



2017 BUDGET STATEMENT

Building an Economic Powerhouse through Innovation, Creativity and People Participation

Honourable Gaston A. Browne

Prime Minister and Minister for Finance and Corporate Governance

Government of Antigua and Barbuda

Friday, January 20th 2017

INTRODUCTION

Mr. Speaker

I report today on one of the fastest growing economies in this hemisphere.

I report on the economy that the UN Economic Commission on Latin America and the Caribbean projects as the fastest growing economy in the Caribbean and the fourth fastest growing economy in Latin America and the Caribbean.

I report on the economy that, in 2016, grew at the greatest rate of all of the Caribbean Community (CARICOM) countries.

I report on the economy that outpaced the vast majority of countries in the world with an outstanding growth rate in 2016 of 4.3%.

That economy, Mr. Speaker, is our own – Antigua and Barbuda.

And, that remarkable growth figure of 4.3% is not my government's number; it is the latest findings of the Eastern Caribbean Central Bank.

Mr. Speaker, this is truly an exceptional achievement and one that I know that this Honourable House will want to recognise and applaud.

This is the backdrop against which I present this year's budget under the theme:

Building an Economic Powerhouse through Innovation, Creativity and People Participation.

Mr. Speaker I also know that Honourable Members and the public would like to know in more detail how our economy compared with others in the global community.

A table is appended to the published text of this Budget Statement that provides the details for all to study. Mr. Speaker, it should be noted that, in the interest of time, all the figures that I will report in this presentation have been rounded and the published text will contain a more in-depth discussion on my government's achievements in 2016 and the plans for 2017.

International and Regional Developments

But I will now summarise the global, hemispheric and regional position.

The International Monetary Fund has reported that global economic growth is projected at 3.1% in 2016.

This means that Antigua and Barbuda exceeded the average global rate of growth by 1.2%.

That is a marvelous achievement by any measure.

It is one for which the people of this country have every reason to be proud.

Growth outlook for the advanced economies weakened to 1.6% in 2016.

In the Euro Area, growth is forecasted to decline to 1.7%.

In the United States the forecast was for 1.6%.

Real GDP for Canada was projected to increase marginally to 1.2%.

The news was not good for the Latin American and Caribbean region, taken as a whole.

The IMF has projected a decline in the regional growth rate to -0.4% in 2016, a fall from 0% in 2015.

In the CARICOM area, countries experienced mixed growth results.

The growth average for tourism-reliant economies was 1.6% in 2016.

It was worse for many of the commodity exporting countries, which saw a decline from an average rate of 2.1% in 2015 to 0.7% in 2016.

Of the commodity exporters, only Guyana maintained growth - 3.4% in 2016 compared with 3% in 2015.

Asia, led by China with growth of 6.6% in 2016, was the best performing region in the global economy.

PERFORMANCE OF THE DOMESTIC ECONOMY

Mr. Speaker, the Antigua and Barbuda economy is stronger today because my government confronted our country's problems and worked diligently to turn them around.

We inherited those problems from 10 years of mismanagement, corruption and inefficiency by the previous UPP administration.

We have not rectified all the problems with which we were saddled, nor have we overcome all the challenges with which we were burdened.

But, it should now be pellucid to all that we have grasped the nettle, and we are delivering the better conditions and prospects that our people have a right to expect.

I pray that it is not too much to hope that even those who make it their daily business to denigrate this government, despite its indisputable performance and integrity, will at last have the generosity of spirit to admit that much has been achieved in the face of great adversity.

Mr. Speaker, the Antigua and Barbuda economy has shown such spectacular growth in 2016 because we didn't seek short term fixes. We pursued strategic and sustainable policies that have created a stable economic climate of very low inflation and robust growth and development.

My government pursued growth strategies underpinned by disciplined fiscal policies that generated surpluses for the past two years. Our fiscal discipline has resulted in a marked reduction in the country's debt to GDP ratio. This was achieved in an environment of no inflation which trended at -1.1 percent in October 2016 as compared to October 2015. In other words, there had been a reduction in the cost of living.

This was driven primarily by the price stability in petroleum products, which was kept constant during the past year.

Our government's sustainable growth policy resulted in annual average growth of 4.25 percent for the past 2.5 years.

