded into a 4” cast iron sleeve to bring in water from the Atlantic. A foot valve and strainer are attached to one end of the pipe and a draft pump on the other end. There is also piping for saltwater, freshwater and groundwater and a 4” manifold for aeration.
- Rotron Regenerative Blower which powers 8 air stone pods with a H configuration of air stones in each pond. Home-made airlift pumps made out of PVC pipes, and small washing machine pumps turned upside down in a bucket provide a 5’ spray of water which helps to aerate and cool the ponds at minimal cost on windless days.
- A 10’ sand dune covered by a dense growth of 30’ of sea grape which has been fortified by huge rocks in order to ensure the integrity of the dune constitutes the environmental component.

To date, the pilot project now in its seventh year has been funded out of pocket. Recycled materials (such as washing machine pumps and cast iron pipes) have been creatively utilized in the project. Although the project has experienced some level of success, there is a need for improved documentation/data collection. Additionally, access to renewable energy sources would reduce the energy costs of the project. The project is actively seeking funding for meters and other equipment to be used in continuing research.

Source: Growing tilapia in Atlantic seawater in St. Kitts, Barrington E.O. Brown Ph.D. – Project Coordinator, St. Kitts & Nevis Aquaculture Pilot Project & Environmental Research (SNAPPER)
Tel 1-869-465-1410, E-mail: barbron@caribsurf.com
ISSUES AND CONSTRAINTS

3.42 The critical constraints affecting agricultural production and which GSKN needs to address in the short- to medium-term include the following:

(a) the prevalence of small-scale agriculture characterised by uneconomic and fragmented farming units;
(b) limited access to land for agricultural purposes;
(c) need for secure land tenure that can be used for collateral,
(d) limited farm management knowledge and husbandry skills;
(e) limited use of advanced technology;
(f) limited advances in both agro-processing and post harvesting practice;
(g) limited access to water for agriculture;
(h) weak marketing infrastructure;
(i) low labour productivity;
(j) crop losses due to monkeys, stray and roaming animals;
(k) high incidence of dog attacks on livestock particularly small ruminants (sheep, goats);
(l) risk averse nature of farmers with limited agriculture and management training;
(m) increasing incidence of praedial larceny;
(n) difficulties in farmers accessing credit;
(o) absence of larger boats resulting in over-fishing of the in-shore areas and under exploitation of ocean pelagics; and
(p) lack of adequate berthing and dry docking facilities for fishermen.

3.43 Other issues and constraints have been identified with respect to floriculture, marketing, irrigation, agro-processing, agro- tourism linkages as well as linkages with other sectors of the economy and the fisheries sub-sector. These issues and constraints are further discussed below:

CAPACITY ENHANCEMENT AND INSTITUTIONAL STRENGTHENING

3.44 There is need for capacity enhancement at the Department of Agriculture to provide greater services including extension and marketing for the development of the agricultural sector. Likewise, institutional structures will be re-organised to cater for the establishment of an Agricultural Diversification Unit at the Ministry of Agriculture to improve management and foster development of the agriculture sector.
BOX 4: Lands Required for Future Agricultural Activity

The issue of land use policy, production zoning and the utilization of idle lands is critical in determining the future direction and development of the agricultural sector. In this regard, the DOA and DPPE are collaborating in the preparation of an agriculture land use map.

A second initiative was undertaken on behalf of GSKN to determine lands suitable for agricultural production. Vanderbilt University was commissioned by the United Kingdom Department for International Development (DFID) to complete a land resource analysis for the island of St. Kitts using GIS technology. The overall aim was to develop accurate information showing the amount, quality, and location of lands suitable for alternative non-sugar agricultural activities. Six agricultural land use types were investigated: pineapples, field crops (dasheen, cassava, sweet potato and yam), fruit tree crops (sugar apples, custard apples, carambola, guava, Indian jujube and wax apple), vegetable crops (onions, peanuts, cucumber, tomato, sweet/hot peppers and sugar cane) and livestock production (beef, pork and mutton).

The land resource analysis results show that a wide variety of agriculture is compatible with the environmental conditions present in St. Kitts. Thus, most land areas are capable of successfully producing each of the crops under consideration.

The land resource analysis study also revealed that land in St. Kitts appeared to be slightly less suitable for the production of livestock. The largest reason for this lower compatibility is that animal production facilities (e.g., grazing area, feed lots, etc.), unlike crops, have restrictions on their placement within a given proximity to residential areas. Additionally, the sloping lands will compromise the quality of the beef by making it too muscular. However, these areas are most suitable for dairy production.

The outputs of both exercise shows that further work is necessary and GSKN will finalise an agricultural land use map that takes into account land suitability and capability, soil type and fertility, elevation, slope zone analysis, annual precipitation and proximity to water for irrigation as well as the market-led assumptions of the DOA.

KEY STRATEGIES AND PRIORITY ACTIONS

3.45 The actions which will be taken by GSKN to strengthen the agricultural sector include:

3.46 Crops

(a) Increasing the availability of locally grown fruits on the market by 2009 by designing strategies to achieve the following objectives:

- Increasing the productivity of the Plant Propagation Unit;
- Facilitating the expansion of commercial and semi-commercial fruit tree orchards;
- Increasing pineapple production to meet the domestic demand; and,
- Development of control measures for the West Indian Fruit Fly and other major pests.

(b) Facilitating commercial production of crops to ensure food security, foreign exchange savings and sustainable development.

(c) Encouraging the development of floriculture;

(d) Improving farmer training in improved agronomic practices and post-harvest technology through greater extension support;

(e) Encouraging and supporting the development of farmer groups;

(f) Ensuring that the optimum use and proper management of good quality agricultural lands is practised in order to stimulate production for domestic and export purposes.

(g) Diversifying agriculture through the introduction of new crops, inter-cropping and other methods.

(h) Introducing incentives to encourage entrepreneurship among young people with disabilities, the elderly and women.

(i) Developing and implementing conservation-oriented farming technologies specifically adapted to local conditions.

(j) Promoting land-use and land capability data to assist in decision making with respect to the implementation of agricultural development projects.

(k) Ensuring that the utilization of agro-chemicals does not impair environmental quality.

(l) Training farmers in improved agronomic practices, post-harvest technology, farm management, good agricultural practices (GAPS), integrated pest management, irrigation and soil conservation.

(m) Adopting new and appropriate technologies such as the utilization of plastic mulch and the development of green houses.

(n) Working closely with the private sector so as to facilitate the development of agro-processing enterprises. Technical support would be provided to persons in cottage industries in order to further develop the processing of local products.

(o) Encouraging and supporting fledging farmer organizations thereby developing and improving management of these groups.

(p) Identifying lands for commercial peanut production in selected locations around the island.
3.47 Marketing

(a) Focusing the role of the Marketing Unit on the development of local and export markets by: (i) providing market intelligence for farmers as well as hotels, restaurants and service sector; (ii) developing a brand for local crops and meat products; (iii) development of an export market within the sub-region; (iv) facilitating and providing training for farmers in areas of trade and post harvest technology; (v) implementing promotion campaigns for agricultural products; (vi) facilitating the movement of products from the farmer to the hotels and restaurants; (vii) improvement in the handling area at La Guerite for agricultural commodities.

(b) Marketing local fruits with the aim of developing a local fruit plate for sale in supermarkets and the hospitality sector. Fruits to be commercialized would include sugar apple, custard apple and pineapple along with the minor exotics.

(c) Strengthening the Marketing Unit within the Department of Agriculture thereby enabling it to develop mechanisms for coordinating the delivery of agricultural produce to major outlets including hotels and supermarkets.

3.48 Irrigation

(a) Intensifying studies regarding the development of water harvesting options and mini-dams in high rainfall areas. Domestic water would also be accessed for crop production whenever possible.

(b) Consider further developing ground water for domestic use and making available surface water for agricultural development. This would facilitate the development of farms in the middle lands where crop productivity is generally higher than at the lower elevations.

3.49 Agro-processing

(a) Reviewing the current state of agro-processing and making recommendations for its further development.

(b) Strengthening the development of agro-processing by:
   - Developing an action plan for agro-processing;
   - Upgrading packing house facilities;
   - Training technical staff and farmers in agro-processing methods and
technologies.

3.50 **Linkages with the Tourism sector**

(a) Encouraging the production of specific crops to meet the requirements of the tourism sector. A special feature would be the development of a local fruit plate to be served in hotels and restaurants on a regular basis. Other areas of agro-tourism linkages including farm visits and agro-processing would also be pursued.

3.51 **Livestock**

(a) Encouraging the establishment of commercial beef cattle farms in selected areas;
(b) Encouraging the establishment of small ruminant production;
(c) Encouraging the establishment of piggeries for the rural communities.
(d) Develop a core group of full-time and part-time commercial livestock farmers to sustain a significant share of the domestic market for beef, mutton and pork.
(e) Providing villages with community grazing pastures for individual herders.
(f) Paying greater attention to the Caribbean Amblyomma Programme (CAP) in its efforts to prevent the resurgence of the Tropical Bont Tick.
(g) Refitting and expanding the Basseterre abattoir in order to ensure that it meets the projected increased demand for slaughter.

3.52 **Fisheries**

(a) Preparing an inventory of fisheries resources.
(b) Mapping fisheries resources within territorial waters.
(c) Developing an action plan to exploit local fisheries resources.
(d) Preparing a sustainable fisheries management plan.
(e) Determine market demand for marine products.
(f) Developing a training programme with the aim of improving fish handling and processing capabilities among fishers.
(g) Evaluating the potential for aquaculture and request technical assistance for the establishment of a demonstration and training unit.
(h) Preserving coral reefs and coastal water quality for the needs of the fishing industry.
(i) Improving fishing infrastructure by constructing new terminals and providing ancillary support facilities at Sandy Point, Old Road and Dieppe Bay.
C. INFORMATION AND COMMUNICATIONS TECHNOLOGY (ICT)

OVERVIEW

3.53 Excluding Government Services, the communications sector is among the top three services sectors with the largest individual shares of GDP, and it has contributed consistently to overall economic growth. During the period 1995-2004, the sector accounted for an average share of about 10% of GDP, and value added in the sector grew at an average annual rate of 4.8%. However, comprehensive analysis of the local ICT sector in SKN is constrained by the unavailability of full statistical data. Although the contribution of the telecommunications sector is captured, coverage is incomplete, especially now that the sector has been liberalized. To the extent coverage of the sector is incomplete it is likely that the sector’s growth rate and share of GDP may be underestimated, especially in recent times. The value added of computer and information technology services is combined with that of general business services and services provided by professionals including accountants and lawyers, to estimate value added for Other Services.

STATUS OF ICT

3.54 St. Kitts and Nevis is a signatory to the agreement that established the Eastern Caribbean Telecommunications Authority (ECTEL), which paved the way for the liberalization of the telecommunications sector within a sub-group of OECS Member States. Since liberalization, the Federation has witnessed tremendous growth in telecommunications and other value added services. The sector has attracted investment estimated in the region of EC $25 million. The entry of new service providers in the telecoms market has resulted in lower prices, improved access, and an expansion of services offered. According to the 2003 ITU statistics, St. Kitts and Nevis ranked third in the Americas in fixed line telephone penetration and fourth in PCs per 100.

3.55 Currently there is one fixed line operator, three Internet service providers, three mobile providers and a number of other businesses that are licensed to provide other telecommunications related services such as simple voice resale. In terms of ICT infrastructure, the Federation is served by a copper voice network that is operated by the sole provider of fixed line telephone services. This provider also owns the international connection leaving the island. The CATV operators on both St. Kitts and Nevis have island-wide coaxial networks for providing CATV services, and they have added fibre overlays for the provision of high speed Internet services. It is expected that capacity within the ICT sector will be further enhanced.
with a second submarine cable for international connectivity which has recently been landed on St. Kitts. When this cable becomes operational, the ICT sector will be further enhanced due to the availability of increased bandwidth. A second fibre connection to the international telecommunications network will also effectively introduce competition in this area, which should result in further reductions in costs thus facilitating improved access, quality and further expansion in the services provided.

3.56 Over the last ten years, the Government spent significant sums to equip primary and secondary schools, and post-secondary education institutions with computer labs. The computers in primary schools are used primarily to assist teachers in the teaching of subjects and not for the teaching of ICT. Secondary school students receive instruction in ICT to prepare for the sitting of ICT examinations administered by the Caribbean Examinations Council (CXC). At the Clarence Fitzroy Bryant College level, ICT instruction is geared toward preparing students to sit the Caribbean Advanced Proficiency Examinations (CAPE) ICT modules.

3.57 In the public sector, all Government Ministries are equipped with computers however the type of ICT equipment and how it is utilized varies across Ministries. Most Government offices are connected via a wide area network (WAN) that facilitates connectivity to a real time financial management system. Additionally, the Government is in the process of implementing a number of projects designed to establish computer education in schools and colleges, to enhance IT skills targeted at adult and continuing education and to strengthen institutional arrangements for the management of ICT (EU funded IT Training and Management Project). The EU has also provided additional funding under its 9th EDF National Indicative Programme to fund a project that targets the Use of ICT for Improving Education, Diversification and Competitiveness in the Federation.

3.58 Within the private sector, although some businesses invest in and make use of ICT, its adoption and use for service sector innovation appears to be limited. High capital and training costs, as well as the high cost of telecommunications services have been identified as some of the reasons for the slow uptake of ICT for innovation by businesses in the private sector. Presently there are two call centre operations, one each in St. Kitts and Nevis. The operation in Nevis focuses on customer contact management and business process management, while the one in St. Kitts focuses on outbound telemarketing.
3.59 The Government’s strategic objective is to foster the creation of a knowledge society, in which ICT and its potential are known, accessible to, integrated in and utilized by all sectors of society (i.e. individuals, business, industry and the public sector) to create high value employment, enhance competitiveness of economic sectors, and transform the society as a whole thereby resulting in sustained economic growth, improved standards of living and sustainable human development.

**BOX 5: ICT Initiatives**

In order to position the Federation to take advantage of the opportunities in ICT, the Government has already instituted a number of initiatives including:

- The enactment of a new Telecommunications Act. The passage of this Act paved the way for the liberalization of the sector.
- The removal of duties and consumption taxes on the importation of computer hardware and peripherals to make it more affordable for citizens of the Federation to be able to own computers.
- The preparation of a draft ICT Strategy to guide the development of the sector. The strategy is still in draft form. Before the strategy can be finalized, there will be a need to i) review it to ensure consistency with the adaptation strategy and ii) hold consultations within the public and private sectors and civil society to obtain buy in by all stakeholders.
- The drafting of E-commerce legislation to provide the regulatory environment for the development and use of ICT. Although draft legislation was prepared a few years ago it was never enacted into law. There is a need to revisit this legislation to ensure that it addresses any new sector issues that may have emerged since it was drafted. Additionally, there is a need for the development of companion legislation that will address critical issues such as internet crime. There will also be a need for an investigation of the implications of any new IT legislation on existing legislation.
- The development of a project to establish an ICT park (and business incubator) to attract foreign investment and provide IT related employment opportunities.

3.60 In pursuit of its objectives for the development of ICT, the Government intends to:

(i) Strengthen the national ICT planning capacity.
(ii) Ensure participation in the information society by all sectors of society.
(iii) Create the enabling environment for the expansion of ICT and ICT related services.
(iv) Promote the widespread utilization of ICT as a technology by the business sector to enhance capacity and competitiveness in the production of goods and services.
(v) Enhance service delivery in the public sector through the increased adoption and use of ICT.
(vi) Upgrade ICT skills and capacity through education and training.

**STRATEGIES AND ACTION PLAN FOR THE DEVELOPMENT OF ICT**

(i) **Strengthen the national ICT planning capacity**

3.61 At present, the ICT planning capacity in the public sector needs to be strengthened to enable the sector not only to chart the course for the orderly development of ICT, but also to monitor and evaluate its development to ensure the realization of goals and objectives. The following actions will be taken to strengthen the national ICT planning capacity:

(a) Establish a National ICT Development Foundation or Agency that will be charged with advancing the development of ICT in the Federation and which will provide policy analysis and advice to the Government on matters relating to ICT, and also provide ICT expertise to the wider community.

(b) Ensure that the Department of Technology is adequately staffed to provide leadership in the development of ICT in the public sector and the Federation as a whole.

(c) Review, update and finalize the draft National ICT Policy and Strategy. This process envisages widespread consultation with all stakeholders in society to ensure consensus, buy-in and ownership by all.

(d) Develop ICT action plans for all Government Ministries and Departments.

(e) Collaborate with the business sector to develop ICT plans for the business sector.

(ii) **Ensure participation in the information society by all sectors of society**

3.62 The core of SKN’s strategy to ensure participation in the information society is to facilitate access to ICT by all sectors of the society. A key step in this direction was accomplished when the telecommunications sector was liberalized. In spite of the increase in the number of persons who are able to access ICT due to reduced costs, there are segments of society that still do not have access to the technology due to reasons related to affordability, remoteness due to lack of coverage, inadequate skills and absence of community ICT facilities. In an effort to ensure participation in the information society by all sectors of society GSKN intends to:
(a) Promote competition in international connectivity by facilitating additional connections to the international telecommunications network.
(b) Implement projects that will promote the use of ICT in all communities. In particular, the Government will develop access points in community centres, libraries and post offices throughout the Federation.
(c) Make school computer labs available for use by the community outside of school hours.
(d) Ensure that the provisions for universal service in the Telecommunications Act are adhered to.
(e) Utilize the Universal Service Fund to implement projects to provide access for the underprivileged, ensure access in remote locations and to fund the development of digital skills in poorer communities.
(f) Collaborate with service providers to ensure the timely introduction of new technologies.
(g) Continue to implement policies to ensure that access to computers is affordable, by providing duty and tax concessions on importation of computer hardware and peripherals.
(h) Promote the use of digital information services by expanding the provision of digital public services via an online Government portal.
(i) Foster the development of digital cultural and historical archives to facilitate access to knowledge.

(iii) Create the enabling environment for the expansion of ICT and ICT related services

3.63 The existence of an appropriate environment is critical for the development of ICT and ICT related services. Strengthening the legal and regulatory environment will be at the core of the Government’s efforts to develop the ICT sector. This is necessary to establish the Federation as a reputable jurisdiction for the conduct of ICT business and to provide the confidence for potential investors.

3.64 The following actions will be taken to create the enabling environment for the expansion of ICT and ICT related services:

(a) Review and update the draft e-commerce legislation that was prepared a few years ago and ensure its enactment into law.
(b) Develop and enact legislation to govern such areas as electronic crimes, security of data, authentication of communication, protection of internet related intellectual property and privacy.

(c) Strengthen the institutional and regulatory capacity of the Government to administer and enforce the legislation relating to ICT.

(d) Continue to implement policies that will promote competition in the ICT sector while at the same ensuring that care is taken not to over-regulate the sector.

(e) Utilize the Government’s policy framework to foster the continued investment in and development and upgrading of the ICT infrastructure.

(f) Collaborate with the private sector to develop and adopt appropriate ICT standards.

(g) Establish an ICT Park to attract ICT related foreign direct investment.

(h) Use the investment regime, ICT regulatory environment and enhanced ICT skills base as key selling points to promote the Federation as a jurisdiction for ICT investment.

(iv) **Promote the widespread utilization of ICT as a technology by the business sector**

3.65 Initiatives aimed at increasing access, strengthening the legal and regulatory environment and upgrading skills will no doubt facilitate the use of ICT as a technology in the business sector since these will address areas of major concern for businesses. Actions to be taken to promote the widespread utilization of ICT as a technology by the business sector to enhance capacity and competitiveness in the production of goods and services include:

(a) Undertake a feasibility study to determine the best use of ICT for improving Education, Diversification and Competitiveness.

(b) Promote the development of ICT clusters in areas identified by the above study, as well as in areas where there is already a reasonably good ICT presence such as Internet gaming, web development and applications and graphic design.

(c) Provide incentives and rewards for technology innovations by firms.

(v) **Enhance service delivery in the public sector**

3.66 ICT is a valuable and powerful tool that can be utilized to modernise the public sector. The sector is constantly being challenged to improve service delivery, increase efficiency and find innovative ways to reduce expenditure. If properly deployed and adopted, ICT as a technology can play a key role in
enhancing service delivery in the public sector. By being a leader in adopting ICT, the public sector can effectively influence other sectors to do likewise. In an effort to enhance service delivery in the public sector, the Government intends to:

(a) Carry out an assessment to determine the Government services that can be delivered online, and establish a reasonable time frame to commence delivery of these services online.

(b) Develop the infrastructure to facilitate the move towards e-Government.

(c) Continue the process of computerizing Government Ministries and Departments.

(d) Upgrade and standardize all local area networks in Government offices.

(e) Connect all Government agencies to a centrally managed wide area Government network.

(f) Establish a Government portal to facilitate the delivery of e-Government services to the public.

(g) Promote the utilization of ICT for improving communications between Government Departments.

(h) Improve processes within the public sector by computerizing tasks where possible.

(vi) Upgrade ICT skills and capacity

3.67 The ICT skills and capacity of the Federation must be upgraded to enhance competitiveness, create employment opportunities and generate sustained economic growth. In addition to basic ICT skills training, significant emphasis will need to be placed on developing specialized ICT skills in areas such as networking, programming, software and computer engineering and computer maintenance, among others closely aligned with market demand. Training will also need to be more closely aligned with market demand. At the same time, mechanisms will be in place to enhance the linkages between ICT skills training and entrepreneurship.

3.68 The Government is in the process of implementing an IT Training and Management Project funded by the EU. One of the components of this project focuses on enhancing ICT skills and capacity, and will therefore provide short and long term training and re-training in ICT, including institution and community based training as well as apprenticeship training. A second EU-funded project that will focus on the use of ICT for Education, Diversification and Competitiveness is in the process of being developed. The following strategies to upgrade ICT skills and capacity will be implemented in the Federation:
(a) Carry out an ICT skills audit in order to gain insight about the status of ICT skills in the Federation.

(b) Develop a National ICT Training Plan and training programmes to facilitate the development of an adequate ICT skills base in the Federation.

(c) Revise the curriculum in schools and post secondary education institutions to ensure that ICT is integrated in all subject areas as well as in delivery.

(d) Formulate community-based and continuing education training programmes to target those persons who exited the education system before ICT training was introduced, and who may not have been exposed to ICT in the workplace.

(e) Provide undergraduate and graduate scholarships in ICT.

(f) Promote certification in ICT by funding training and certification programmes in ICDL (Basic and Advanced), A+ and Network +.

(g) Promote entrepreneurial and enterprise development by developing and delivering skills training programmes covering the application of ICT (e.g. content development, web applications development and multimedia development among others).

(h) Develop a programme within the Development Bank to make funds available for persons to pursue local training programmes that lead to certification.

(i) Provide distance learning facilities to facilitate access to training (including ICT training) especially in the rural areas.
D. INTERNATIONAL FINANCIAL SERVICES

OVERVIEW

3.69 Since the establishment of the international financial services sector in the Federation in the mid 1980s, the sector has emerged to become an important segment of economic activity in the Federation, particularly in Nevis. Presently, the national accounts statistics only captures domestic investment of the firms operating in the offshore financial services sector. As such, it is not possible to measure the full contribution of this sector to the national economy. However, the balance of payments account captures receipts from fees paid to Government as well as some of the payments made to local service providers. There is a need for enhanced measurement of the sector and the development of statistics that will allow for the estimation of the sector’s contribution to the economy, beyond fees paid to Government and service providers.

3.70 Receipts from international financial services sector grew at an average annual rate of about 12.7% between 1998 and 2000. However, following the publishing of the OECD Report on Harmful Tax Competition and actions taken by the OECD Financial Action Task Force (FATF) to blacklist a number of small states, including the Federation, for being non-cooperative in the fight against money laundering, there was a slowdown in the activity of this sector. The Government however took a number of steps and introduced legislation and other measures to address the issues raised by the OECD and FATF which subsequently lead to the removal of the Federation from the FATF black list in 2002. Since then, activity in the sector has rebounded, and receipts of the sector are once again recording growth. Receipts from international financial services are estimated to have recorded an average annual growth rate of about 8.3% between 2002 and 2005. In Nevis, it is estimated that the direct benefits accruing to Government from the sector in the form of registration fees, licenses and filing of returns is in the order of 15%. Meanwhile, the indirect benefits that accrue to the economy in Nevis in the form of employment, expenditure on goods and services, rental of office and accommodations, construction and the multiplier effects on tourism, communications and technology may be in the region of 30%.

STATUS OF INTERNATIONAL FINANCIAL SERVICES

3.71 The Federation of St. Kitts and Nevis operates dual jurisdictions for international financial services, one in St. Kitts and the other in Nevis. The industry in Nevis was established in 1984 when the Nevis Island Administration (NIA) introduced the Nevis Business Corporation Ordinance, 1984. The
The focus of the industry in the early stages was on registration of international business corporations. Overtime, the NIA enacted a range of legislation to facilitate the growth and development of the sector and to establish Nevis as a key player in international financial services. Among the pieces of legislation enacted were the Nevis International Exempt Trust Ordinance, 1994 (amended in 2002), Nevis Limited Liability Companies Ordinance, 1995 (amended in 2002), Nevis Offshore Banking Ordinance, 1996 (amended in 2002), Nevis International Insurance Ordinance, 2004, and Nevis International Mutual Funds Ordinance, 2004. Currently, a range of international financial services products including international business corporations, offshore banking, asset protection trusts, limited liability companies, multiform foundations, international mutual funds, reinsurance and captive insurance and investment services are offered from Nevis.

3.72 In 1998, the Nevis Island Administration established the Nevis Financial Services Department within the Ministry of Finance, to provide for the centralized administration of international financial services activities. In 2002, the regulatory/supervisory and development/marketing functions of the Department were separated, resulting in two departments, the Development and Marketing Department and the Regulation and Supervision Department. The main function of the Development and Marketing Department is to effectively develop and promote Nevis as a premier international financial services jurisdiction. The Department also collaborates with other Government Departments and the private sector to develop policies and new initiatives to meet the growing demands of the international financial market. The Regulation and Supervision Department is responsible for the regulation and supervision of the financial services sector in Nevis. The Department also assists in ensuring that service providers in Nevis become more aware of their obligations to their business and the jurisdiction. Nevis celebrated the 20th anniversary of its International Financial Services Industry in 2004.

3.73 The financial services industry in St. Kitts had a much later start relative to the industry in Nevis. St. Kitts launched its international financial centre in 1997 after the enactment of the Companies Act (1996), the Trusts Act (1996), the Limited Partnerships Act (1996) and the entering into force of the Financial Services (Regulations) Order (1997). These pieces of legislation made provisions for the offering of various international financial services products including companies, trusts, and limited partnerships for investment, tax planning or estate planning purposes, while the Financial Services (Regulations) Order provided for the establishment of the Financial Services Department and the licensing of service providers to carry on trust, corporate, deposit taking, insurance, assurance and investment services.
3.74 Upon a recommendation made by the Financial Action Task Force, the regulation and marketing functions of the Financial Services Department in St. Kitts were separated, and in 2001, the Marketing and Development Department was established in the Ministry of Finance. This department is charged with developing policy and financial services products to respond to the current market demands and needs, as well as to foster the development of an appropriate climate for investment and ensure the maintenance of a proper regulatory environment. The Financial Services Department in St. Kitts functions as the regulatory body for St. Kitts and has the direct responsibility for the effective regulation, supervision and inspection of all international financial services in St. Kitts.

3.75 In order to foster the growth of the industry in St. Kitts, the Marketing and Development Department in St. Kitts spearheaded the introduction of the Foundations Act in 2003. This Act makes provisions for the formation of Private Foundations. The introduction of this legislation has enhanced the attractiveness of St. Kitts as an international financial center, as the act introduced a civil law concept into the traditional common-law system of the Federation. Additionally, in 2002 a new Merchant Shipping Act was passed in the Federation which provides for the registration of ships and pleasure vessels. An attractive feature of the legislation is that it allows for the registration of foreign ships in the Federation. The International Ship Register was launched in 2004 and is being marketed internationally. As a result of the keen interest shown in the international financial services products of St. Kitts by clients who have attended promotions on the Federation’s International Ship Registry, efforts are currently underway to undertake joint promotions by the agencies responsible for these two product areas.

3.76 Within the OECS, Nevis has established itself as a key player in the international financial services market. As one of the more recent players to emerge in the international financial market, St. Kitts has been able to observe the developments taking place worldwide and plan the development of its industry to take account of these developments and respond to the changing market needs and demands in a coordinated manner.

3.77 Notwithstanding the strides made by the Federation in developing a well regulated and reputable international financial services sector, the development of the sector has not been without challenges. As alluded to in the previous section, the Federation was blacklisted by the FATF in 2000. In response, Government introduced a series of legislation and regulations to strengthen the Federation’s regulatory framework for International Financial Services. Legislation and Regulations introduced included the Proceeds of Crime Act, 2000, Financial Intelligence Unit Act, 2000, Financial Services Commission Act, 2000, Anti- Money Laundering Regulations, 2001, Anti- Money Laundering (Amendment) Regulations,

3.78 The Financial Services Commission Act established the Financial Services Commission as the ultimate regulatory authority for financial services in St. Kitts and Nevis and made provisions for regulators in St. Kitts and Nevis, charged with direct responsibility for regulation, supervision, and inspection of financial services. The Financial Intelligence Unit Act established the Financial Intelligence Unit and charged it with responsibility for collecting, receiving, analysing, and acting upon suspicious transaction information; disseminating information on suspicious transactions to competent authorities; establishing a database for the purpose of detecting money laundering and liaising with money laundering intelligence agencies outside the Federation.

3.79 The authorities in both St. Kitts and Nevis are cognizant of the increased global competition and the continuing international efforts to scrutinize international financial flows, especially following the terrorist attacks in the United States in 2001. In response, there have been increased efforts to diversify the financial services products offered by both jurisdictions in the Federation to ensure that initiatives in the sector are attuned to the changing needs and demands of investors and the global financial market. Increased emphasis has also been placed on the maintenance of a well regulated and supervised environment as well as on the increased promotion of the jurisdictions in the global financial services market. The association with key international service providers who offer services from within the Federation either through local service providers or by establishing a local presence, has also contributed greatly to raising the Federation’s profile, as well as assisted in the marketing of the jurisdictions within the Federation.

STRATEGIC OBJECTIVES AND INITIATIVES FOR INTERNATIONAL FINANCIAL SERVICES

3.80 In recognition of the important role that the international financial services sector continues to play in the development of the Federation, Government has identified the sector as one of the pillars for the future growth and development of the economy. The ultimate goal is to develop the Federation as a well-regulated, highly reputable, dependable and responsive jurisdiction in an effort to establish the Federation as the International Financial Services Center of the Eastern Caribbean.
3.81 In pursuit of its goals for the development of international financial services, Government intends to:

(i) Strengthen the regulatory regime for financial services.
(ii) Foster new product development in response to market demand and industry needs.
(iii) Support capacity building initiatives to enable the Federation to enhance its ability to offer more complex financial services.
(iv) Enhance promotion of the financial services sector.

STRATEGIES AND ACTION PLAN FOR INTERNATIONAL FINANCIAL SERVICES

(i) Strengthen the regulatory regime for financial services

3.82 The extent to which the Federation is able to further develop the international financial services sector will depend to a large extent on its ability to maintain a well regulated and supervised sector. A series of legislation and regulations were introduced between 2000 and 2002 to improve the regulatory environment for financial services. Government will continue to build on this framework to ensure the maintenance of a highly reputable and effectively supervised sector.

3.83 The following actions will be taken to strengthen the regulatory regime for financial services:

(a) Collaborate with regional and international agencies in the development and implementation of international standards for the sector.
(b) Implement the recommendations contained in the reports of the IMF Financial Sector Assessment Programme and the mutual evaluation of the Federation’s Anti-Money Laundering and Combating Terrorism Financing Framework to ensure international compliance.
(c) Continue to provide training in anti-money laundering.
(d) Develop new legislation and regulations to maintain compliance with evolving international standards and requirements.
(e) Increase the conduct of on-site anti-money laundering examinations with a view to covering the entire sector.
(f) Restructure the Financial Services Commission to facilitate the centralized regulation of all financial services in the Federation and to enhance the stability of the financial system.

(ii) Foster new product development in response to market demand and industry needs

3.84 As competition in the international financial services sector increases, the Federation will need to ensure that the sector is responsive to the changing demands and needs of clients and the market to remain competitive, while at the same time ensuring the integrity of the sector. Increased attention will need to be paid to global market trends to ensure that the Federation develops industry products to respond to these trends.

3.85 To this end, Government will:

(a) Increase collaboration of authorities in the sector with other Government agencies and service providers to enhance existing products and develop new products to respond to changes in the global financial services market.

(b) Continually review existing legislation to ensure that they take account of new developments in the market.

(iii) Support capacity building initiatives to enable the Federation to enhance its ability to offer more complex and innovative services

3.86 The dynamic nature of financial services requires that jurisdictions maintain a close watch on industry trends and respond accordingly. This however requires that jurisdictions possess the capacity to respond to the needs to provide increasingly complex and sophisticated services. Additional training and other capacity building initiatives will need to be undertaken to ensure that regulators have the capacity to regulate and supervise more complex products, and that service providers and local agents can deliver the quality of service required.

3.87 Actions to be taken to support capacity building initiatives include:

(a) Attracting internationally renowned service providers with the capacity to provide the full range of international financial services to either establish a physical presence on island
or to create strategic alliances with local service providers or domestic agents. This would allow for some knowledge transfer that will build domestic capacity, while at the same time augmenting the overall capacity of the jurisdiction. This strategy of attracting international service providers, in addition to boosting the Federation’s ability to offer enhanced services, can also contribute to broadening the marketing reach of the Federation through the individual marketing and advertising efforts of these providers.

(b) Continue to collaborate with experienced service providers, industry organizations and regional institutions such as the ECCB and CARTAC to conduct training in current and new service areas as well as in anti-money laundering and combating terrorist financing.

(c) Ensure that Government employees working in the sector receive the requisite training that will enable them to discharge of their duties in an efficient and effective manner.

(d) Promote the offering of continuing education programs in financial services through the Clarence Fitzroy Bryant College and University of the West Indies (UWI) Center.

(e) Encourage the use of innovation through the adoption of advanced technology throughout the sector. Government can directly influence this by leading the way through the use of online registration and facilitating the electronic filing of documents, subject to adherence to regulatory standards.

(iv) Enhance promotion of the financial services sector

3.88 The separation of the regulatory and supervisory and marketing and development functions of financial services has provided for the dedication of resources in the Marketing and Development Departments in both St. Kitts and Nevis to the marketing of the jurisdictions in each island. As enhancements are made to the regulatory regime and new financial services are developed, there will be need for increased marketing and promotion efforts to spread the word about the product and service offerings in the Federation.

3.89 In an effort to enhance promotion of the financial services sector Government will:

(a) Engage in joint promotion of the financial services sector with the international ship registry as well as the tourism promotions that target the luxury tourism market. One of the promotions to be undertaken will offer incentives in the form of registration discounts to clients registering international ships that are owned by St. Kitts based corporate entities.
(b) Increase attendance and participation at industry seminars and conferences in order to engage in more direct marketing and promotion of the industry in St. Kitts and Nevis.

(c) Capitalize on opportunities to sponsor industry events that will allow the Federation to showcase the financial services and other offerings of the Federation.

(d) Organize road shows, seminars and exhibitions in specific target markets to introduce the financial products and services available in the Federation to potential clients and service providers.

(e) Develop an effective online marketing and promotion strategy that makes use of traditional online approaches as well as advanced rich media techniques.

3.90 The implementation of the above strategies would position the Federation to achieve its goal to become the international financial services centre of the Eastern Caribbean, and firmly develop the sector to the point where it provides substantial backward and forward linkages with other sectors of the economy such as tourism, real estate, construction, communications and information technology.
CHAPTER 4. SOCIAL DEVELOPMENT AND POVERTY REDUCTION

A. OVERVIEW

4.1 The development of a comprehensive social infrastructure in St. Kitts and Nevis started from the mid 1960s and continues to the present. The focus of social development initiatives in the early years was primarily on education, health and social security. The first planned housing estates were also built during this period. Upgrading of the entire social architecture of the country continues and includes the provision of water and sanitation, health and health services, education and housing resulting in improvements in the quality of life and the general welfare of citizens in all segments of society. Over the years social development policies and programmes have had considerable success as reflected in improvements in the quality and access to education, health care, sporting and recreational facilities, housing as well as electricity and potable water. According to the UNDP 2005 Human Development Index, St. Kitts and Nevis is ranked highest among member countries of the OECS and listed at number two in the entire Caribbean and Latin American region.

4.2 Over the last decade and a half improvements in human and social development have been threatened by the adverse economic and social impact of a series of hurricanes and declining terms of trade. The closure of the sugar industry in July 2005 presents yet another serious challenge to the sustainability of the country’s human development programme. The anticipated social impact of the closure has served to refocus attention on the importance of strengthening social policies, programmes and activities. In particular it has highlighted the need to target the provision of social safety net services to the most vulnerable, prioritising former workers of the sugar industry.

4.3 The GSKN intends to ensure that the positive impact of economic growth and wealth creation is congruent with social development policies and poverty reduction objectives. The reduction of poverty, the promotion of social inclusion and increasing the living standards of all, in particular the ex-sugar workers, young people, the elderly, children, the unemployed and underemployed will be priority areas for social development.
B. SOCIAL DEVELOPMENT ISSUES

(i) Social Safety Nets

4.4 A review of approaches to targeting of social protection covering displaced ex-sugar workers and the poorest in St. Kitts and Nevis was commissioned by DFID-Caribbean in November 2005. The mapping of social protection programmes reveals that St. Kitts and Nevis has taken important steps towards developing an effective social protection system. Education is free at the point of delivery and a number of subsidies apply to health and education services, such as free meals and transport, school uniforms, textbooks and examination fees. Children under the age of 18 and persons over the age of 62 are exempted from charges at public health services. Social assistance programme provide food and cash transfers to poor households and also assist with lumpy and unpredictable expenses, resulting from hurricane damage, fires and special emergency medical expenses. Active labour market programmes support working mothers with day care centres, provide training for young unemployed persons, and a public works programme for unskilled unemployed workers. For those in formal employment a range of employment based social protection is available under the Social Security Act.

4.5 Table 4.1 below summarizes the range and effectiveness of the targeting of social protection programmes in St. Kitts and Nevis.

<table>
<thead>
<tr>
<th>Programmes</th>
<th>Type of targeting</th>
<th>Effectiveness of targeting</th>
</tr>
</thead>
<tbody>
<tr>
<td>Food vouchers, financial assistance, rent assistance, School uniforms, Student education and learning fund</td>
<td>Means tested</td>
<td>Food and cash transfers have low leakages, but significant under-coverage of the poor; school uniforms and SELF have good coverage but some leakage</td>
</tr>
<tr>
<td>Fire victims, home repairs, travel and medical care, funeral grant, lenses, hearing aids and prescriptions</td>
<td>Means tested plus contingency targeting</td>
<td>Significant pressure by the non-poor to access one-off, single payment benefits</td>
</tr>
<tr>
<td>Fee waivers for health care and medicines, Day centres</td>
<td>Categorical</td>
<td>Not specifically targeted on the poor, with some leakage</td>
</tr>
<tr>
<td>Home care for the elderly, Home for vulnerable children, foster care programme</td>
<td>Categorical targeting plus means tested</td>
<td>Well targeted</td>
</tr>
<tr>
<td>Youth Skills, Project STRONG, Park and Beaches Unit</td>
<td>Self-selected</td>
<td>Well targeted, especially the Park and Beaches Unit</td>
</tr>
<tr>
<td>School feeding programmes (primary), school buses (secondary)</td>
<td>Non-targeted universal</td>
<td>Not targeted specifically on the poor, but cover the poor</td>
</tr>
</tbody>
</table>
4.6 The majority of social assistance programmes that are means tested, target poor households. The benefits targeted on poor households, including food vouchers, cash transfers and rent assistance, appear to be successful in reducing leakages to the non-poor. Although there may be some leakage, the major concern in the delivery of means tested benefits remains that of making them non-stigmatising in order to increase the take up by those who need them.

(ii) Health

4.7 St. Kitts and Nevis has achieved improvements in health care as reflected by the basic health indicators in Table 4.2. Infant mortality rates which increased moderately from 12.7 in 1999 to 14.3 in 2000 improved to 12.5 in 2001 reflecting ongoing improvements in expanding the coverage and enhancing the quality of care given to prenatal and perinatal patients at the primary health care level. Life expectancy (70 years of age) remained relatively stable between the years 1999 – 2000 and in 2001 it was almost equal to that of the average for the region (73.5 years of age). This is attributable to the changing profile of diseases and injuries as well as the implementation of programmes aimed at prevention. Immunization coverage declined briefly between 2001 and 2002 from 100% to 97.8% but rebounded during the period 2001 to 2003 to 99.5%, as efforts to reach those not yet covered intensified.

Table 4.2 - Health Indicators in St. Kitts and Nevis 1999-2003

<table>
<thead>
<tr>
<th>INDICATORS</th>
<th>1999</th>
<th>2000</th>
<th>2001</th>
<th>2002</th>
<th>2003</th>
</tr>
</thead>
<tbody>
<tr>
<td>Public Health Expenditure as % of GDP</td>
<td>N/A</td>
<td>3.5</td>
<td>5.1</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>Mortality Rate</td>
<td>9.84</td>
<td>8.81</td>
<td>7.6</td>
<td>7.3</td>
<td>7.6</td>
</tr>
<tr>
<td>Infant Mortality</td>
<td>12.7</td>
<td>14.3</td>
<td>12.5</td>
<td>22.3</td>
<td>17.6</td>
</tr>
<tr>
<td>Life expectancy</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Male</td>
<td>70</td>
<td>70</td>
<td>73.3</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>- Female</td>
<td>67.96</td>
<td>68</td>
<td>71.2</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Immunization coverage</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>HIV Cases</td>
<td>16</td>
<td>5</td>
<td>9</td>
<td>11</td>
<td>20</td>
</tr>
<tr>
<td>Aids Cases</td>
<td>5</td>
<td>1</td>
<td>2</td>
<td>N/A</td>
<td>3</td>
</tr>
<tr>
<td>Doctors (per 1000 of population)</td>
<td>1.8</td>
<td>1.14</td>
<td>1.21</td>
<td>1.17</td>
<td>1.21</td>
</tr>
<tr>
<td>Nurses (per 1000 of population)</td>
<td>5.09</td>
<td>5.57</td>
<td>4.5</td>
<td>4.0</td>
<td>4.0</td>
</tr>
<tr>
<td>Hospital beds</td>
<td>4.69</td>
<td>6.09</td>
<td>4.40</td>
<td>4.9</td>
<td>4.46</td>
</tr>
</tbody>
</table>

Source: Health Statistic Unit; Statistics Department, Sustainable Development
4.8 The health status of the people of St. Kitts and Nevis has improved significantly over the past four decades. This is indicated by declines in the burden of infectious and communicable diseases, and those caused by nutritional deficiency. Social and economic advances have resulted in an epidemiological status resembling more developed countries. As such, St. Kitts and Nevis is now facing the challenge of changing health demands, which necessitates a sharper focus within the health sector.

4.9 Health policy is aimed at ensuring that the population has adequate access to quality health care at a reasonable cost. The efficient and effective provision of health care services and the continued provision of primary and other levels of care and service will ensure a healthy population. GSKN has already developed a system to reduce gaps in service delivery over a period of time. In several instances this has required a reorientation in the focus of some programmes. In particular, service delivery to vulnerable groups such as the elderly and young people still need to be improved.

4.10 There is a move to improve collaboration with the Department of Youth in particular in addressing violence amongst youth and its impact on the health care system. In addition, a number of health centres will be upgraded using resources of the BNTF programme, and the Pogson Hospital in Sandy Point will be rebuilt with the assistance of the World Bank, so as to facilitate quality health care provision at the community level.

4.11 HIV/AIDS remains a threat to the quality of life of the people of St. Kitts and Nevis. There is ongoing work in this area as the GSKN continues to implement key elements of the HIV/AIDS Project and operationalise aspects of the HIV/AIDS Strategic Plan for the National response to HIV/AIDS. It is still a very difficult area to monitor because of the stigmatization of PLWAS as well as the lack of relevant data particularly those required in respect of the MDGS. There is affordable and available treatment for HIV/AIDS infected persons as well as VCT trained personnel (30 persons) to safeguard the privacy and facilitate counselling and testing of affected individuals.

4.12 A National Health Plan for St. Kitts and Nevis covering the period 2006-2010 is being finalized by the Ministry of Health. This plan focuses on the following key strategic areas:

(a) Non-communicable Diseases and Physical Activity – aimed at reducing morbidity and mortality associated with Chronic Non-communicable diseases and to improve the nutrition and physical status of the population;
(b) Environmental Health – covers a range of programs including premises inspection, drain cleaning, food safety, spread of human and animal borne diseases through import/export, Port Health Surveillance, Solid Waste Management, Vector Control, Water quality monitoring and sewerage and waste water;

(c) Family Health – aimed at programmes for immunization, adolescent health, child health, dental/oral health, men’s health, geriatric care and physically disabled, reproductive health, women’s health and family planning;

(d) Health Systems Development – incorporates aspects relating to institutional strengthening, health information and research, strengthening of laboratories, health disaster coordination and maintenance and technology assessment;

(e) Mental Health and Substance Abuse – aimed at promoting and maintaining the mental health of the population by providing optimum counselling, treatment and care for clients in a safe and secure environment;

(f) HIV/AIDS and Sexually Transmitted Infections – involves prevention, treatment care and support, Advocacy, surveillance epidemiology and research, program coordination and management;

(g) Human Resource Development – includes human resource management Information system, staffing, training and development, performance and productivity and occupational health and safety.

(iii) Education and Training

4.13 In St. Kitts and Nevis life long learning is an important area of emphasis for human resource development. In addition, GSKN is particularly concerned to address quality concerns in the education system as well as making the system more relevant and responsive to the changing socio-economic environment. This strategy is particularly appropriate given the need for skills training and the general retooling of that segment of the labour force that has been made redundant by the exit of the sugar industry.

4.14 Adult education and training must be considered as a critical element of any transformation process. A second chance is to be provided for productive contribution to society through the provision of education, training and skills development opportunities for individuals who under perform in the formal education system. Efforts have been made to incorporate some of the training/retraining needs of
ex-sugar workers into existing programmes. However, a large number of training priorities have not been met due to the absence of funding to facilitate expansion of these programmes.

4.15 A network has been established between the Youth Skills Programme, the Advanced Vocational Education Centre (AVEC), Adult and Continuing Division of the Clarence Fitzroy Bryant College (CFBC), and the Ministry of Social Development to deliver appropriate training to ex-sugar workers at different interval and in various areas of interest. The main aim of this partnership is to provide the former sugar workers with necessary and relevant skills so that they can find employment or create their own employment opportunities.

4.16 The training and skills development requirements of the ex-sugar workers and the wider population will remain a challenge due to resource gaps as well as changing labour market conditions and focus. Over the medium term the education sector will focus on the following:

(a) Increasing access and enhance quality of education, particularly in rural areas;
(b) Accelerating the pace of curriculum development and reform to address the emerging needs of the labour market and to ensure relevance in light of the strategy for economic transformation;
(c) Enhancing the quality of teaching and learning particularly in the delivery of science and technology curriculum, as well as in the teaching of reading and mathematics to improve literacy skills;
(d) Enhancing the learning environment of schools through the provision of cafeterias, physical education/sport facilities;
(e) Improving governance and management in the education sector;
(f) Implementing ICT institutional development and training programmes at the tertiary and continuing education levels;
(g) Enhancing and expanding adult literacy programmes to promote entrepreneurship among adult learners;
(h) Improving technical and vocational education;
(i) Establishing scholarship programmes to support special groups such as children of ex-sugar workers, and tech-voc education students;
(j) Enhancing the operations of the CFBC by upgrading it to a semi-autonomous institution, instituting accreditation and quality assurance mechanisms and expanding programme/course offerings; and
(k) Improving efficiency, effectiveness and quality of management and administration of the education system.

(iv) Housing and Shelter

4.17 The provision of adequate and affordable housing is another area of social development emphasis for the Government in its efforts to improve the quality and standard of life of the people of St. Kitts and Nevis. The Government has made significant investment in providing low cost affordable housing to the poor and lower middle income families. Although the housing drive has been successful with hundreds of houses being built over the last decade, shortage of accommodation and overcrowding still persist especially for low income households. Currently the National Housing Corporation (NHC) is engaged in building houses for both low and middle income households.

4.18 SKN’s broad housing policy and shelter seeks to promote equity, access, and affordability. As part of the strategy for the continued growth and sustainable development of the housing sector, GSKN intends to develop an appropriate framework that would allow the private sector to play a greater role in the supply of affordable housing. Under this initiative private contractors will be encouraged to build low and middle houses for sale as the Government allocates land for housing and ensures that proper standards are adhered to in the construction sector.

4.19 The Government will pursue the following initiatives to promote the sustainable development of housing in the medium term:

(a) Provide lands in approved housing development areas at affordable prices by the NHC;
(b) Provide land to developers to build affordable homes for middle income families;
(c) Implementation of a national home care programme geared at caring for the elderly and people with disabilities in their homes, within their communities;
(d) Collaborate with existing land owners to convert derelict properties into new or refurbished properties;
(e) Review the Civil Service Mortgage Scheme administered by the DBSKN to make it easier to access more affordable loans; and
(f) Ensure that proper standards are met in the home building/construction industry.
(e) Safety and Security

4.20 National security issues are at the forefront of GSKN strategic agenda to promote the safety and the general well-being of the citizens and visitors to the Federation. The increasing level of crime is of great concern to the Government. The principle contributors to crime and security problems are related in large measure to poverty, unemployment and social marginalisation; illegal drugs; and the growing lawlessness among some of the youths. The twin issues of reducing crime and increasing security are important as the economy restructures to a more service oriented structure. Crime and violence can be a threat to public safety and is disruptive to the development thrust of the Government. Notwithstanding the current challenges, St. Kitts and Nevis has been successful in maintaining a buoyant socio-economic climate with enviable freedom, stability, and tranquillity.

4.21 The main objectives of the security plan are:

- Maintaining stability in support of the economic, social and political advancement of the Federation.
- Reducing crime and enhancing the safety and security of the two islands.
- Building capacity through training and technological advancement.
- Collaborating with regional and international organisation and agencies on matters of safety and security.

4.22 In support of these objectives Government committed to the following:

(i) Containing the escalation of crime
(ii) Capacity building and human resource development
(iii) Infrastructure development and modernisation
(iv) Legislative reform and improvement to the penal system
(v) Regional and international collaboration

(i) Containing the Escalation of Crime

4.23 GSKN has adopted a broad based approach to crime fighting since the problems are multidisciplinary in nature and scope. Several initiatives at crime reduction are pursued including the establishment of a National Crime Commission, and the creation of the Ministry of National Security.
This Ministry will strengthen the collaborative efforts with the Ministry Education, Department of Youth, Ministry of Social Development and private sector partners to jointly address the complex root causes of youth crime. The implementation of a Child Development Project targets youth at risk of becoming juvenile criminals. The construction of a coeducational facility and the strengthening of the truancy and guidance and counselling services of the Ministry of Education are planned for the rehabilitation young offenders. The Government will focus on the following programmes to contain the escalation of crime over the medium term:

(a) Establishment of an Anti-gun Unit within the police force to assist with the dismantling the gang culture;
(b) Comprehensive review of the legislation with regards to penalties;
(c) Increased power for the magistracy;
(d) Implementation of a vibrant public education programme on safety and security highlighting the role of the community;
(e) Formalising existing relationships and building new partnerships with the private sector, NGOs and CBOs in order to strengthen crime prevention efforts;
(f) Strengthening the National Drug Council to improve coordination of the drug demand reduction programme;
(g) Exploring options for introducing more elaborate services such a detoxification; to improve the detection and solving of crime;
(h) Integrating the use of appropriate technology to improve general efficiency of the police and to facilitate proper registration and tracking of criminal activities including those perpetrated by deportees;
(i) Strengthening the canine K-9 Unit;
(j) Expanding the CID Unit to improve coverage of underserved communities; and
(k) Establishing the Neighbourhood Watch Programme in all communities on both islands.

(ii) Capacity Building and Human Resources Development

4.24 Investment in the development of human capital is viewed as an essential to achieving greater levels of effectiveness in providing security for all. There is an urgent need for the security forces to acquire new skills and crime fighting technologies so that they can better respond to the security needs of the communities which they serve. Plans are in place to improve the human capability within the police
force to fight crime by providing training at all levels, especially at the supervisory level and at the criminal investigating unit. In this regard GSKN will:

(a) Upgrade the curriculum used by the police training school for training of new officers;
(b) Review the recruitment and staffing policies with a view to attracting more graduates to the police force;
(c) Design and implement a formal system for continued skills development using local, regional and international training facilities;
(d) Facilitate training for senior and middle managers in the areas of public administration and management, criminology, legal studies, security, forensic science, and computer technology;
(e) Develop areas of special expertise by facilitating specialised training at recognised regional and international institutions.

(iii) Infrastructure Development and Modernisation

4.25 Government is committed to ensuring that the requisite infrastructure and facilities are in place to facilitate the operations of the security forces. GSKN will require significant financial resources to address the critical needs for appropriate infrastructure to serve the security forces. All police stations are currently need of repairs and there is need to construct new facilities to several communities particularly those communities experiencing the brunt of the negative impact of the closure of the sugar industry. Over the medium term the Government plans to refurbish police stations and construct new facilities across the islands to enhance the working environment of the law enforcement officers. The Government also plans to install a state of the art close circuit television system with electronic surveillance at strategic areas. This system is expected to improve the crime fighting capabilities of the police force.

(iv) Legislative Reform and Improvement to the Penal System

4.26 GSKN is committed to the continued upgrading of the legislative framework particularly as it relates to safety and security. Over the medium term there are plans to review the existing laws with a view towards creating greater relevance, introduce new laws (including a forensic science bill and telecommunications interception bill), and provide counselling and other support to victims of crime. The rights of criminal offenders are also important therefore the strategic plan calls for the reform of the penal system in order to facilitate a systematic approach to the rehabilitation of offenders. Penal reform
initiatives will include: the construction of a new correctional facility, the introduction of new security systems and services to inmates and specialised training for corrections officers.

(v) Collaborating with Regional and International Organisations

4.27 Border security has emerged as a top priority issue internationally, regionally and at the national level. SKN has been forced to invest significant sums to ensure that all port facilities attain international standards. The recent introduction of the machine readable passport system by Government will assist in meeting the challenge of complying with the standards set by the International Civil Aviation Organisation and help Government to enhanced border control. SKN recognises the benefits of collaborating with regional and international partners in the fight against crime therefore GSKN will continue to fostering close collaboration with our partners at all levels and continue to network with international and regional entities and organisation through our membership of INTERPOL, the UN and its agencies, OECS, CARICOM and RSS.

C. MILLENNIUM DEVELOPMENT GOALS – Underlying Policy Framework

4.28 The MDGs formalizes the approach that the Government of St. Kitts and Nevis has been pursuing in the area of social development over the past few decades. The underlying policy framework for future social development in SKN is therefore based on achieving “the Millennium Development Goals (MDGs) targets. The goals have associated targets and indicators which allow for monitoring and evaluating progress in this area. The MDGs are a set of numerical and time bound targets. SKN is currently collaborating with other countries in the region to expand the targets to highlight areas that are of special importance and interest to the Caribbean Region. The Government also acknowledges that it has to set its own country specific targets in relation to the MDGs and in the context of its own economic, social and political circumstances. Box 4.2 below summarises the proposed Caribbean specific targets.
### BOX 6: Millennium Development Goals – Caribbean Specific

**GOAL 1: ERADICATE EXTREME POVERTY AND HUNGER**
- **Target 1**: Halve, between 1990 and 2015, the proportion of people who fall below the absolute poverty line.
- **Target 2**: Halve, between 1990 and 2015, the proportion of people who suffer from hunger.

**GOAL 2: ACHIEVE UNIVERSAL SECONDARY EDUCATION**
- **Target 3**: Ensure that, by 2015, children in the Caribbean, boys and girls alike, will be able to complete full course secondary schooling, up to at least Grade 12 (5th Form).

**GOAL 3: PROMOTE GENDER EQUALITY AND EMPOWER WOMEN**
- **Target 4**: Eliminate gender disparity in primary and secondary education, preferably by 2015, and to all levels of education no later than 2015.
- **Target 5**: Eliminate gender disparities in income and occupational opportunities at all levels and sectors, no later than 2015.
- **Target 6**: Reduce by 60%, the incidence of physical acts of gender-based violence.

**GOAL 4: REDUCE CHILD MORTALITY**
- **Target 7**: Reduce by two-thirds, between 1990 and 2015, the under-five mortality rate.

**GOAL 5: IMPROVE MATERNAL HEALTH**
- **Target 8**: Reduce by three-quarters, between 1990 and 2015, the maternal mortality ratio.

**GOAL 6: COMBAT HIV/AIDS, MALARIA AND OTHER DISEASES**
- **Target 9**: Have halted by 2015 and begun to reverse the spread of HIV/AIDS.
- **Target 10**: Have halted by 2015 and begun to reverse the incidence of malaria and other major diseases.

**GOAL 7: ENSURE ENVIRONMENTAL SUSTAINABILITY**
- **Target 11**: Integrate the principles of sustainable development into country policies and programmes and reverse the loss of environmental resources.
- **Target 12**: Halve by 2015 the proportion of people without sustainable access to safe drinking water and proper sanitation.
- **Target 13**: Achieve by 2020 a significant improvement in the lives of at least 70% of persons living in poor communities.
- **Target 14**: Construct and implement a vulnerability index for the Caribbean within the next 5 years, which is sensitive to economic, social and environmental vulnerabilities.

**GOAL 8: DEVELOP A GLOBAL PARTNERSHIP FOR DEVELOPMENT**
- **Target 15**: Develop further an open, rule-based, predictable and equitable trading and financial system.
- **Target 16**: Address the special needs of the least developed countries.
- **Target 17**: Address the special needs of landlocked countries and small island developing states.
- **Target 18**: Deal comprehensively with the debt problems of developing countries through national and international measures in order to make debt sustainable in the long term.
- **Target 19**: Develop and implement strategies for decent and productive work for the unemployed.
- **Target 20**: In cooperation with pharmaceutical companies, provide access to affordable, officially approved essential drugs in developing countries.
- **Target 21**: In cooperation with the private sector, make available the benefits of new technologies, especially and communications
D. POVERTY REDUCTION

4.29 Poverty reduction is a core development issue for the Government of St. Kitts and Nevis. The 2001 Country Poverty Assessment Report (CPA) highlights the characteristics of poverty in both St. Kitts and Nevis. The CPA revealed that 30.5% almost 1 in 3 persons in St. Kitts was classified as poor with an indigent population of 11%. The corresponding figures for Nevis were a poverty level of 32% and an indigent population of 17%. Poverty in SKN unlike other Caribbean countries is not associated with high unemployment. The phenomenon of the working poor is a significant factor in the analysis of poverty in the Federation. While the majority of the population of working age are employed a large number of these individuals attract low levels of pay. According to the CPA as much as 58.8% of the poor within the workforce did not possess any educational certification. Despite a literacy rate of 98% in the Federation and a sustained level of investment in the education sector over the years, it is apparent that a significant proportion of the workforce have not benefited from the advances that have occurred in the areas of education and training.

4.30 Several features of the poor are shared by ex-sugar workers who may also fall into that category. The characteristics of the ex-sugar group match those of the more vulnerable group identified in the CPA, mainly female heads of household in elementary occupations with a large number of dependants. The effects of the closure of the industry will be felt more directly by the displaced sugar workers and their dependants through losses in income, well-being, and social protection. However, the effects will also extend to the wider community, through multiplier effects on the local economy and the social impact.

4.31 Yet other factors that may be influencing the poverty rate are household vulnerability and consumption volatility, deriving primary from terms of trade and macroeconomic shocks. These are directly related to the small size of the Country and its openness to international trade, which in turn make the economy and thus household incomes highly susceptible to exogenous shocks (including natural disasters) while limiting the Country’s ability to directly influence and ameliorate their impacts.

4.32 The Government is currently preparing a National Poverty Reduction Strategy and Action Plan that will set out a comprehensive framework for addressing the peculiarities of poverty in SKN. A second CPA will be conducted during the second half of 2006 in an effort to update existing information regarding poverty in the country. Regular poverty assessment surveys need to be undertaken in order to measure the progress being made in terms of reducing poverty as well as to capture any significant changes in the extent, nature and characteristics of poverty.
Strategies for Strengthening Social Protection and Eradicating Extreme Poverty

4.33 St. Kitts and Nevis has taken important steps towards an effective social protection system. The Human and social development of the country relies on a tightly integrated approach if the plight of the poor or socially disenfranchised is to be addressed effectively.

BOX 7: PROFILE OF EX-SUGAR WORKERS

A detailed profile of former sugar workers produced by the 2002 ECLAC social audit, and later updated by the 2005 OECS study on ‘St. Kitts and Nevis: Retraining the Sugar Workers’, revealed the following profile of the ex-sugar workers:

- SSMC records document that 1,406 workers were in employment at the time of the closure in July 2005. Women accounted approximately 30% of the labour force and 67.3% of workers were in the 35-50 age range.
- Employee attachment was high, with average tenure with the Corporation being 21 years in 2002; and this was their only employment as just 18% of employees had other jobs.
- The majority of the labour force was unskilled and few had any certification of formal or vocational education. In 2005, 270 women and 213 men were employed in field operations, with four in every five women in the industry employed in field operations.
- The impact of displacement will be extended to the households and dependants of sugar workers. Women workers live in larger households, around 22% of women are the sole breadwinners in their households and 44% of women heads of household have 6 or more members. In addition, 52% of male employees and 23% of female employees indicated they supported persons outside the household.
- Few sugar workers received any outside support, only 13% did so in 2002 with public assistance being the main outside support for males, and relatives the main support for women.
- Employment in the sugar industry provided workers with a package of employee benefits and insurance, including pensions, maternity protection and health insurance.
Strengthening social assistance

4.34 The review of targeting suggests a number of areas where improvement in the design, targeting, and delivery of social assistance are possible. The key point is the need to shift its orientation from social assistance to social development, in which the emphasis is placed on protecting, promoting, and empowering the poorest and most vulnerable. It will also involve coordinating and integrating existing public programmes and targeting them on the poorest households.

Increasing the capacity of social development agencies to ensure effectiveness of assistance programmes

4.35 Social Services and social development Agencies have not developed a culture of monitoring and evaluating recipients of their service. Consequently, individuals continue to benefit without any proper re-assessment of their need. Officers in these ministries should be equipped with not only the practicalities of social work but a more scientific/statistical and holistic approach to providing assessment.

Improving the effectiveness and efficiency of training programmes

4.36 Access to education and training is one of the most important components of an anti poverty strategy. The SKN CPA analysis showed that those without educational qualifications were the poorest in the society. However, for individuals to have real access there must be enhanced collaboration and cooperation between agencies to identify barriers and ensure that programmes are relevant and efficiently run. Moreover, inadequately resourced training programmes will not be effective in meeting stated objectives. The matching of identified training priorities and programmes with requisite funding will ensure that the training needs of young people, school leavers, young adults and the unemployed and underemployed are met.

Affordable health care for all

4.37 Costs associated with unpredictable health care are a primary factor in generating poverty. To the extent that the poor finance their health care costs from out-of-pocket expenditures, it also generates inefficiencies in health care provision (for example through purchasing non-prescribed drugs over the counter, or economizing in primary health care). Subsidies for health care could be better targeted on the poor.
Improving access to health care services

4.38 Health plays a critical role in the nation’s quest for sustainable development. The health system provides for certain vulnerable groups within society so as to ensure access and adequate coverage. One of the main barriers to access is knowledge. Ensuring that these groups have knowledge of activities within the health sector that are for their benefit remains paramount to any restructuring effort of the health sector. The dissemination of information and the conduct of instructive sessions within communities will be an interesting starting point. The elimination of resource shortfalls whether human or capital provide a good launching point for effective service delivery at the primary, secondary and tertiary level of health care.

Strengthening Labour markets to ensure productivity and competitiveness

4.39 Gainful employment is central to the elimination of poverty for a significant proportion of the poor. It is therefore crucial to improve the employment levels of low skilled workers and young labour market entrants in order to combat poverty. Creating full time, well remunerated jobs is also essential to lifting people out of poverty. For this to occur, however, increasing the job creation capacity of the economy through increased economic activity must be accompanied by the requisite training and education to produce a competent and flexible workforce.

Improving access to covered employment

4.40 Existing active labour market programmes in St. Kitts have proved effective in facilitating the transition from school to work and providing employment for unskilled and hard to employ workers. These initiatives should continue to be supported and where possible scaled up. The proposals being developed to expand the Youth Skills programme into a National Skills Development programme covering youth and adults is an important step in facilitating the transition from school to work, improving the skills base of the labour force, and the competitiveness of the economy. The current Park and Beaches Unit provide employment for unskilled and hard to employ workers. It currently has 134 places, but there is scope for expanding it to 200 places within existing management and operational structures. In addition, there is scope for the provision of unskilled employment of former sugar workers in environmental conservation.
CHAPTER 5. ENVIRONMENTAL PROTECTION, LAND MANAGEMENT AND DISASTER MITIGATION

A. OVERVIEW

5.1 Over the centuries, the sugar cane plant has moderated the influence of green house gas emissions on the environment of St. Kitts and Nevis. In addition, the sugar cane grass protects and preserves the fragile volcanic soils of the island preventing both disastrous flooding and erosion, and allowing for the infiltration of rainfall and the recharging of the extensive underground coastal aquifers which now supply over 90% of the population with potable water. Without this extensive land cover, and given the topography of St. Kitts, with its central volcanic cones whose steep hillsides are punctuated by numerous ghauts draining the hinterland and discharging into the surrounding sea, not only would there be widespread loss of fertile top soils, but there would be considerably more land-based pollution of the sea, further destroying the already stressed and threatened coral reefs. When coupled with rapid changes to the natural and built environments due to development pressures and the competing demands for land, it is clear that the greatest possible long-term effect of the cessation of sugar cane cultivation for St. Kitts and Nevis may very well be environmental.

5.2 The economic benefits of environmental protection are not easily quantified. A qualitative assessment of the potential losses of not investing in environmental protection is proposed as an alternative. In the worst case scenario, where the environment rapidly became degraded after the closure of the sugar industry, a number of important sectors could be affected.

5.3 Tourism is one of the principal sectors that directly benefits from environmental protection as it is highly dependent on the physical environment for its viability. Much of the attractiveness of St. Kitts to tourists depends on the landscape aesthetics. Income from tourism will decline and the reputation of St. Kitts as a tourist destination would suffer and be expensive to rebuild. If left unchecked environmental degradation may result in a net reduction in the significance of St. Kitts and Nevis as a tourism destination. Conservative estimates suggest that environmental degradation and the associated impacts could lead to a 20% reduction in tourism related revenues.\(^2\)

5.4 The second benefit from environmental protection of the former sugar lands relates to the protection of existing investment in physical infrastructure. The coastal road is vulnerable to damage, if

\(^2\) FAO/CDB Agricultural Diversification Project Preparation Report
the catchments and ghauts it crosses are not stabilised. Roads and houses near ghauts are vulnerable to the expansion of drainage lines, particularly in the peri-urban areas of Basseterre. Repair costs to five percent of the roads, bridges and houses in the vicinity of ghauts could be significant.

5.5 Thirdly, a reduction in the productivity of agricultural land through environmental degradation will reduce the value of that land and decrease the available options for alternative uses. The costs of repair and replacement will exceed the costs of protection. The significance of agricultural land losses will depend on the market for land, but on an island with limited land resources, it is likely to remain high, and could be estimated at 5 percent of the area. Finally, the cost of environmental protection of catchments to facilitate aquifer recharge, results in lower water costs than those associated with alternative sources, such as desalination. The unit cost of desalinated water is typically in the order of ten times higher than that obtained from groundwater.

5.6 These combined losses more than justifies the implementation of strategies discussed in this chapter (see Section E). It is against this backdrop that GSKN will implement environmental management programmes in the following broad areas: land degradation, watershed management, protected areas, urban revitalisation and cultural heritage. Over the medium term, the GSKN will seek to:

(a) reduce current and potential environmental degradation particularly in the area of solid waste and marine pollution;
(b) reduce the adverse environmental effects of current and future economic development;
(c) educate and raise awareness on current and potential environmental issues;
(d) ensure adherence to international environmental conventions to which St. Kitts and Nevis is signatory;
(e) research and promote the available environmentally friendly alternate technologies in the energy and water sector; and
(f) protect and conserve threatened biodiversity resources.

B. ENVIRONMENTAL PROTECTION

Regional and International Environmental Agreements

5.7 The preparation of a National Environmental Management Strategy and Action Plan (NEMS) for St. Kitts and Nevis is a requirement of GSKN in discharge of its obligations under the St. George’s
Declaration (SGD) of Principles for Environmental Sustainability in the Organisation of Eastern Caribbean States (OECS). There are 21 Principles that have been prescribed in the SGD and, like other OECS States, St. Kitts and Nevis have agreed to utilize these in the governance of national affairs. The 2005 NEMS for St. Kitts and Nevis was developed through a process of public consultations.

5.8 GSKN has certain obligations under a number of multilateral environmental agreements (MEAs). These include the United Nations Convention on Biological Diversity (CBD), the United Nations Framework Convention on Climate Change (UNFCCC) and the United Nations Convention to Combat Desertification (UNCCD). Under the auspices of these MEAs, GSKN is in the process of developing a number of priority action plans that it will undertake in order to ensure compliance.

5.9 With a focus on sustainability and equity, the CBD aims to make the best use of, and mitigate the threats to, biological diversity. The summary below highlights the obligations and responsibilities of GSKN as a Party to the CBD:

(a) The conservation and sustainable use of the products of biodiversity should be integrated into national planning;
(b) Guidelines, tools and processes should be used as necessary for identifying, monitoring, regulating and conserving biological diversity, including the establishment and management of a system of protected areas;
(c) Principles of conservation and sustainability should be put into practice both within and outside of protected areas;
(d) Measures should be taken to rehabilitate endangered species, to prevent the introduction of alien species and to control or eliminate those which threaten ecosystems or species;
(e) Local knowledge and practices relevant to sustainable use of biodiversity should be maintained; and
(f) The legal and regulatory framework to protect endangered species should be maintained as well as the development of programmes for their recovery.

5.10 The UNFCCC aims to control and reduce the effect on the environment of greenhouse gas emissions (gases produced, for e.g., in industrial operations, vehicle emissions and burning of organic materials). This summary highlights the obligations and responsibilities of GSKN as a Party to this agreement:
(a) Make available national inventories of emissions by sources and removals by sinks of greenhouse gases;
(b) Take issues of climate change into consideration in overall national planning;
(c) Enact national programmes to mitigate the effects of, or adapt to, climate change;
(d) Cooperate and share information on processes and practices to deal with mitigation of, or adaptation to, climate change, including research across disciplines and sectors;
(e) Promote sustainable management and conservation; and
(f) Encourage public awareness and participation, access to information and appropriate training of personnel.

5.11 The UNCCD is concerned with reducing drought and eradicating poverty. The summary below highlights the obligations and responsibilities of GSKN as a Party to this agreement:

(a) Cooperation and participation must be facilitated at all levels and programmes must include strategies for poverty eradication.
(b) The underlying causes of desertification and drought should be identified and attempts made to manage them within a framework of sustainable development.
(c) Community participation, particularly of women and youth, should be encouraged.
(d) National action programmes should identify causes of desertification and drought as well as appropriate remedial action.
(e) National action programmes should include development of early-warning systems, better drought preparedness, food security systems, alternative livelihood projects and irrigation systems.
(f) Efforts to improve education and public awareness, including that of women and children, should promote interdisciplinary understanding and sustainable practices.

Coastal Area Management

5.12 The coastal areas of St. Kitts and Nevis are an invaluable asset and a vital part of the island’s tourism infrastructure. The beaches and reefs must be preserved if their contribution to tourism is to continue. They are, however, being threatened both by continual development in land and by the ravages of storms — especially in the last decade. Hotel development has mushroomed at the same time that the islands have been visited by several severe hurricanes — most notably Hurricane George in 1998 and Hurricane Lenny in 1999.
5.13 The main island road on St. Kitts is a coastal road circumnavigating the island. At many points the road runs along the coastline and at several points has been subjected to coastal erosion. Recent programmes in 1996 and in 2004/2005 have provided coastal erosion protection by the provision of rock armouring, particularly at the Newtown Boulevard in east Basseterre and at several other points on the Leeward Highway. These have been very successful, withstanding the strong storm surges of Hurricane Luis, Marilyn, Georges and, particularly, Lenny in 1999. There remain, however, several vulnerable sites, namely those at Conyers, Parsons, Frigate Bay, Irish Town Bay Road and Fortlands which require coastal protection works.

**Watershed Management**

5.14 Developmental activities are encroaching on key water watershed and coastal aquifers thereby threatening the quality of drinking water supplies. Disposal of industrial liquid wastes, oil products, or other substances that may produce harmful leachates, needs to be strictly controlled in all aquifer areas. The forest is of vital importance to sustainable development, particularly in relation to water supply, fuel wood and the prevention of erosion and landslides. Increasing population pressure coupled with a rising demand for agricultural lands can lead to acceleration in the rate of deforestation. In addition, mangrove forests are increasingly threatened by tourism-related development projects. Programmes such as soil conservation, agro-forestry and watershed management needs to be steadfastly promoted. Safeguarding water quality by proper management of the forested watersheds and by proper pollution control is of vital importance.

5.15 Historically, the wider Wingfield area has been utilised for plantation agriculture, particularly sugar cane and orchards. This resulted in the loss of the area’s forest cover and in soil erosion and depletion. In spite of these problems, however, the Wingfield area still displays an intrinsic natural beauty as represented by its sharp, scenic and dramatic ridges, deep ghaunts and varied foliage. The best water intakes are located at the springs of the Wingfield and Frankland rivers. Within the national context, Wingfield Estate and Old Road Village represent an outstanding terrestrial and marine ecosystem, which is most worthy of inclusion in the parks and protected areas system.

**Management of Protected Areas**

5.16 The Government of St. Kitts and Nevis holds the strong conviction that conservation policies seek to protect and enhance landscapes as natural assets for recreational, aesthetic, economic and
ecological reasons. The facets of the natural landscape that are of main conservation interest include national parks, special landscape features, trees and other sites of scenic value. To date, only the Brimstone Hill Fortress National Park and the Wingfield National Park in the Middle Range have been so designated, but with the exception of Brimstone Hill Fortress national Park, no management plan has been prepared to guide the operations and future development of these parks.

5.17 The geological formation of St. Kitts left several unique landscapes including the Black Rocks coastal formation east of Belle Vue, the crater site at Mount Liamuiga and the Dos D’ane crater lake need to be declared as Protected Areas. In addition, there are numerous sites of special value as viewpoints. The Southeast Peninsula also offers fantastic vistas that need to be protected.

5.18 To date, the Government has identified for conservation the Wingfield National Park in Old Road, the Central Mountain Range and the Basseterre Valley area as part of the resource endowment to its tourism industry.

5.19 Used primarily for agriculture, the Basseterre Valley is under considerable threat from a wide variety of development activities such as tourism, housing and infrastructure. The dilemma faced by policy makers is that the Basseterre Valley contains the largest groundwater aquifer on the island and produces a significant portion (2.5 million gallons per day) of the country's potable water supply. The aquifer is currently being stressed by a combination of natural factors including increasing climate variability and the recurrence of drought. In addition, the threats posed by human developmental activity can reduce the capacity of the aquifer to provide Basseterre and environs with a pollution-free water supply. Human induced impacts have been slow in materialising but the effects of fertiliser applications to the existing cane fields, sewage treatment and disposal associated with recent commercial, industrial and housing programmes and storm water runoff along major roads traversing the aquifer have led to an unprecedented increase in the loadings of nitrates and phosphates. In response to these threats the Government proposes to implement a programme of actions designed to identify and arrest the threats to the groundwater resource base. Modern technology such as computer modelling will be used to assess and make predictions on present and future threats, so that mitigative efforts could be arrived at before serious affliction could have any negative effect.
C. LAND USE PLANNING AND MANAGEMENT

5.20 At the closure of the sugar industry in 2005, there were some 9,300 acres under sugar cane out of about 12,472 acres of land in agricultural production (or 28% of the total area of the island). Other significant land uses include lands reserved for housing, touristic uses, critical community facilities and national parks. Forest and scrub account for approximately 21,756 acres (50%) of the total land area. The main forested areas are found above the 1,000 ft contour. Scrub vegetation is the dominant landscape feature on the 3,600-acre South-east Peninsula. Agriculture is the other dominant land use, mostly found on gently sloping land (below the 1,000 ft. contour). The upper slopes above the sugar lands have mixed uses including grazing, food and tree crops and abandoned (unused) cane farms. The other significant land use category is the built-up area (comprising various forms of residential, commercial, industrial, tourism and institutional use) that covers about 4,150 acres (10%) of the island’s total land. The remaining 2,482 acres (5.4%) constitute derelict land, rocks, salt ponds, national park, and beaches.

5.21 Approximately 80% of the island’s land resource is owned by GSKN and about 7,000 acres are privately owned. The SEP accounts for 50% of the privately owned lands on the island of St. Kitts. The existing land ownership pattern is a direct result of the compulsory acquisition of the sugar estates in 1975 by the Government. In some cases, freehold interest has been granted by the Crown with respect to residential lands on former sugar estates while a lease hold interest has been given for some agricultural lands. The Government has also over the years mortgaged approximately 4,700 acres of land as a guarantee for loans contracted by the SSMC.

5.22 The closure of the sugar industry has posed a serious challenge to planners with respect to future land management and land use. Increasing non-sugar cane production remains a desirable goal. However, the main constraints relate to the distribution of agricultural lands and the land tenure system. The immediate issue raised is how the land should be managed to retain its productivity and facilitate its subsequent use with minimal environmental damage. Although there is some understanding of the likely land use changes expected following sugar, there is a need for more robust information, to make informed decisions on the potential land management options.

5.23 In this regard, the 2006 National Physical Development Plan (NPDP) produces a vision of what St. Kitts will be fifteen (15) years into the future. It depicts, in words and images, what the island seeks to become — how it will look, how it will function and how it will be different and better fifteen years from now. It clearly expresses what St. Kitts wants to become and is the foundation for all major decisions that
will guide the planning of the island’s future development. Growth-related issues include policies on transportation, parks and recreation, natural and historic resources preservation, housing, economic development and community facilities. The NPDP represents GSKN’s official policy with regard to the form and pattern of future land development. Thus, it will be used to direct growth on the island of St. Kitts. Accordingly, it will serve as a reference guide when considering future land uses, re-zonings, annexation, natural and heritage conservation, subdivisions, and site plans. It will also be used to direct the provision of public infrastructure and aid decisions for private sector investment.

5.24 The NPDP also provides analyses of opportunities and constraints presented by the natural and built environments. These analyses include a consideration of such natural features as soils, slopes, water resources, and floodplains. In addition, the impacts on Basseterre’s growth presented by the Basseterre Valley aquifer, the road transportation system, and other aspects of the built environment are fully considered. An analysis of current and future land-use supply and demand are included in the NPDP in order to establish the assumptions upon which Local Area Plans (LAPs) are based. The land use strategy considers the location, size, function and growth of existing and new settlements and their spatial and functional relationships. It also provides a framework for the provision of physical and social infrastructure and opportunities for economic activity, in accordance with a comprehensive settlement strategy.

5.25 The social and economic benefits of environmental protection are not easily quantifiable. However, the experience of both developed and developing countries has revealed that there are grave socio-economic impacts associated with inadequate investment in environmental management. As a direct result of the closure of the sugar industry, the central Government will be forced to absorb both the costs and actual activities associated with land management in particular the conservation activities formerly undertaken by the SSMC.

**Land Management Unit**

5.26 The closure of the sugar industry has presented an opportunity to establish a new, well-resourced institution, to take on existing responsibilities, but also with the potential to undertake future challenges. Under SSMC, soil conservation measures were integrated into the overall management structure, by the practical needs of producing and transporting sugar cane. Thus, GSKN proposes to establish a Land Management Unit (LMU) to ensure that the land resources of St. Kitts are sustainably managed and informed decisions on future land use can be made.
5.27 The immediate aim is to limit environmental damage resulting from closure of the sugar industry. The specific tasks of the Unit will include continuing the activities currently undertaken by SSMC, namely:

- **Soil conservation interventions**, including designing and constructing terraces, waterways and other structures, maintaining vegetation cover to protect and prevent topsoil loss, contouring, strip cropping, terracing and minimum tillage plus the planting of khus khus grass (*Vertiveria zizanioides*) to prevent severe erosion or sediment damage.

- **Maintaining the unpaved road network** (estimated at 500 miles) within the cane area. Where the road incline exceeds approximately 8 percent, slope structures locally know as sluices will be built. These are low-level diversion bunds built across the road at regular intervals, which channel run-off into large soak-away pits at the edge of the road. These break the flow of water that would otherwise erode the roads, rapidly turning them into gullies. The soak-away pits have to be regularly re-excavated to remove accumulate sediment.

- **Construction and maintenance of diversion drains**, including sluices, cross drains, culverts and grass water ways to divert excess water from one area for use or safe disposal in other areas thereby reducing erosion and controlling gully flows of water that would destroy roads and threatened land settlement areas.

- **Ghaut stabilizing** including catchment protection to reduce the amount of water entering the ghaut, and stabilizing the grade and controlling erosion in natural or artificial channels to prevent the formation or advance of ghauts through the construction and maintenance of gabion structures and embankments.

- **Providing a sustainable land management farm planning and advisory service** to existing and new farmers.

- **Fire Control**, to avoid destruction of crops, the natural vegetation and adjacent properties.

- **Moisture conservation**, thereby maintaining crop cover, minimize run off and allow for recharging of aquifer.

5.28 The LMU would be established within the Ministry of Sustainable Development, specifically within a restructured Department of Lands and Surveys. Staffing the LMU may be done through a redeployment of staff and skills. The LMU also provide an avenue for the employment of a number of former SSMC workers who has acquired the requisite skills and experience over the long years of service in this critical area of land management.
5.29 The above discussion only focuses on land as it relates to physical development and environmental protection however any further elaboration of these plans must take into consideration the strategic role land is earmarked to play at the macro level. More specifically, the framework established for land management must take cognizance of the fact that land sales are expected to provide an important source of financing for the national debt.

D. DISASTER RISK MANAGEMENT AND REDUCTION

5.30 Recent strikes by Hurricanes Luis, Marilyn, Georges and Lenny bear testimony to the fact that St. Kitts and Nevis is particularly vulnerable to damage from tropical storms. This vulnerability is the result of a number of conditions that have come together, including proximity of all settlements to the coastal area; rapid growth in the housing sector; and, geographical location within an area that is particularly prone to hurricanes. While no one of these conditions, by itself, significantly increases St. Kitts’ risk from storm damage, taken together they represent a serious threat to the well-being of the country’s population, to the safety of buildings and property, to the quality of the country’s natural resources, and to the integrity of the country’s fiscal resources. For the period 1995 to 1999 alone, five major hurricanes impacted St. Kitts and Nevis causing damage amounting to about 85% and 140% of GDP in 1995 and 1998, respectively.

5.31 It has been noted that if SKN experiences a similar episode of negative impacts as the late 1990s, then the country can expect increases of up to 20 percentage points in the debt to GDP ratio. Such vulnerability of the economy to natural shocks (hurricanes) compels GSKN to seek out practical options for risk reduction and contingency planning which can help to mitigate economic disruptions associated with natural disasters.

5.32 GSKN, therefore, recognises the importance of consistently working towards the building of a disaster resilient country. In this regard, current policy attempts to link hazard mitigation and development management in order to reduce the adverse impacts of natural hazards, with respect to the loss of life and the protection of property. As part of a regional initiative, GSKN has embraced the concept of Comprehensive Disaster Management (CDM). The aim here is to have disaster management fully integrated in national development policy and implementation. The CDM Strategy considers the involvement of all sectors with the long term goal of promoting disaster mitigation as a risk reduction measure. This approach – both before and after the storm – will serve as the foundation for rational

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3 St. Kitts and Nevis – IMF 2005 Article IV Consultation Report
decision-making concerning development and redevelopment on the islands. In this regard, the 2006 National Physical Development Plan advocates land use planning and control as a disaster mitigation measure. It is expected that this approach as far as is practical would prevent development from taking place in vulnerable areas.

5.33 To date, the country has put into place a variety of programmes and legislative initiatives that deal with the issues generated by natural hazards and man-made disasters. GSKN has established the National Emergency Management Agency (NEMA) to coordinate activities with respect to disaster management. The Ministry of Sustainable Development and other key government agencies, including Electricity and Water Departments, and Ministry of Agriculture and Housing, are expected to assist NEMA in coping with adverse disaster situations.

5.34 The National Disaster Management Plan attempts to address hurricanes and other disasters, both natural and man-made. This plan outlines various approaches to be taken before, during and after a disaster, and the various responsibilities of each government department in case of a disaster. It involves the mobilization of human and material resources of the country in planning, training and managing the various aspects of a disaster or a major emergency in order to return the country to a state of normalcy as quickly as possible. Strategies include:

- (a) the structuring of various emergency committees and the coordination of responses by public utilities and other emergency services;
- (b) provisions for emergency response activities by all non-government actors;
- (c) the establishment of an emergency telecommunications network;
- (d) the rapid assessment of disaster-related damages; and,
- (e) the establishment of a post-disaster relief and rehabilitation mechanism.

5.35 GSKN has employed a community-based approach to disaster management in St. Kitts and Nevis. Presently, there are eight Disaster Districts on St. Kitts and five on Nevis. Each district is managed by a committee with membership based on volunteerism. A Districts Coordinator has been employed at the NEMA to interface and coordinate related activities with the districts. Over the years this approach has influenced a greater degree of participation at the grassroots level in disaster management activities including disaster preparedness, mitigation, response, and recovery.
5.36 In addition, the GSKN has conducted exercises in hazard analysis and vulnerability mapping as a mitigation measure. However, recognizing that risk reduction requires a sustained effort, there is the need to continuously update these assessments to reflect new and or probable risks. GSKN has also invested heavily in the implementation of soft and hard engineering solutions to address physical vulnerabilities. Improvements in construction, in particular methods of roof fixing and attachments, have led to an increased resilience of the housing stock. The installation of coastal defence systems mainly through rock armouring is assisting in reducing coastal erosion.

5.37 Early in 2006, St. Kitts and Nevis along with several other Caribbean countries signed grant agreements with the World Bank to initiate the implementation of an OECS Catastrophe Insurance Project. Participation in this Project will assist GSKN to achieve its objective of ensuring adequate provisions are made for the management of catastrophic risks. The development objectives of the Project are stated as follows:

(i) to establish comprehensive country and sub-regional risk management strategy which will reduce future fiscal, economic and financial volatility in the wake of natural disasters, due to the resource dislocations and historical budget outlays which have been required for reconstruction of uninsured or uninsurable private and public sector assets; and

(ii) to strengthen the domestic insurance industries and their arrangements with the international industry and the credit markets, in order to augment the capacity of the financial/insurance markets to absorb and transfer domestic risk exposures, while building up the requisite reserves for pre-funding and insuring against future disasters

5.38 The medium to long term programme for disaster risk management and reduction will also focus on overall mitigation and management with special emphasis on the following:

(i) Strengthening NEMA and the Emergency Operations Centre;

(ii) Strengthening Public Infrastructure, through improvements in the reliability of the water supply after the impact of a storm, improvement in the supply of electricity by the repairing of the major overhead and underground cables around the island, and enhancing road and coastal protection.

(iii) Capacity building in assessment and early warning;

(iv) Promoting Community Based Disaster Management; and

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4 World Bank OECS Catastrophe Risk Management and Insurance Reform Project Report
E. KEY STRATEGIES AND PRIORITY ACTIONS

5.39 GSKN commits to develop, promote and implement programmes to address poverty, health, employment, education, social development and environmental protection as well as provide basic needs to sustainably improve the quality of life within the carrying capacity of its natural resources. GSKN proposes to continue the planned agenda for effective environmental management by pursuing the following strategies:

5.40 Regional and international environmental agreements

(a) Cooperate towards the maintenance of regional environmental initiatives that equitably meet the development and environmental needs of present and future generations.
(b) Endeavour to remain a party to multi-lateral environmental agreements relating to the principles of the SGD, especially those related to biodiversity, climate change and desertification.
(c) Establish appropriate and relevant integrated strategies, plans and policies to adapt and respond adequately and in timely fashion to the causes and impacts of climate change.
(d) Design, promote and implement measures to prevent, mitigate and control the degradation of aquatic, terrestrial and atmospheric environmental quality and processes conducive to desertification.
(e) Implement the measures contained in the National Biodiversity Strategy and Action Plan (NBSAP) for St. Kitts and Nevis.

5.41 Land use planning and management

(a) Adopt the National Physical Development Plan 2006 and ensure that the land use measures proposed are implemented.
(b) Develop and implement a programme for monitoring and analysing sewage effluent and pesticide residues.
(c) Formulate, promote and implement integrated development policies, plans and programmes to ensure that environmental management is treated as an integral component of the planning processes in pursuit of sustainable development.
(d) Continue to enforce the requirements for Environmental Impact Assessments (EIAs) under the Development Control and Planning Act, 2000.

(e) Develop and support improved and integrated land management practices that deal comprehensively with potentially competing urban land requirements for, *inter alia*, housing, industry, commerce, transport and open spaces.

(f) Upgrade the Geographic Information System (GIS) housed in the Department of Physical Planning and Environment to a Land Information System (LIS).

(g) Establish a Land Registry with primary responsibility for registration that will stimulate private sector activity in surveying and notarial services, set up an automated parcel-based registration system linking parcel maps and identification data, speed up and simplify procedures, and move toward reform in property valuation.

(h) Prepare and adopt a Land Use Code that provides the rules and processes to carry out the NPDP policies and proposals including, but not limited to, zoning districts defining uses and their intensities, the process for subdivisions, site plan review, development standards, and other land use procedures.

(i) Build awareness among key stakeholders on the Land Use and Building Codes and appropriate guidelines, standards and regulations.

(j) Strengthen the Department of Physical Planning and Environment to achieve, and be accountable for, effective management of the environment and natural resources.

(k) Support and enhance the capacity of non-governmental (NGOs) and community-based organisations (CBOs) for environmental management.

(l) Revise existing planning and environmental legislation to ensure that conservation and management of natural resources are treated as an integral part of development planning, and to reflect the precautionary approach to environmental management, including the adoption of specific standards to ensure protection of human health, the environment and all natural resources consistent with the principles of sustainable development.

(m) Prepare an applied GIS study to inform future land management options on the areas currently under sugar.

(n) Optimise the location of new tourism facilities to reflect the island’s carrying capacity and its development potential.

(o) Ensure that water-bearing aquifers are protected from pollution and that abstraction rates do not exceed natural rates of replenishment.
5.42 Coastal area management

(a) Adopt measures, following an incident which causes coastal and marine pollution or degradation of natural resources or harm to human health, to recover as expeditiously as possible from the legal or natural person responsible for the incident, all expenses incurred in the controlling, managing or the mitigating of the said coastal and pollution or degradation.

(b) Prepare a comprehensive Coastal Zone Management Plan.

(c) Implement a long-term coastal water quality and marine biological monitoring programme in order to gather baseline data, determine the impacts of liquid waste disposal in urban areas and at industrial sites, and identify areas requiring remedial actions.

5.43 Watershed management

(a) Implement a comprehensive reforestation programme.

(b) Allocate suitable lands for tree and vegetable cropping and controlled livestock rearing while avoiding encroachment in sensitive areas.

(c) Establish an integrated system of hiking trails, interpretive stations, camping sites, scenic viewpoints, and picnic areas.

(d) Establish interpretation centers, museums and upgrading of other services in Old Road Village.

(e) Complete paved vehicular access from Wingfield Level through to Phillips Level.

(f) Ensure that water-bearing aquifers are protected from pollution and that abstraction rates do not exceed natural rates of replenishment.

(g) Prepare a comprehensive groundwater monitoring and protection plan.

(h) Restrict development on the Basseterre Valley aquifer, especially as it is being used to provide a major portion of the acceptable potable water in St. Kitts.

(i) Establish buffer zones for all reservoirs and wells.

(j) Construct additional impounding reservoirs.

(k) Implement a long-term water quality and marine biological monitoring programme in order to gather baseline data, determine the impacts of liquid waste disposal in urban areas and at industrial sites, and identify areas requiring remedial actions.
5.44 Management of protected areas

(a) Develop a Parks and Protected Areas Plan so as to ensure that all critical natural and cultural resources receive adequate protection and management.

(b) Restrict development on the Basseterre Valley aquifer, especially as it is being used to provide a major portion of the acceptable potable water in St. Kitts.

(c) Declare areas with unique terrain, flora and fauna, and high recreational potential as national parks.

(d) Adopt measures to restore environmentally degraded areas and to ensure the sustainable use of natural resources in a manner which reflect the principles of island systems management.

(e) Establish marine reserves to protect biodiversity in coastal habitats, especially those that serve as fish nurseries, turtle nesting sites and habitats for rare/valuable species of flora and fauna. Reserves are proposed at Sandy Shoal in Sandy Point and the South-east Peninsula.

(f) Preserve and rehabilitate coastal and marine resources to meet the needs of the fishing and tourism industries and manage development of these resources so as to protect coastal ecosystems and prevent degradation of the marine environment.

(g) Institute appropriate measures, including legislation, to provide for the researching, documenting, protecting, conserving, rehabilitating and management of cultural, historic and natural monument, buildings and symbols, as well as areas of outstanding scientific, cultural, spiritual, ecological, scenic or aesthetic significance.

(h) Establish a National Trust and enact legislation to protect heritage resources.

(i) Prepare and enact a National Historic Preservation Act.

(j) Prepare an Urban Revitalisation Master Plan to protect the historic, architectural and archaeological resources of the city of Basseterre.

(k) Designate appropriate buildings and sites of historic and architectural interest as “historic buildings” or “historic sites”.

5.45 Disaster risk management and reduction

(a) Establish, at the community and national levels, appropriate and relevant integrated frameworks to prevent, prepare for, respond to, recover from, and mitigate the causes and impacts of natural phenomena on the environment and to prevent man-made disasters.
(b) Prepare a drainage master plan for the island to cope with growing pressures on the existing drainage systems.

(c) Encourage land use practices that take into account the risk of natural and man-made disasters, integrate pre-disaster planning in human settlements, and strengthen early warning systems at the local and national levels.

(d) Construct wind-proofed and flood-proofed shelters in strategic locations to cope with post-disaster displacement of large sections of the public.

(e) Adopt a comprehensive land policy that avoids the development of susceptible and vulnerable areas.
CHAPTER 6. CROSS-CUTTING ISSUES

A. PUBLIC SECTOR REFORM

OVERVIEW

6.1 The Government is pursuing public sector reform initiatives because of the need to rationalise the sector so that it can respond more effectively to the many developments occurring in the local, regional, and international environment. These reforms are also being implemented to improve the efficiency and effectiveness of service delivery and to strengthen public sector management. Another key objective of the reform programme includes the need to achieve value for money in the context of SKN’s small size, its fiscal situation and the economic transformation process. By setting a framework from which an efficient and effective public service will emerge, St. Kitts and Nevis will be better equipped to deal with some of the complex issues that will arise in the establishment of a fully functional CARICOM Single Market and Economy and from its further integration into the world economy. It is essential that public sector reform embraces a continuous process of review, evaluation and change. It is also necessary for public sector reform to be rooted in the need for accountability, transparency and good governance.

6.2 The Government is involved in reform measures characterized by a systematic approach to reform of the public sector. Two of the key areas that are earmarked for implementation are improvement of the civil service and public enterprise reform. There is a need to develop policies, institutions, and practices in those areas that will improve public policy formation and enhance the effectiveness of decision making processes within the sector. It is intended that modernizing the public sector will result in significant gains with respect to improved customer service, increased productivity, greater transparency and accountability, and increased savings and revenues. Some of the reform initiatives have already being framed, others are ongoing but there is still much that remains to be done.

CIVIL SERVICE REFORM

6.3 Improvement of the civil service is at the heart of the reform process. A corporate strategy is being prepared with a direct focus on enhancing the quality of services of the civil service. One of the most important outcomes of the quality of service approach will be the successful reshaping of the culture of the workplace to bring about improved customer service. Enhanced public sector performance will be accomplished by pursuing the following initiatives:

(a) Developing and strengthening a good work ethic;
(b) Instituting comprehensive auditing procedures;
(c) Establishing and promoting a reward and incentive system based on performance; and
(d) Developing and enforcing a disciplinary code.

6.4 The St. Kitts and Nevis Civil Service Improvement Initiative Outlook 2010 targets seven (7) key components of the civil service organization namely strategy and policy framework, value chain system, structure, resources, regulatory and bureaucratic framework, administrative framework, and productive framework. These are expected to yield measurable improvements within a system of targeted priorities. This should result in a professional civil service organisation that is based on performance. This type of reform however, can only be successful following a culture change within the service. It is therefore important to have buy-in to the reforms within the service at all levels specifically by the change agents i.e. the political directorate, permanent secretaries, department heads and other managers, and mainline staff.

PUBLIC ENTERPRISE REFORM

6.5 Improving the management of public enterprises is necessary to reduce fiscal imbalances and the accumulation of public debt. The Government is cognizant of the urgency to strengthen and improve the management of its public enterprises and is prepared to streamline their operations to generate efficiency savings. The Government is also prepared to provide financial and accounting expertise to attain high standards of accountability and transparency for all public enterprises. In this regard, a number of reform measures will be pursued including:

(i) Updating of Relevant Legislation

6.6 Legislation is necessary to ensure that all public enterprises meet the requirement to submit their financial statements to the Ministry of Finance regularly and to schedule. The Government has requested the assistance of the Eastern Caribbean Economic Management Programme (ECEMP) to draft this particular legislation.

(ii) Establishment of an Internal Audit Unit at the Ministry of Finance

6.7 This Unit will be charged with the responsibility of monitoring and reviewing the financial reports of public enterprises on a quarterly basis. The Unit will be guided by the Government’s
commitment to achieving fiscal consolidation and to the reduction of the high level of public sector indebtedness.

(iii) Commercialising and Privatising Selective Government Assets

6.8 As part of its public sector modernisation initiative the Government has established a Privatization and Commercialization Unit within the Ministry of Finance. The focus of the Unit is two fold. The first is to identify for sale those Government assets that are surplus to requirements, for example residential property owned by the state. The second is that of reviewing Government departments and agencies to determine those that would function better within a private sector environment. In addition to raising much needed additional finance this process will reduce the size and cost of administration, provide better management of departments and enterprises and achieve a better quality of service delivery.

6.9 The privatisation and commercialisation of Government enterprises is anticipated to result in increased economic activity. It should also foster the empowerment of citizens by affording them the opportunity to participate in the ownership and management of these assets. The careful selection and timely disposal of public sector surplus assets is in line with the Government’s redefined role in the economy. This will also allow the Government to place more emphasis on its core activities, such as the provision of a safe environment, quality education, and comprehensive health care. A successful privatisation and commercialisation programme can only be mounted however, in an environment of transparency, accountability and consistency.

STATISTICAL DEVELOPMENT

6.10 The successful implementation of the adaptation strategy hinges on the availability of relevant and timely statistics. A broad range of data will be required to facilitate surveillance, monitoring and evaluation of performance of planned initiatives and to provide crucial information to decision makers in both the public and private sectors. The main challenge for SKN is that of producing comprehensive statistics that are accurate and reliable, and with the frequency and within timescales that are necessary for effective policy analysis and formulation. There are particular difficulties in the collection and analysis of data for the new service sectors of the economy. Given that the economy of SKN is primarily service led and the relative infancy status of the sector, it is important that GSKN update its statistical framework to effectively address this systemic weaknesses in the country’s statistical database.
6.11 Ongoing changes in the international and regional environment have made it imperative for the statistical authorities to expand coverage of data collection to new areas. For example, there is now the need to collect additional data for the national accounts, the need for data on trade in services and environmental statistics. As an active participant in the CSME, St. Kitts and Nevis must adjust and find ways to improve on current practices and ensure adequate coverage of new and emerging areas. The Statistics Department will therefore require additional resources to allow it to confront the current challenges and provide more comprehensive data to support the work of policy makers.

6.12 Statistics will play a prominent role in shaping policy decisions and in the monitoring and evaluation of the adaptation and transformation process. In the context of trade liberalization, the movement towards regional integration and current efforts to strengthen the service base of the economy, GSKN is committed to the following:

(i) **Reviewing and updating the statistical framework**

   (a) Standardize data collection systems.
   (b) Revise statistical legislation in order to widen its scope and make it more responsive to the changing needs of the new economy and the global environment.
   (c) Accelerate ongoing work in the production of supply and use tables, with technical assistance from regional or other external agencies to enhance the capacity for producing these tables.
   (d) Expand coverage of existing services statistics programmes.
   (e) Introduce Tourism Satellite Accounting.
   (f) Design and implement an outreach and public awareness programme to educate the public on the importance of responding to surveys.
   (g) Promote inter-agency cooperation nationally, regionally and internationally.
   (h) Establish a National Statistical Advisory Council for Statistics, to serve in an advisory capacity to the Statistics Department.

(ii) **Human Resource Development**

   (a) Pursue on-going training for statistics staff especially in the new and emerging areas of demand for statistical data.
(b) Institute a system to facilitate attachment of relevant staff to regional or other offices that have developed a high skill capacity, or specialization in specific technical areas beneficial to the Department.

(c) Redouble the current efforts to attract qualified individuals to fill the vacant statistician positions within the Department.

(d) Improve the analytic capabilities of the Statistics Department.

(iii) Improving access to new technology while exploring opportunities for greater utilization of technology

(a) Develop a central statistical database that would ensure that data remains coherent and consistent with only one version, and that the integrity of data remains unquestionable. This system will improve data management and warehousing.

(b) Update computer hardware and software allocated to the Statistics Department and relevant line ministries which supply data.

B. PRIVATE SECTOR DEVELOPMENT

6.13 The GSKN is cognizant of the significance of private investment for sustained growth and development, and is therefore committed to facilitating the further growth and development of the domestic private sector in general, and micro, small and medium sized enterprises in particular. It is unlikely however that the actions of Government alone will bring about the changes that are required to ensure a successful transition to a private sector led economy. Consequently, the Government will seek to find creative and innovative ways of forging strategic partnerships with the private sector and civil society to ensure the empowerment and full participation of these two important stakeholder groups in the transformation of the economy.

6.14 The focus of the Government’s program to facilitate the growth and development of the domestic private sector will be on the following:

(a) Maintenance of a stable political and macroeconomic environment

(b) Creating the appropriate legal and regulatory environment that will stimulate and promote private investment (particularly domestic private investment) and enterprise development.

(c) Developing efficient institutions to support private sector development initiatives.
(d) Ensuring integration into the regional and global economy.
(e) Ensuring the availability of adequate physical and social infrastructure.
(f) Maintaining safety and security.

6.15 As the political and macroeconomic environment, safety and security, physical and social infrastructure and integration have been addressed elsewhere in the strategy the focus of this section will be on the policy and legislative environment and supporting institutions.

Legal and Regulatory Environment

6.16 The local private sector community has consistently expressed concerns about the business environment, maintaining in particular, that it tends to give an unfair advantage to foreign investors relative to domestic investors. The business community has also expressed the view that various aspects of Government’s policy regime serve as a disincentive to domestic private sector growth and investment. Furthermore, and within this context it is felt that Government’s policies do not encourage a culture of philanthropy or corporate support for social projects.

6.17 The restructuring and transformation of the economy in the post-sugar era presents a unique opportunity for the GSKN to reorient existing policies and develop new policies to respond to the issues raised by private sector entities, while at the same time creating the appropriate environment for sustained growth and development in a services led economy. In this regard, the Government’s strategic partnership with the private sector will be oriented towards creating a mutually beneficial policy framework that i) stimulates greater private sector involvement in the sustainable development of the economy; ii) rewards the private sector for pre-approved behaviour that fosters wealth creation by citizens, encourages philanthropy, supports education and training for citizens, protects and conserves the environment and actively encourages and supports enterprise development; and iii) encourages responsible private sector behaviour in relation to taxation.

6.18 Recognizing the important role of the private sector in the production of goods and services and its contribution to economic growth and development, the GSKN commits to modernizing the legal and regulatory framework to support the creation and maintenance of the appropriate environment that will foster increased private sector participation in the economy. In this regard, Government intends to:
(a) Support the sub-regional and regional initiatives to modernize and harmonize the investment policy framework.

(b) Collaborate with regional stakeholders including CDB, ECCB and ECSE in efforts to support private sector development, establish the Eastern Caribbean Enterprise Fund (ECEF) and further develop money and capital markets in the region.

(c) Improve the trade policy regime to ensure that the regulatory impediments to trade are removed.

(d) Streamline the regulations that differentiate between enterprises based on size, sector and commercial status to remove the disincentives to growth and investment.

(e) Utilize GSKN’s privatization programme to create opportunities for domestic private sector investment.

(f) Review and if necessary update draft Micro, Small and Medium Enterprise (MSME’s) legislation and ensure its enactment into law.

(g) Introduce a Charities Act to promote and encourage effective giving and philanthropy by the private sector and establish the framework for recognizing charitable donations and philanthropic efforts for tax purposes.

(h) Assess the feasibility of lowering the corporate income tax rate coupled with the introduction of policies to channel the tax savings into domestic investment to stimulate further private sector growth.

(i) Develop a framework for increasing consultation and policy dialogue between Government and the private sector.

**Institutional Support for Private Sector Development**

6.19 The Government recognizes that there will be a need to develop strong institutions to monitor, supervise, and support the legislative and regulatory initiatives that will be undertaken. The GSKN will therefore take the necessary steps to rationalize and strengthen existing regulatory agencies to ensure that there is adequate capacity to undertake the regulatory functions. If necessary, additional agencies will be established.

6.20 Access to financing for micro, small and medium enterprises continues to be a challenging issue. The Government will continue to provide avenues for financing enterprise development through the Small Enterprise Development Unit and the Development Bank. Additionally, GSKN will support and
collaborate with regional and international institutions including the ECCB, ECSE, CDB, and others in initiatives to increase access to financing for MSMEs.

6.21 Skills capacity building in the public sector as well as at the industry and firm level will be of paramount importance for enhanced private sector growth and competitiveness. The GSKN intends to support capacity building by ensuring that the education system is more responsive to market demands. At the same time, the GSKN will utilize its policy framework to encourage greater involvement of the private sector in education and training for citizens of the Federation in general, but in respect of enterprise development in particular. The Government will also pursue training opportunities in areas such as trade policy and negotiations, enterprise development and corporate governance with regional and international institutions.

6.22 Given the capacity constraints, the GSKN envisages that technical assistance will be needed to assess the current business environment, and to help formulate the necessary policies, draft legislation as well as assist with developing the institutional capacity that will be required to support private sector development initiatives.

6.23 Implementation of the above strategies is critical for achieving successful outcomes with the reforms that will be undertaken in the key sectors.

C. INFRASTRUCTURE FOR DEVELOPMENT

6.24 Over the last two decades the Government has invested significant resources in the development of essential infrastructure. However, these investments have not kept pace with the demand emanating from development pressure in both the economic and social sectors. In this regard, GSKN remains very committed to the provision of adequate infrastructure to support its private sector led growth policy stance and the social development strategy being pursued. Experience in SKN and other developing countries has shown that the productive and social sectors can only be maintained with adequate infrastructure support. For this reason, during the last five years several professional studies have been commissioned by the Government to inform the ongoing infrastructure investment plans for both islands. Priorities for investment have been established and in some specific cases engineering designs are available, however, GSKN is still seeking the financial resources to implement the planned projects.
6.25 With the exception of investments in telecommunications infrastructure and special private development projects, the Government has assumed responsibility for the provision of major social and economic infrastructure. Generally, investment in the telecommunications sector is dominated by the private sector and Government has taken on responsibility for policy formulation and regulation of the sector. It is anticipated that the private sector will continue to provide the resources to address the investment needs of the telecommunications sector over the medium and long term.

6.26 In addition to providing support to the socio-economic development of the country, Government’s intervention is also guided by the need to ensure public safety, environmental protection and social justice for all. In order to realise the development potential of the islands, the strategic plan will target the following focal areas:

(a) Electricity
(b) Transportation (Roads and Port Facilities)
(c) Water and Sewage
(d) Waste Management
(e) Coastal Protection
(f) Drainage /Flood Control and Slope Stabilisation
(g) Social Infrastructure
(h) Telecommunications

D. REGIONAL INTEGRATION

6.27 The Government realizes that there are benefits to be derived from regionalism in its attempt to adapt to the requirements in the global economy. Currently, the main focus is on the Caribbean Single Market and Economy and the OECS Economic Union. St. Kitts and Nevis is one of the OECS countries that have signed on to joining the single market by mid 2006. St. Kitts has partially implemented the requirements for joining the Caribbean Single Market and Economy but there are some legal amendments necessary to complete the process in order to be fully compliant. There is an estimated time frame of three months for the amendments to be completed. This important stage of regional integration will generate opportunities for economic growth and poverty reduction through the creation of a single economic space. SKN will benefit from an enhanced competitive environment, access to a bigger market for scarce skills and increased access to regional investment capital.
Challenges of Regional Integration

6.28 Although there are far reaching benefits to be derived from being a part of the CSME, there are many challenges that will need to be mediated stemming from St. Kitts and Nevis’ position as a small, less developed country within CARICOM. SKN recognises the need for the establishment of the regional development fund to address adverse impacts arising from the CSME. The following are some of the issues that will need to be addressed if SKN is to take advantage of the CSME: (i) the need to resolve concerns deriving from the relative disadvantage of small size; (ii) the need to provide training for entrepreneurs, and (iii) additional resources to provide the services associated with the introduction and functioning of the CSME.
CHAPTER 7. MANAGING THE ADAPTATION PROCESS

A. OVERVIEW OF CURRENT TRANSITIONAL ARRANGEMENTS

7.1 The Ministry of Housing, Agriculture, Fisheries and Consumer Affairs was tasked with implementing the transition process, following the announcement of the closure of the sugar industry. A Transition Steering Committee was appointed to advise on policy direction and provide oversight for the implementation of the strategic transition programme. A Transition Management Office (TMO) was established to manage the transition process and a Transition Management Team (TMT), headed by a team leader, was appointed in the first quarter of 2005. The TMT reports directly to the Minister of Housing, Agriculture, Fisheries and Consumer Affairs. This Minister heads an Inter-Ministerial Committee on the Transformation of the Sugar Industry, which reports to the Cabinet.

7.2 The TMT was mandated to oversee the development of a Strategic Transition Plan, a document that should include relevant economic studies, projects and budgets. Additionally, the TMO’s terms of reference also mandated that it assist in the coordination of donor activities and collaborate with public and private sector experts, utilising their knowledge and experience in both the conduct of the studies and the development and implementation of projects.

7.3 The paper entitled “Managing Transition: A Strategy for A Short to Medium Term Programme of Assistance for St. Kitts and Nevis” prepared by the Government of St. Kitts and Nevis outlined a dual process for transition and for transforming the economy in the post sugar era. The first phase covered the short to medium term, focusing on the immediate and transitional arrangements associated with the closure of the industry and the preparations for an adjustment process that will integrate the sugar sector issues into a larger, more comprehensive country-wide economic and structural adjustment programme. The second phase was the longer term economic adjustment process which involved the transformation of the economy.

7.4 The TMO completed some important tasks related to the closure of the industry. However, coordination difficulties arose because the donor coordination activities of the office were not integrated in the Government’s national planning and co-ordination processes. The current structure of the TMO does not allow for a framework to plan and coordinate the range of macro, sectoral and cross-cutting issues arising from the closure of the sugar industry. If the strategy for adaptation is to have the desired impact, it will therefore need to be fully integrated into the national planning processes.
**B. ISSUES AND CHALLENGES OF MANAGING THE ADAPTATION PROCESS**

7.5 The Government is faced with the massive challenges associated with a major transformation. The situation becomes even more problematic when one considers such factors as the small size of the economy; the relative importance of the sugar industry in the social and economic aspects of rural stability; the level of resources, both physical and human, needed for economic and social transformation; and the prevailing economic conditions in the country. The current local human resource development capacity raises serious concerns regarding the ability of the country to effectively manage the considerable task of executing the post-sugar transformation agenda without substantial assistance from the EU and other development partners.

7.6 For the adaptation process to be effective and successful, it will require careful planning, timely access to financial and other resources, availability of a multiplicity of professional expertise and skills and a properly coordinated and carefully managed implementation programme. The arrangements will also need to be sensitive to the human resource constraints that small states face, and steps taken to avoid duplication of activities. The administrative arrangements that are proposed for managing the coordination, implementation, monitoring and evaluation of the process should as far as possible be integrated into existing governmental structures. The responsibility for coordinating the process should be located within a coordinating Ministry in order to facilitate an integrated development planning approach. Accordingly, as the Ministry of Sustainable Development is the Government agency charged with the responsibility for national development planning, coordination of development cooperation programmes and development of the annual capital budget, it is proposed that the coordination unit for the post-sugar adaptation and economic transformation process be located within this Ministry.

7.7 It is envisaged that the multi-year, cross sectoral programme that will emerge from the adaptation strategy will require significant technical and administrative capacity, which currently does not exist within Government. Consequently, if programme and project outputs are to be delivered in a timely and effective manner, there will be a need for significant institutional strengthening and capacity building within the Government Ministries that will be involved in coordinating and implementing the strategy. Particularly, increased physical and human resources, skills capacity building in the areas of policy formulation and evaluation, macroeconomic and fiscal management, project preparation and management, monitoring and evaluation, strategic planning and statistical development will be needed.
C. INSTITUTIONAL ARRANGEMENTS FOR MANAGING THE ADAPTATION PROCESS

7.8 The institutional arrangements proposed for managing the adaptation process comprise three main structures namely, a Cabinet Committee on Finance and the Economy; an Inter-Ministerial Technical Committee on National Transformation; and a Coordination and Programming Unit. At the same time, line ministries with key roles in the transformation process will be strengthened. The policy formulation, planning, programming, coordination and monitoring and evaluation capacity of the Ministries responsible Agriculture and Fisheries, Tourism and Social Development will be enhanced. Specifically, departments and units which will assume the lead role for planning, implementing and coordinating the sector specific development programmes of these Ministries will be strengthened. These units or departments will liaise with the Coordination and Programming Unit to ensure effective coordination and implementation of the various sectoral programmes of the adaptation strategy. The adaptation process will involve a wide range of structural reforms across the entire economy. If the outcomes of the process are to be realized, the issues that emerged following the closure of the sugar industry will need to be integrated into the wider sustainable development agenda, and the national development processes (medium and long term development planning, public sector investment programming, debt management and the annual recurrent and capital budget programming) that operationalise that agenda.

7.9 The Ministry of Finance will continue to perform the lead role in fiscal management. Additionally, the Ministry of Finance participation in the Inter-Ministerial Technical Committee on National Transformation is expected to integrate the fiscal stabilisation policies and programme into the broader macro-economic and sectoral policies.
FIGURE 7.1: Organisational Structure for Managing the Adaptation Process

CABINET
Cabinet Committee on Finance and the Economy
Chair: Hon. Prime Minister

Inter-Ministerial Technical Committee on National Transformation

MINISTRY OF FINANCE, SUSTAINABLE DEVELOPMENT, INFORMATION AND TECHNOLOGY
Coordination and Programming Unit
Technical & Administrative Staff:
Coordinator, Project Analysts, Accountant, Executive Officer, Administrative Officer

Development Partners
- EU
- DFID
- IICA
- UNDP & Other UN Agencies
- CDB
- CIDA
- OAS
- COMSEC
- IBRD
- GEF
- Bilateral
- Other Agencies

Implementation Agencies

Central Government
- Tourism
- Agriculture
- Dept. of Technology
- Education, Youth, Social Development and Gender Affairs
- Health
- National Security

Other Public Sector Agencies
- Development Bank
- Tourism Authority
- Air and Sea Ports Authority
- Development Corporations

Private Sector
- CIC
- HTA
- Financial Institutions
- Manufacturers Association
- Contractors Association
- Taxi and Bus Associations
- Individual Businesses

Civil Society
- NGOs
- FBOs
- CBOs
- Trade Unions
(i) **Cabinet Committee on Finance and the Economy**

7.10 Presently, there exists a Cabinet Committee on Finance chaired by the Prime Minister, who is also the Minister of Finance, Sustainable Development, Information and Technology. This Committee provides oversight for the fiscal stabilization and adjustment programme that is implemented by the Ministry of Finance. The Cabinet Committee meets quarterly to receive reports of the fiscal stabilization monitoring team and to consider recommendations.

7.11 It is proposed that the scope of the Cabinet Committee on Finance be expanded to include matters related to the adaptation and transformation of the economy in the post-sugar era. Further, a renaming of the committee to the Cabinet Committee on Finance and the Economy is also proposed to better reflect the expanded role of the committee. The main purpose of the Cabinet Committee on Finance and the Economy will be to provide strategic leadership and ownership of the adaptation and transformation process at the highest level and to ensure the accountability of the various ministries and departments involved in the process. It is envisaged that the Cabinet Committee will receive regular reports from the Inter-Ministerial Technical Committee on National Transformation on the progress with the implementation of the adaptation strategy. The Cabinet Committee on Finance and the Economy will also consider recommendations of the Inter-Ministerial Technical Committee on National Transformation and advise accordingly.

(ii) **Inter-Ministerial Technical Committee on National Transformation**

7.12 The purpose of the Inter-Ministerial Technical Committee on National Transformation is to facilitate increased collaboration between ministries and departments in the coordination and integration of the various programmes and activities (e.g. fiscal stabilisation, post-sugar adaptation, transformation, agricultural diversification, services sector expansion, etc). These programmes will be implemented to transform the economy, to ensure convergence of foreign and domestic policies, to provide a medium for engaging non-state actors on issues of post-sugar adaptation and national transformation and to monitor the progress in transforming the economy.

7.13 The core membership of the Inter-Ministerial Technical Committee on National Transformation will comprise representatives from the following ministries: Ministry of Finance; Ministry of Sustainable Development; Ministry of Housing, Agriculture, Fisheries, Cooperatives and Consumer Affairs; Ministry of Social Development; Ministry of Tourism; Ministry of Education; and the Department of Technology.
The coordinator of the Co-ordination and Programming Unit will also serve as a member of this committee. Membership of the Committee is expected to be at the Permanent Secretary or senior technical level. Representatives from other Government ministries will also be invited to meetings of the committee on an as needed basis.

7.14 It is envisaged that this Committee will meet monthly. Quarterly reports on the progress of the adaptation and transformation process will be prepared by the Committee. These reports will form the basis of the quarterly reporting meetings of the technical committee to the Cabinet Committee on Finance and the Economy. The Inter-Ministerial Technical Committee on National Transformation will also be expected to hold meetings twice per year with the Non-state Actors Advisory Panel. Further, this Committee will actively participate in the National Consultation with Government and the social and economic partners. Specifically, this Committee will present an update report on the status of the adaptation and transformation process, and lead the discussions on national transformation.

(iii) Coordination and Programming Unit

7.15 The Coordination and Programming Unit will be the core organ responsible for coordinating the post-sugar adaptation and economic transformation process as outlined in the Adaptation Strategy, and which will be further elaborated in a multi-year and multi-sectoral support programme that will be financed by the EU and other development partners. The main functions of the Coordination and Programming Unit will include:

- Ensuring effective coordination of the adaptation and transformation process.
- Co-ordinating donor support activities.
- Developing medium and long-term programmes and projects to support the transformation of the economy.
- Developing a programme to ensure effective monitoring and evaluation of interventions.
- Providing support services to the Inter-Ministerial Technical Committee on National Transformation.

7.16 The unit will be located within the Ministry of Sustainable Development, which is the lead Government agency responsible for policy formulation and programme coordination with regard to the overall development of SKN. Specifically, the Unit will operate within the Department of Economic Affairs and Public Sector Investment Planning, and will be staffed by a total of seven persons (five professionals and two support staff). It is envisaged that several of the positions (particularly, the Co-
ordinator) will require a long term commitment from donors to provide funding for the new positions. The work of the Unit will also be supplemented by short term technical consultancies.

7.17 The Unit will draw on the technical expertise of the Ministry of Sustainable Development for advice and support when required, as well as take advantage of the established contacts the Ministry has with regional and international development cooperation agencies. While the day to day oversight of the work of the Coordination and Programming Unit will reside within the Ministry of Sustainable Development, the Unit will also be required to report to the Inter-Ministerial Technical Committee on National Transformation. The Unit will function as the Secretariat for the Inter-Ministerial Technical Committee.

7.18 In the context of the proposed institutional arrangements for managing the adaptation process, the mission and scope of the Transition Management Office should be reviewed with a view to winding down its operations by the end of July 2006. This is necessary to avoid duplication of activities in the coordination of the adaptation and transformation process. Consideration should be given to integrating those activities of the TMO that relate to the diversification of the agricultural sector into a new Agricultural Diversification Unit within the Ministry of Housing, Agriculture, Fisheries, Cooperatives and Consumer Affairs. Donor resources earmarked for the Strategic Transition Plan should be redirected to develop a programme that will define the role of non-sugar agriculture in the transformation process.

D. CAPACITY BUILDING NEEDS FOR MANAGING THE ADAPTATION PROCESS

7.19 The GSKN will continue to pursue its current drive to fill a number of vacant professional level positions that are essential for supporting the implementation of the adaptation strategy and to address critical gaps in the existing human resources. Further, the Government will seriously consider recommendations for the redeployment of key personnel in an attempt to gain greater efficiency and productivity from the existing human resource pool within the civil service. Notwithstanding these efforts, the Donor Community will be required to make a significant contribution to this initiative through the provision of training, technical assistance and simplified procedures for accessing resources.

7.20 The specific capacity building needs for managing the adaptation process will be detailed in a separate document (The EC Financing Proposal for 2006/2007). The following areas will be included in the document:
• Strengthening of the capacity of the Ministry of Sustainable Development in all aspects of the Project Management Cycle.
• Staffing of the Coordination and Programming Unit.
• Development of a monitoring and evaluation system for development strategies and programmes.
• Enhancing the donor coordination mechanisms within the Ministry of Sustainable Development.
• Strengthening the policy formulation and evaluation capacity of Government Ministries involved in the adaptation and transformation process.
• Improving the capacity in the Ministry of Finance and Sustainable Development to develop, implement and monitor macroeconomic and fiscal management programmes.
• Improving the effectiveness of cross-sectoral and inter-ministerial coordination mechanisms.
• Enhancing the capacity of the Statistical Department to deliver the statistics required for policy formulation and economic management in a timely manner. A key focus will be on developing service sector statistics.
• Capacity building of Ministry of Social Development field staff in community empowerment and participatory approaches.
• Institutional strengthening of the Ministries of Agriculture, Tourism and Social Development.

E. RESOURCE MOBILISATION

7.21 GSKN is fully committed to the transformation process and the associated structural and institutional adjustments that are critical to achieving sustainable economic and social development. The sheer magnitude of the adjustment that is necessary dictates that GSKN will need to access exceptionally high levels of external resources very early in the process. Indeed the success of the strategy will to a large extend depend on the support obtained from the European Community. At the same time, GSKN welcomes all opportunities for partnering with other regional and international donors to secure adequate financing for the full implementation of the strategy.

7.22 Given the current fiscal and debt situation of the Government, opportunities for raising resources internally to support the strategy is rather limited. In spite of its best efforts the economic and social transformation of SKN simply will not be possible without the strong commitment of financial and technical assistance from the development partners. Equally important, is the role donors must play in
providing streamlined approaches to allow GSKN easy access to all available resources. Lessons learnt from past experiences dictates that while the principles of transparency and accountability must be upheld, burdensome procedures must be avoided to ensure successful programme/project implementation and maximum impact of interventions.

7.23 The estimated cost of the transition programme that was established for the closure of the SSMC is approximately EC$72 mn to date. Effective 1st August 2005, the Central Government assumed responsibility for providing health care and other essential welfare services to former SSMC workers, conservation and infrastructure maintenance previously handled by the SSMC and the servicing of the SSMC debt. An initial estimate of the cost of implementing the various programmes and projects identified for the economic and social transformation is €375.4 mn. The broad programmatic areas are set out in Table 7.1 below and the detail analysis appears in the policy matrix below.

7.24 Budgetary and Sector Support - In the context of the current EU support programme and the various modalities for delivering financial assistance, budgetary and sectoral support appear to be the most plausible method of delivering assistance to SKN.

7.25 Technical Assistance - The development of human resource capacity is central to the successful implementation of the adaptation strategy. GSKN will require both short and long term technical assistance input spanning the entire transformation period. The main areas for assistance are training and skills development, expert advice (consultancies), and technology transfer.
## POLICY MATRIX

<table>
<thead>
<tr>
<th>Policy Areas &amp; Issues</th>
<th>Objectives</th>
<th>Action Plan</th>
<th>Costing in Euros ('000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fiscal and Debt</td>
<td>To improve the efficiency and effectiveness in tax administration</td>
<td>▪ Modernizing property tax administration with a market based system&lt;br&gt;▪ Land Cadastral Survey&lt;br&gt;▪ Expand the coverage of services under the Consumption Tax together with the rates – broad based consumption tax or a Value Added Tax&lt;br&gt;▪ Increase Social Services Levy from 8% to 10% for salaries in excess of $8,000 per month&lt;br&gt;▪ Introduce a 15% excise tax on alcoholic and tobacco products&lt;br&gt;▪ Review tariff rates on electricity and water in line with generating costs and comparative regional averages&lt;br&gt;▪ Eliminate nuisance taxes&lt;br&gt;▪ Develop a policy for granting tax concessions by limiting the approval of concessions under the existing Customs Act&lt;br&gt;▪ Examination of all fees and charges imposed by government to ensure that they fully reflect the cost of providing the services&lt;br&gt;▪ Institutional strengthening of revenue collection agencies to improve tax collection&lt;br&gt;▪ Upgrading office building for Customs Department&lt;br&gt;▪ Modification of the petroleum pricing mechanism to allow domestic prices to adjust in line with changes in petroleum prices in the international market</td>
<td>200 10,000 40 200 600</td>
</tr>
<tr>
<td>Policy Areas &amp; Issues</td>
<td>Objectives</td>
<td>Action Plan</td>
<td>Costing in Euros ('000)</td>
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<tr>
<td>Debt Management</td>
<td>To ensure overall fiscal discipline</td>
<td>▪ Improving expenditure management</td>
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<td></td>
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<td>▪ Improving the Treasury computer systems to facilitate real time processing of transactions and greater control over Government operations</td>
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<td></td>
<td>To reduce the overall public sector debt within sustainable limits</td>
<td>▪ Restraining the wage bill by controlling personal emoluments in the public sector through the relative freeze in employment</td>
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<td></td>
<td>To formulate debt and cash management strategies to minimize the debt servicing costs and manage the cash needs of the country in a cost-effective way</td>
<td>▪ Strengthen PSIP to allow for better project selection, implementation and supervision</td>
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<td></td>
<td>To evaluate the debt position to find the right balance between debt risk and debt cost</td>
<td>▪ Restrict new borrowing and reduce the creation of new debt</td>
<td>50</td>
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<td></td>
<td>Institutional strengthening of the Fiscal and Debt Unit</td>
<td>▪ Debt restructuring by extending the maturity structure and substituting lower cost debt for higher cost debt</td>
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<td></td>
<td></td>
<td>▪ Debt reduction programmes including land sales</td>
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<td>▪ Consultancy for debt sustainability analysis</td>
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<td></td>
<td></td>
<td>▪ Managing the SSMC debt</td>
<td>87,000</td>
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<tr>
<td>Public Enterprise Reform</td>
<td>To improve the management of public enterprises to reduce fiscal imbalances and the accumulation of public debt</td>
<td>▪ Recruitment of qualified staff</td>
<td>30</td>
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<td></td>
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<td>▪ Increase capabilities of existing staff through training</td>
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<td>▪ Draft legislation to require public enterprises to submit financial statements to the Ministry of Finance</td>
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<td>▪ Corporatisation of the Electricity Department</td>
<td>600</td>
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<td>Policy Areas &amp; Issues</td>
<td>Objectives</td>
<td>Action Plan</td>
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<tr>
<td><strong>Tourism</strong></td>
<td>Sustaining the development of a diversified, competitive and environmentally sound tourism product</td>
<td>Promote community tourism</td>
<td></td>
</tr>
</tbody>
</table>
|                      | Promotion of national assets to attract more upscale travellers to our visitor mix. Pursuit of projects that accentuate the culture and heritage of St. Kitts and Nevis. | • Heritage tourism based on relics of the sugar industry such as the factory (sugar museum) and non SKSRL rail track  
• Upgrading of heritage sites  
• Developing the Plantation Yard Museum at New River  
• Establishment of Marine Parks  
• Developing marina and yachting facilities  
• Black Rock Project  
• Establish National Trust and Develop and Implement Plantation Preservation & Interpretation Project  
• Develop Charles Fort  
• Old Road Redevelopment Project  
• Rainforest Indian Village Project  
• Scenic Railway pull-offs  
• Basseterre Urban Revitalization Project  
• Capisterre French Festival  
• Adequate and appropriate signage  
• Upgrading existing tourism infrastructure such as access roads and landscaping to ensure the provision of a quality product across the full range of accommodation options.  
• Improve the entertainment content of the tourism product  
• Promote the principles of sustainable tourism in development project planning | 1,000  
• Improve access to credit for potential small entrepreneurs at the community level  
• Establishing a tourism small enterprise empowerment fund | 2,500  
• 300  
• 10,000  
• 200  
• 3,000  
• 1,200  
• 2,000  
• 200  
• 5,000  
• 10,000  
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• 2,224 |
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<tr>
<th>Policy Areas &amp; Issues</th>
<th>Objectives</th>
<th>Action Plan</th>
<th>Costing in Euros ('000)</th>
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</thead>
</table>
| Strengthen management and marketing of the destination, including access to the destination | - Provide incentives for small business enterprises operating in the tourism sector  
- Establish a marketing fund to support airlift and other efforts to promote development of special interest travel markets;  
- Improve Management Information Systems  
- Improve tourism statistical data base  
- Introduce Tourism Satellite Accounting  
- Upgrading the Tourism Authority Website which includes the marketing of the small hotel sub-sector. Software to interface with electronic booking agents will be incorporated | 20 |
| Raise the capacity of the industry to deliver quality services; | - Introduce standards for the SKN tourism industry  
- Improve the legislative framework to support tourism development  
- Heritage and Community Tourism Training Programme | 4,000 |
| Promote forward and backward linkages with tourism and the rest of the economy | - Promoting the further development of specialist tourism products such as diving, sailing, deep-sea fishing, spas and wellness centres, sports tourism, conference tourism  
- Integrating tourism issues into other parts of public sector management – such as public works, land use planning, transportation policy and cultural preservation  
- Fostering greater collaboration between the tourism authorities and the stakeholders in the productive sectors, particularly the DOA and craft producers  
- Ensuring that the agriculture sector meets the needs of | 200 |

119
<table>
<thead>
<tr>
<th>Policy Areas &amp; Issues</th>
<th>Objectives</th>
<th>Action Plan</th>
<th>Costing in Euros (’000)</th>
</tr>
</thead>
</table>
|                      | Strengthen human resource capacity of the tourism industry                                                                                                                                                  | - the hospitality industry particularly in the supply of locally-produced fruits and vegetables  
- Handicrafts development  
- Promoting training in hospitality skills needed by the industry  
- Developing and implement tourism training and awareness programmes  
- Expanding training for front-line and other service providers to ensure that they have the tools to enhance the visitor experience and provide a globally competitive service product  
- Establishment of a scholarship programme for nationals to pursue tertiary level training in tourism and hospitality management and related fields  
- Design and implement special retraining programmes for ex-sugar workers  
- Increase investment in education and training  
- Formalise arrangements for pairing academic training with internships.  
- Formalise the links between educational institutions and private sector entities to better target industry needs. | 3,500  
1,000  
2,000  
500        |
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<th>Policy Areas &amp; Issues</th>
<th>Objectives</th>
<th>Action Plan</th>
<th>Costing in Euros ('000)</th>
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<tbody>
<tr>
<td><strong>Agriculture</strong></td>
<td></td>
<td>▪ Develop and implement a national tourism human resource development plan</td>
<td>40</td>
</tr>
<tr>
<td><strong>Agriculture</strong></td>
<td></td>
<td>▪ Increasing the productivity of the Plant Propagation Unit</td>
<td>200</td>
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<tr>
<td><strong>diversification</strong></td>
<td>▪ Diversify agriculture through the introduction of new crops, intercropping and other methods</td>
<td>▪ Facilitating the expansion of commercial and semi-commercial fruit tree orchards</td>
<td></td>
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<tr>
<td><strong>Food safety, security</strong></td>
<td>▪ Increase the availability of locally grown fruits and vegetables on the local market by 2009</td>
<td>▪ Construction of agricultural feeder roads</td>
<td>3,000</td>
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<td><strong>and nutrition</strong></td>
<td>▪ Ensure the optimum use and proper management of good quality agricultural lands is practised in order to stimulate production for domestic and export purposes.</td>
<td>▪ Increasing pineapple production to meet the domestic demand</td>
<td>65</td>
</tr>
<tr>
<td><strong>Crops</strong></td>
<td></td>
<td>▪ Developing control measures for the West Indian Fruit Fly and other major pests.</td>
<td>100</td>
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<td>▪ Facilitating commercial production of crops</td>
<td>▪ Facilitating commercial production of crops</td>
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<td></td>
<td>▪ Improve agronomic practices and post-harvest technology through greater extension support</td>
<td>▪ Developing control measures for the West Indian Fruit Fly and other major pests.</td>
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<td></td>
<td>▪ Encouraging and supporting the development of farmer groups</td>
<td>▪ Developing and implementing conservation-oriented measures for the West Indian Fruit Fly and other major pests.</td>
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<td></td>
<td>▪ Encouraging the development of floriculture</td>
<td>▪ Developing and implementing conservation-oriented measures for the West Indian Fruit Fly and other major pests.</td>
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<td></td>
<td>▪ Introducing incentives to encourage youth, disabled, elderly and women in entrepreneurship involvement.</td>
<td>▪ Developing and implementing conservation-oriented measures for the West Indian Fruit Fly and other major pests.</td>
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<td>▪ Developing and implementing conservation-oriented measures for the West Indian Fruit Fly and other major pests.</td>
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<tr>
<td>Develop of packing house and agro-processing capability</td>
<td>farming technologies specifically adapted to local conditions</td>
<td>Promoting land-use and land capability research to assist in decision making with respect to the implementation of agricultural development projects</td>
<td>100</td>
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<td>Ensuring that the utilization of agro-chemicals does not impair environmental quality</td>
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<td>Training farmers in improved agronomic practices</td>
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<td></td>
<td>Adopting new and appropriate technologies such as the utilization of plastic mulch and the development of green houses.</td>
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<td></td>
<td>Identifying lands for commercial peanut production in selected locations around the island.</td>
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<td>Work closely with the private sector to facilitate the development of agro-processing enterprises</td>
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<td>Conduct study to determine the appropriate packing house and agro-processing equipment</td>
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<td>Construction of packing facilities for three farmer groups</td>
<td>1,000</td>
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<td>Upgrading and equipping centralized agro-processing facility</td>
<td>210</td>
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<td>Conducting training for staff</td>
<td>26</td>
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<td></td>
<td></td>
<td>Providing technical assistance</td>
<td>30</td>
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<td>Policy Areas &amp; Issues</td>
<td>Objectives</td>
<td>Action Plan</td>
<td>Costing in Euros ('000)</td>
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<tr>
<td><strong>Livestock</strong></td>
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<td></td>
<td>Promote intersectoral linkages with tourism</td>
<td>Establish formal mechanism for regular dialogue, consultation and collaboration with tourism authorities and stakeholders</td>
<td>2,000</td>
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<td></td>
<td>Develop irrigation at selected agricultural settlements</td>
<td>Evaluate water harvesting studies</td>
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<td>Establishment of intensive vegetable production and landscape nursery for former sugar industry workers</td>
<td>Establishment of wells</td>
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<td></td>
<td>Establishment of commercial small ruminant farming</td>
<td>Construction of reservoir</td>
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<td>Installation of main water line</td>
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<td>Provide on-farm irrigation system</td>
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<td>Conduct training for extension officers and farmers</td>
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<td>Conduct market surveys</td>
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<td>Establishment of greenhouses</td>
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<td>Identification of suitable land</td>
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<td></td>
<td>Identification and purchasing of improved breeding stock</td>
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<td>Pasture establishment and management</td>
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<td></td>
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<td>Development of fodder bank</td>
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<td>Construction of fences, housing sheds and dog proof area</td>
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<td>Development of water harvesting facilities</td>
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<td>Purchase of mechanical forage harvesting equipment</td>
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<td></td>
<td></td>
<td>Upgrading and expansion of abattoir</td>
<td>300</td>
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<td></td>
<td>Training for extension officers, farmers and abattoir staff</td>
<td>30</td>
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<tr>
<td></td>
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<td>Construction of shade houses</td>
<td>100</td>
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<td>Development of markets</td>
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<tr>
<td>Policy Areas &amp; Issues</td>
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<td>Costing in Euros ('000)</td>
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<tr>
<td><strong>Fisheries</strong></td>
<td>Evaluation of supply and demand potential for marine resources</td>
<td>• Determination of size of marine resources within territorial waters</td>
<td>30</td>
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<td></td>
<td></td>
<td>• Estimation of domestic market requirements and export opportunities</td>
<td>30</td>
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<td></td>
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<td>• Training for fishers in navigation, diving, First Aid &amp; food/primary processing of fish</td>
<td>20</td>
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<td>• Training in food safety for fish processors</td>
<td>20</td>
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<td></td>
<td></td>
<td>• Evaluating the potential for aquaculture</td>
<td>30</td>
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<td></td>
<td></td>
<td>• Establishment of an aquaculture demonstration and training unit</td>
<td>800</td>
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<td></td>
<td></td>
<td>• Preserving coral reefs and coastal water quality for the needs of the fishing industry.</td>
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<td></td>
<td></td>
<td>• Improving fishing infrastructure by constructing new terminals and providing ancillary support facilities at Sandy Point, Old Road and Dieppe Bay</td>
<td>16,000</td>
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<tr>
<td></td>
<td>Institutional strengthening</td>
<td>• Establishment of a Agriculture Diversification Unit</td>
<td>1,500</td>
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<tr>
<td></td>
<td></td>
<td>• Design and implement programmes for the development of extension services</td>
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<tr>
<td>Policy Areas &amp; Issues</td>
<td>Objectives</td>
<td>Action Plan</td>
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| Information and Telecommunications Technology | To strengthen the national ICT planning capacity                             | ▪ Establish a National ICT Development Foundation or Agency that will be charged with advancing the development of ICT in the Federation and which will provide policy analysis and advice to Government on matters relating to ICT, and also provide ICT expertise to the wider community.  
▪ Ensure that the Department of Technology is adequately staffed to enable them to provide leadership in the development of ICT in the public sector and the Federation as a whole.  
▪ Review, update and finalize the ICT Policy and Strategy. This process envisages widespread consultation with all stakeholders in society to ensure consensus, buy-in and ownership by all.  
▪ Develop ICT action plans for all Government Ministries.  
▪ Collaborate with the business sector to develop ICT plans for the business sector.  
▪ Promote competition in international connectivity by facilitating additional connections to the international telecommunications network.  
▪ Implement projects that will promote the use of ICT in all communities. In particular, Government will develop Community Access Points in community centres, libraries and post offices throughout the Federation.  
▪ Investigate the feasibility of making school computer labs available for use by the community outside of school hours.  
▪ Ensure that the provisions for universal service in the Telecommunications Act are adhered to.  
▪ Utilize the Universal Service Fund to implement | 200  
|                                              | To ensure participation in the information society by all sectors of society |                                                                                               | 20  
|                                              |                                                                            |                                                                                               | 20  
|                                              |                                                                            |                                                                                               | 30  
|                                              |                                                                            |                                                                                               | 2,000  

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<th>Action Plan</th>
<th>Costing in Euros (’000)</th>
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</table>
|                      | To create the enabling environment for the expansion of ICT and ICT related services. | - projects to provide access for the underprivileged, ensure access in remote locations and to fund the development of digital skills in the poorer communities.  
  - Collaborate with service providers to ensure the timely introduction of new technologies.  
  - Continue to implement policies to ensure that access to computers remains affordable, including providing duty and tax concessions on importation of computer hardware and peripherals.  
  - Promote the use of digital information services by expanding the provision of digital public services via an online Government portal.  
  - Foster the development of digital cultural and historical archives to facilitate access to knowledge.  
  - Review and if necessary, update the draft e-commerce legislation that was prepared a few years ago and ensure its enactment into law.  
  - Develop and enact related pieces of legislation to govern such areas as electronic crimes, security of data, authentication of communication, protection of internet related intellectual property and privacy.  
  - Strengthen the institutional and regulatory capacity of Government to administer and enforce the legislation relating to ICT.  
  - Continue to implement policies that will promote competition in the ICT sector while at the same ensuring that care is taken not to over-regulate the sector.  
  - Utilize the Government’s policy framework to foster the continued investment in and development and upgrading of the ICT infrastructure.  
  - Collaborate with the private sector to develop and adopt appropriate ICT standards. | 40  
|                      |            | 20  
<p>|                      |            | 30  |</p>
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<th>Action Plan</th>
<th>Costing in Euros ('000)</th>
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</table>
|                       | To promote the widespread utilization of ICT as a technology by the business sector. | - Establish an ICT Park to attract ICT related foreign direct investment.  
- Use the investment regime, ICT regulatory environment and enhanced ICT skills base as key selling points to promote the Federation as a jurisdiction for ICT investment.  
- Undertake a feasibility study to determine the best use of ICT for improving Education, Diversification and Competitiveness.  
- Promote the development of ICT clusters in areas identified by the above study, as well as in areas where there is already a reasonably good ICT presence such as Internet gaming, web development and applications and graphic design.  
- Provide incentives and rewards for technology innovations by firms.  
- Carry out an assessment to determine the Government services that can be delivered online, and establish a reasonable time frame to commence delivery of these services online.  
- Develop the infrastructure to facilitate the move towards e-Government.  
- Continue the process of computerizing Government Ministries and Departments.  
- Upgrade and standardize all local area networks in Government offices.  
- Connect all Government agencies to a centrally managed wide area Government network.  
- Establish a Government portal to facilitate the delivery of e-Government services to the public. | 3,000  
30  
300  
1,000  
400 |
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<th>Action Plan</th>
<th>Costing in Euros (’000)</th>
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</table>
| To upgrade ICT skills and capacity |  | ▪ Promote the utilization of ICT for improving communications between Government Departments.  
▪ Improve processes within Government by computerizing tasks where possible.  
▪ Carry out an ICT skills audit in order to gain insight about the status of ICT skills in the Federation.  
▪ Develop a National ICT Training Plan and training programmes to facilitate the development of an adequate ICT skills base in the Federation.  
▪ Revise the curriculum in schools and post secondary education institutions to ensure that ICT is integrated in all subject areas as well as in delivery.  
▪ Formulate community-based and continuing education training programmes to target those persons who exited the education system before ICT training was introduced, and who may not have been exposed to ICT in the workplace.  
▪ Provide undergraduate and graduate scholarships in ICT.  
▪ Promote certification in ICT by funding training and certification programmes in ICDL (Basic and Advanced), A+ and Network +.  
▪ Develop a programme within the Development Bank to make funds available for persons to pursue local training programmes that lead to certification.  
▪ Provide distance learning facilities to facilitate access to training (including ICT training) especially in the rural areas.  
▪ Establish a business incubator for ICT related businesses in order to foster the development of ICT related entrepreneurial ventures. |  | 100  
|  |  |  | 220  
|  |  |  | 200  
|  |  |  | 200  
|  |  |  | 800  

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<th>Costing in Euros ('000)</th>
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</table>
| **International Financial Services** | Strengthen the regulatory regime for financial services.                     | • Collaborate with regional and international agencies in the development and implementation of international standards for the sector  
  • Implement the recommendations contained in the reports of the IMF Financial Sector Assessment Programme and the mutual evaluation of the Federation’s Anti-Money Laundering and Combating Terrorism Financing Framework to ensure international compliance  
  • Continue to provide training in anti-money laundering  
  • Develop new legislation and regulations to maintain compliance with evolving international standards and requirements.  
  • Increase the conduct of on-site anti-money laundering examinations with a view to covering the entire sector  
  • Restructure the Financial Services Commission to facilitate the centralized regulation of all financial services in the Federation and to enhance the stability of the financial system  
  • Increase collaboration of authorities in the sector with other Government agencies and service providers to enhance existing products and develop new products to respond to changes in the global financial services market.  
  • Continually review existing legislation to ensure that they take account of new developments in the market.  
  • Attracting internationally renowned service providers with the capacity to provide the full range of international financial services to either establish a physical presence on island or to create strategic partnerships. | 50  
<p>| Foster new product development in response to market demand and industry needs. | 30 |</p>
<table>
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<th>Objectives</th>
<th>Action Plan</th>
<th>Costing in Euros ('000)</th>
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</table>
|                      | To enhance promotion of the financial services sector. | alliances with local service providers or domestic agents. This would allow for some knowledge transfer that will build domestic capacity, while at the same time augmenting the overall capacity of the jurisdiction. This strategy of attracting international service providers, in addition to boosting the Federation’s ability to offer enhanced services, can also contribute to broadening the marketing reach of the Federation through the individual marketing and advertising efforts of these providers.  
  - Continue to collaborate with experienced service providers, industry organizations and regional institutions such as the ECCB and CARTAC to conduct training in current and new service areas as well as in anti-money laundering and combating terrorist financing  
  - Ensure that Government employees working in the sector receive the requisite training that will enable them to discharge of their duties in an efficient and effective manner  
  - Promote the offering of continuing education programs in financial services through the Clarence Fitzroy Bryant College and University of the West Indies (UWI) Centre  
  - Encourage the use of innovation through the adoption of advanced technology throughout the sector. Government can directly influence this by leading the way through the use of online registration and facilitating the electronic filing of documents, subject to adherence to regulatory standards.  
  - Engage in joint promotion of the financial services sector with the international ship registry as well as the tourism promotions that target the luxury tourism market. One of the promotions to be undertaken will | 100 |
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</table>
| **Social Development** | Strengthening labour markets and employment creation | offer incentives in the form of registration discounts to clients registering international ships that are owned by St. Kitts based corporate entities.  
- Increase attendance and participation at industry seminars and conferences in order to engage in more direct marketing and promotion of the industry in St. Kitts and Nevis  
- Capitalize on opportunities to sponsor industry events that will allow the Federation to showcase the financial services and other offerings of the Federation.  
- Organize road shows, seminars and exhibitions in specific target markets to introduce the financial products and services available in the Federation to potential clients and service providers.  
- Develop an effective online marketing and promotions strategy that makes use of traditional online approaches as well as advanced rich media techniques. | 550 |
| | Strengthening social assistance and Community Development |  |  |
| | Support retraining of ex-sugar workers |  |  |
| |  | Strengthening the monitoring and evaluation of labour market trends  
- Improve the collection, analysis and dissemination of labour market information  
- Promotion of SME  
- Establishing micro finance programme to provide seed money to prospective small entrepreneurs | 40  
100  
1,000 |
| |  | Improve targeting of beneficiaries  
- Development of a database of poor households and introduce a MIS  
- Development of an integrated package of support tailored to the needs of poorest households  
- Training in community development, leadership and | 30  
30  
1,000  
50 |
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<tbody>
<tr>
<td><strong>Health</strong></td>
<td></td>
<td>empowerment at the community level, project/programme cycle management, change management</td>
<td>200</td>
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<tr>
<td></td>
<td></td>
<td>▪ Design and implement training programmes for young unemployed persons</td>
<td>20</td>
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<tr>
<td></td>
<td></td>
<td>▪ Development of community councils</td>
<td>2,000</td>
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<td></td>
<td></td>
<td>▪ Renovation and construction of community centres</td>
<td>300</td>
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<td></td>
<td></td>
<td>▪ Purchase of equipment and furniture for community centres</td>
<td>150</td>
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<td></td>
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<td>▪ Implementation of the second CPA</td>
<td>60</td>
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<td></td>
<td></td>
<td>▪ Preparation of a Poverty Reduction Strategy and Action Plan</td>
<td>2,000</td>
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<td></td>
<td></td>
<td>▪ Design and implement special training programmes for ex-sugar workers</td>
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<td></td>
<td>• Design and implement programmes aimed at reducing morbidity and mortality associated with Chronic Non-communicable diseases</td>
<td>100</td>
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<td></td>
<td></td>
<td>• Improving the nutrition and physical activity</td>
<td>800</td>
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<td></td>
<td></td>
<td>• Supporting programmes to improve nutrition and general health status of the elderly</td>
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<td></td>
<td></td>
<td>• Upgrading and expansion of health centres</td>
<td>2,000</td>
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<tr>
<td></td>
<td></td>
<td>• Strengthening surveillance to reduce the spread of human and animal borne diseases</td>
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<td></td>
<td>• Development and enforcement of standards to ensure</td>
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</table>
|                      | Improve delivery of human sexuality and reproductive health services        | food safety  
  - Development of a MIS for environmental health  
  - Improve the management of solid and liquid waste and vector control  
  - Commission a review of the water quality monitoring and implement recommendations for changes  
  - Implementation of family health programmes  
  - Sustaining the national response to HIV/AIDS and Sexually Transmitted Infections  
  - Reinforcing advocacy for the prevention of HIV/AIDS and STIs  
  - Providing treatment, care and support for PLWAs  
  - Improving surveillance epidemiology and research, program coordination and management and monitoring and evaluation  
  - Providing counselling, treatment and care for clients in a safe and secure environment  
  - Strengthening of health institutions  
  - Developing health information and research capabilities  | 50  
  - 20  
  - 30  
  - 2,000  
  - 1,500  
  - 300 |
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<tr>
<td><strong>Education and Training</strong></td>
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<tr>
<td>Improve access to quality education</td>
<td>Increase access quality early childhood care particularly in the rural areas</td>
<td>▪ Strengthening of laboratories</td>
<td>200</td>
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<tr>
<td></td>
<td></td>
<td>▪ Upgrading of Community Health Services Department</td>
<td>700</td>
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<td></td>
<td></td>
<td>▪ Fostering human resource development through training and staff</td>
<td>300</td>
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<tr>
<td></td>
<td>Curriculum development</td>
<td>▪ Constructing and equipping of day care facilities in rural areas</td>
<td>1,700</td>
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<td></td>
<td></td>
<td>▪ Upgrading of day care centres</td>
<td>500</td>
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<td></td>
<td></td>
<td>▪ Training of early childhood teachers</td>
<td>100</td>
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<td></td>
<td></td>
<td>▪ Upgrading and expansion of Early Childhood Resource Centre</td>
<td>200</td>
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<td></td>
<td>Increase equitable access to education</td>
<td>▪ Accelerating the pace of curriculum development and reform to address the emerging needs of the labour market and to ensure relevance in light of the strategy for economic transformation</td>
<td>1,000</td>
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<td></td>
<td></td>
<td>▪ Enhancing the quality of teaching and learning particularly in the delivery of science and technology curriculum, as well as in the teaching of reading and mathematics to improve literacy skills</td>
<td>200</td>
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<td></td>
<td></td>
<td>▪ Enhancing the learning environment of schools through the provision of cafeterias, physical education/sport facilities</td>
<td>2,000</td>
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<tr>
<td>Improving governance and management in the education sector</td>
<td></td>
<td>Improving efficiency, effectiveness and quality of management and administration of the education system</td>
<td>30</td>
</tr>
<tr>
<td>Implementing ICT institutional development and training programmes at the tertiary and continuing education levels;</td>
<td></td>
<td>Constructing new facilities (Education Building) to house the MOE</td>
<td>3,200</td>
</tr>
<tr>
<td>Enhancing and expanding adult literacy programmes to promote entrepreneurship among adult learners</td>
<td></td>
<td></td>
<td>500</td>
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<tr>
<td>Improving technical and vocational education</td>
<td></td>
<td></td>
<td>1,000</td>
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<tr>
<td>Establishing scholarship programmes to support special groups such as children of ex-sugar workers, and tech-voc education students</td>
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<tr>
<td>Enhancing the operations of the CFBC by upgrading it to a semi-autonomous institution, instituting accreditation and quality assurance mechanisms and expanding programme/course offerings</td>
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</tbody>
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| Housing and Shelter  | Promote sustainable development of housing | ▪ Providing lands in approved housing development areas at affordable prices by the NHC  
▪ Implementation of an affordable housing programme  
▪ Providing land to developers and families to build affordable homes for middle income families  
▪ Implementing a national home care programme geared at caring for the elderly and people with disabilities in their homes, within their communities;  
▪ Collaborating with existing land owners to convert derelict properties into new or refurbished properties;  
▪ Reviewing the Civil Service Mortgage Scheme administered by the DBSKN to make it easier to access more affordable loans  
▪ Ensuring that proper standards are met in the home building/construction industry | 12,000 |
| Safety and security  | Contain the escalation of crime | ▪ Establishing an Anti-gun Unit within the police force  
▪ Comprehensive review of the legislation with regards to penalties  
▪ Increasing power for the magistracy  
▪ Implementing a vibrant public education programme on safety and security | 1,500 | 40 50 |
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<th>Action Plan</th>
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<tbody>
<tr>
<td>Build capacity and develop human resources</td>
<td></td>
<td>• Formalising existing relationships and building new partnerships with the private sector, NGOs and CBOs</td>
<td>40</td>
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<tr>
<td></td>
<td></td>
<td>• Strengthening the National Drug Council</td>
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<td></td>
<td></td>
<td>• Exploring options for introducing more elaborate services such a detoxification</td>
<td>20</td>
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<td></td>
<td></td>
<td>• Integrating the use of appropriate technology</td>
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<td>• Strengthening the canine (K-9) Unit</td>
<td>1,500</td>
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<td></td>
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<td>• Expanding the CID Unit to improve coverage of underserved communities</td>
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<td>• Establishing the Neighbourhood Watch Programme</td>
<td>20</td>
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<tr>
<td>Infrastructure development and modernisation</td>
<td></td>
<td>• Upgrading the curriculum used by the police training school for training of new officers</td>
<td>20</td>
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<tr>
<td></td>
<td></td>
<td>• Reviewing the recruitment and staffing policies</td>
<td>20</td>
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<td></td>
<td></td>
<td>• Designing and implementing a formal system for continued skills development of police officers</td>
<td>20</td>
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<td></td>
<td></td>
<td>• Training for senior and middle managers</td>
<td>200</td>
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<td></td>
<td></td>
<td>• Upgrading of police stations, police training school and coast guard facilities</td>
<td>6,000</td>
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<td></td>
<td>• Construction of new police stations</td>
<td>8,000</td>
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<td>• Installation of a state of the art close circuit television system with electronic surveillance</td>
<td>2,500</td>
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<td></td>
<td></td>
<td>• Procurement of equipment</td>
<td>5,000</td>
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<tr>
<td></td>
<td></td>
<td>• Procurement of coast guard patrol vessels</td>
<td>500</td>
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</table>
| Environmental Protection, Land Management and Disaster Mitigation | Reform legislation and improve the penal system | ▪ Upgrading of legislation  
▪ Introduction of new legislation  
▪ Construction of a new correctional facility  
▪ Introduction of new security systems and services | 300  
12,000  
1,000 |
| Land Use Planning and Management | Maintain regional and international collaboration  
To decrease risk of soil erosion and related effects as well as the reduce the rapid deterioration of existing infrastructure  
To create conditions for environmental stability, foster agricultural development and sustainability | ▪ Establishment of a Land Management Unit  
▪ Implementation of a Land Resource Management Project  
▪ Construction of storm drains/drainage structures  
▪ Terracing and tree planting  
▪ Ghaut channelization and stabilization  
▪ Designing and implementing slope stabilisation measures  
▪ Development of Irrigation Infrastructure | 2,500  
2,000 |
| Coastal Area Management | To provide guidance for future development and conservation activities in the coastal areas  
To provide coastal erosion protection | ▪ Develop an integrated coastal zone management plan  
▪ Construction of sea defence structures (rock armouring) at vulnerable sites | 3,000 |
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<tr>
<th>Policy Areas &amp; Issues</th>
<th>Objectives</th>
<th>Action Plan</th>
<th>Costing in Euros ('000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Watershed Management</td>
<td>by the provision of rock armouring To safeguard water quality by proper management of the forested watersheds</td>
<td>▪ Implementation of the North Frigate Bay Protection Project ▪ Implementation of a comprehensive reforestation programme ▪ Allocation of suitable lands for tree and vegetable cropping and controlled livestock rearing. ▪ Establishment of an integrated system of hiking trails, interpretive stations, camping sites, scenic viewpoints, picnic areas and shelters. ▪ Establishment of interpretation centers, museums and upgrading of other services in Old Road Village. ▪ Completion of paved vehicular access from Wingfield Level through to Phillips Level</td>
<td>800 3,000 500 500 4,000</td>
</tr>
<tr>
<td>Protected Areas</td>
<td>Protect and enhance landscapes as natural assets for recreational, aesthetic, economic and ecological reasons to protect the aquifer so as to provide Basseterre and environs with a pollution-free source of water supply</td>
<td>▪ Declare Black Rocks coastal formation, the crater site at Mount Liamuiga, the Dos D’ans crater lake and the Basseterre Valley Aquifer as Protected Areas ▪ The establishment of a plant nursery ▪ The establishment of a herb garden ▪ A plantation/orchard of at least 2000 trees</td>
<td>100 100 50 100</td>
</tr>
<tr>
<td>Urban Revitalisation and Cultural Heritage</td>
<td>Promote new private investment and reinvestment in the Central Business District; Foster employment opportunities and business activities in the Basseterre urban core; To reduce concentrations of poverty in</td>
<td>▪ Enact a new “National Historic Preservation Act and designate downtown Basseterre as a historic zone ▪ Widen and modify side walks to provide easy access to wheelchair users and other persons with physical disabilities ▪ Prepare waterfront renewal and revitalization plan for Irish Town waterfront</td>
<td>30 1,000 100</td>
</tr>
<tr>
<td>Policy Areas &amp; Issues</td>
<td>Objectives</td>
<td>Action Plan</td>
<td>Costing in Euros ('000)</td>
</tr>
<tr>
<td>----------------------------</td>
<td>-----------------------------------------------------------------------------</td>
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</tr>
</tbody>
</table>
| Public Sector Reform       | urban communities and making good schools, safe neighbourhoods, quality health services, recreation and other quality of life amenities more equitably available to residents; | • Developing and strengthening a good work ethic  
• Instituting comprehensive auditing procedures  
• Establishing and promoting a reward and incentive system based on performance  
• Developing and enforcing a disciplinary code  
• Developing of a management system for the civil service with clearly defined roles, responsibilities and levels of authority  
• Developing and adopting a human resource policy  
• Establishing performance standards  
• Updating of relevant legislation  
• Establishment of an Internal Audit Unit at the Ministry of Finance  
• Commercialising and Privatising Selective Government Assets | 30  
60  
20  
30  
30  
100 |
<p>| Civil service reform       | Develop a accountable and transparent public sector                       |                                                                             |                        |
| Public enterprise reform   | Improve efficiency of the Civil Service                                   |                                                                             |                        |</p>
<table>
<thead>
<tr>
<th>Policy Areas &amp; Issues</th>
<th>Objectives</th>
<th>Action Plan</th>
<th>Costing in Euros ('000)</th>
</tr>
</thead>
</table>
| **Statistical development** | Improve efficiency and expand coverage of statistical database | ▪ Standardization of the data collection system  
▪ Revising the statistical framework  
▪ Accelerating the ongoing work in the production of supply and use tables, with technical assistance from regional or other external agencies to enhance the capacity for producing these tables.  
▪ Expanding coverage of existing services statistics programmes  
▪ Introduce Tourism Satellite Accounting  
▪ Design and implement an outreach and public awareness programme to educate the public on the importance of responding to surveys.  
▪ Promote inter-agency cooperation nationally, regionally and internationally  
▪ Establish a National Statistical Advisory Council for Statistics, to serve in an advisory capacity to the Statistics Department. | 200 |
|  | Review and update statistical framework | ▪ Training for statistical staff  
▪ Institute system to facilitate attachment of relevant staff to regional or other offices which have developed a high skill capacity, or specialization in specific technical areas that would be beneficial to the Department.  
▪ Improving the analytic capabilities of the Statistics Department | 30 |
|  |  | ▪ Develop a centralized statistical database  
▪ Updating computer equipment and software | 60  
100 |
<p>| <strong>Human Resource Development</strong> | Improving access to new technology while exploring opportunities for greater utilization of technology |  |  |</p>
<table>
<thead>
<tr>
<th>Policy Areas &amp; Issues</th>
<th>Objectives</th>
<th>Action Plan</th>
<th>Costing in Euros ('000)</th>
</tr>
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<tbody>
<tr>
<td>Water and sewage</td>
<td>Improve access to a safe and reliable supply of water</td>
<td>▪ Promote water conservation</td>
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<td></td>
<td></td>
<td>▪ Utilising technology to manage water resources</td>
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<tr>
<td></td>
<td></td>
<td>▪ Implementation of a water improvement project</td>
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</tr>
<tr>
<td></td>
<td></td>
<td>▪ Implementation of a well drilling programme</td>
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<td></td>
<td></td>
<td>▪ Construction of reservoirs</td>
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<td>▪ Commission comprehensive water study</td>
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<td></td>
<td>Improve sewage disposal</td>
<td>▪ Installation of a sewage facility for Basseterre</td>
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<td></td>
<td>Improve efficiency in the supply of electricity</td>
<td>▪ Corporatisation of the Electricity Department</td>
<td>500</td>
</tr>
<tr>
<td></td>
<td></td>
<td>▪ Updating of electricity legislation</td>
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<td></td>
<td></td>
<td>▪ Implementing Electricity Improvement Project</td>
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<td></td>
<td></td>
<td>▪ Upgrading of LV Lines</td>
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<tr>
<td></td>
<td></td>
<td>▪ Installation of extractor fans</td>
<td>100</td>
</tr>
<tr>
<td></td>
<td></td>
<td>▪ Upgrading Feeder at Bayfords</td>
<td>300</td>
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<tr>
<td></td>
<td></td>
<td>▪ Designing and implementing national energy conservation programme</td>
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<tr>
<td></td>
<td></td>
<td>▪ Establishing feasibility for alternative energy sources</td>
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<tr>
<td>Electricity</td>
<td>To develop the institutional framework for managing the adaptation process.</td>
<td>▪ Upgrading and expansion of R.L.B. International Airport Project</td>
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<tr>
<td></td>
<td></td>
<td>▪ Implementation of West Basseterre By-pass Road Project</td>
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<td></td>
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<td>▪ Designing and constructing Sandy Point By-pass Road</td>
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<tr>
<td></td>
<td></td>
<td>▪ Traffic Management Study</td>
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<td></td>
<td>▪ Road Improvement Project</td>
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<tr>
<td>Managing the Adaptation</td>
<td></td>
<td>▪ Establishing a Coordination and Programming Unit within the Ministry of Sustainable Development</td>
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<td>Process</td>
<td>To develop the institutional framework for managing the adaptation process.</td>
<td>▪ Establish an Inter-ministerial Technical Committee on</td>
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<tr>
<td>Policy Areas &amp; Issues</td>
<td>Objectives</td>
<td>Action Plan</td>
<td>Costing in Euros ('000)</td>
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<tr>
<td>-----------------------</td>
<td>-----------------------------------------------------------------------------</td>
<td>-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------</td>
<td>------------------------</td>
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</table>
|                       | To foster an integrated approach to the coordination and implementation of the adaptation and transformation process. | National Transformation.  
- Expanding the role of the Cabinet Committee on Finance to include adaptation and transformation issues and rename it the Cabinet Committee on Finance and the Economy.  
- Establishing units within the Ministries of Tourism, Agriculture and Fisheries and Social Development that will assume the lead role for planning and coordinating the sector specific development programmes within these Ministries  
- Ensure that arrangements for consultation with all stakeholders are incorporated into the operations of the institutions involved in the adaptation and transformation process.  
- Ensure that key Ministries involved in the adaptation and transformation process are represented on the Inter-ministerial Technical Committee on National Transformation.  
- Wind up the operations of the Transition Management Office.  
- Integrate the agricultural diversification activities of the TMO into the new unit to be established within the Ministry of Agriculture and Fisheries.  
- Enhance the donor coordination mechanisms within the Ministry of Sustainable Development.  
- Improve the effectiveness of cross-sectoral and inter-ministerial coordination mechanisms.  
- Employ professionals to fill new and vacant positions in key Ministries involved in implementing the adaptation and transformation strategy.  
- Build skills capacity in the areas of policy formulation and evaluation, macro economic and fiscal | 1,320 |
<p>|                       | To strengthen the institutional capacity of GSKN to plan, coordinate, implement, monitor and evaluate the adaptation and transformation process. |                                                                                                                                                                                                               | 300 |</p>
<table>
<thead>
<tr>
<th>Policy Areas &amp; Issues</th>
<th>Objectives</th>
<th>Action Plan</th>
<th>Costing in Euros ('000)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>management, project management cycle, monitoring and evaluation, strategic planning and statistical development.</td>
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<tr>
<td></td>
<td></td>
<td>▪ Develop a monitoring and evaluation system for monitoring development strategies and programmes.</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>▪ Construct administrative complex</td>
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REFERENCES


——— (2006). National Medium Term Investment Programme (NMTIP) and Bankable Investment Project Profiles (BIPPs), Ministry of Agriculture, Basseterre, St. Kitts.


Organisation of American States (2002). Post-Georges Disaster Mitigation Project in Antigua and Barbuda and St. Kitts and Nevis, CD produced by USAID and OAS with vulnerability reduction initiatives and hazard mapping.


Williams, P. (1999). The Need to Link Hazard Mitigation with Development Planning in St. Kitts, Personal communication to Mr. Oliver Knight, Permanent Secretary, Planning Unit, St. Kitts.


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<th>Economic Infrastructure</th>
<th>Social Development/ Poverty Reduction</th>
<th>Public Reform Economic Mgt &amp; Governance</th>
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## DONOR MATRIX - ST. KITTS AND NEVIS (In Millions of US)

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<th>Project Description</th>
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### DONOR MATRIX - ST. KITTS AND NEVIS (In Millions of US)

<table>
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<p>| Total                                                     | 10.32       | 12.14                           | 8.92                     | 69.78                                | 0.19                                   | 101.35|              |</p>
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SOURCE: ST. KITTS STATISTICS DIVISION/ ECCB
(2003 Revised; 2004 Provisional)
May 2005
### ST. CHRISTOPHER AND NEVIS
### GROSS DOMESTIC PRODUCT, BY INDUSTRIAL ORIGIN, AT FACTOR COST
### IN CONSTANT PRICES (EC$ MILLION)
### 1998 - 2004

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<td>(0.92)</td>
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**SOURCE:** ST. KITTS STATISTICS DIVISION / ECCB

(2003 Revised; 2004 Provisional)

May 2005