This contrasts with the unsustainable debt-driven growth of the past that resulted in large recurring deficits, high debt accumulation, and arrears.

It is no secret that this Antigua and Barbuda Labour Party Government came to office in June 2014 to an economy in shambles.

Every school child, every pensioner, every worker and every business person knows that to be an undeniable fact.

Fiscal crisis; financial sector crisis; Social Security bankrupt; Antigua Port Authority bankrupt; Antigua Public Utilities Authority bankrupt; pensioners on the brink of losing their pensions; Mount St. John Medical Centre in crisis – a state-of-the-art hospital with no state-of-the-art equipment or efficient management; the airport unfinished; the car park abandoned; the roads like warrie boards; citizens afraid in their homes; rapists and gun-toting, home-invading criminals threatening the land. All that was part of our reality.

And it was worse.

The IMF was forced to place a choke-hold on the grave excesses and blatant mismanagement of the previous government, particularly its Finance Minister Harold Lovell.

That resulted in the collapse of many businesses and 10,000 workers losing their jobs; people unable to pay their mortgages and car loans; and unable to pay the cost of their children's school fees.

The feeling of despair was widespread; the powerlessness to make ends meet was pervasive.

Creditors all blacklisted our nation.

The previous government owed all and sundry and had no money to pay any.

Our debts to Venezuela, China, the IMF, the Caribbean Development Bank, and WIOC were all delinquent.

We owed for power and for water generation.

The country was bankrupt, made so by an incompetent, corrupt and inept government.

Mr. Speaker from the abyss of 25% cumulative negative growth and cumulative fiscal deficits in the previous five years of almost a billion dollars, today our economy is the fastest growing in CARICOM, and I am delighted to report that in 2016 we enjoyed a fiscal surplus of \$88 million.

And that is an improvement over the fiscal surplus of \$77 million that we delivered in 2015.

Mr. Speaker, that is something for us all to cheer about.

It shows the real and tangible improvements in our economy.

It demonstrates that we are laying a solid foundation for making our country an economic powerhouse in the region.

That is the path we followed over the past two and half years.

It has given us one of the fastest growing economies in the world.

And that is the path we will follow in the years ahead.

In this Budget period, we redouble our efforts to give to this generation and the next the real prospect of a bright future.

Reducing poverty and inequality are very important features of our successful and sustainable growth programme.

I remind all of us of the desperate circumstances in which our people eked out a living under the previous administration, Mr. Speaker, because I am aware of how easy it is in the current better times to forget the adversity this nation suffered.

While the leader and the spokespersons of the failed UPP now niggle on the side-lines, making demands about the policies and positions this evidently successful government should take, it is prudent that we all recall the damage they did to our nation as a whole.

They didn't have a clue while in their prime, and they don't have a clue now in their twilight years. Their *modus operandi* is one of indolence and mischief.

Those who cannot remember the past are condemned to repeat it.

It is vital that this nation not forget the incompetence, maladministration and bad policies of the previous administration that drove our country into the sad state of affairs.

DRIVERS OF GROWTH

It is also important, Mr. Speaker, that we reflect on the ingredients that have brought about the change for good in our economy.

There were three principal contributors to growth in 2016 – all arising from my government's policies.

These were: construction whose value-added rose by 12% to \$274 million; the hotel and restaurant sector that increased by 6% to \$408 million and the wholesale and retail sector that expanded by 8% to \$402 million.

This Honourable House will recall my government's pledge to build homes for the people of our country, recognising that home ownership and better quality housing were weaknesses in our human development.

To address this problem, we established the National Housing and Urban Renewal Company Limited in 2014 with the specific mandate to provide good quality, affordable housing to all, and to construct and renovate government buildings.

National Housing has over \$120 million in assets a feat achieved without financing from tax resources.

I am pleased to report that by the end of 2016, the company had on-going housing projects at Dredge Bay, Denfields (Cooks Extension), Paynters and Lightfoot.

The housing projects include two, three and four bedroom houses.

At Dredge Bay, forty-eight houses have been constructed in Bay Street, Villa.

The houses there are 98 to 100% completed.

Present work at the site includes fencing of each property, completing the central sewage system and installing electricity, water and roadways.

At the Paynters site, there will be one hundred and sixty houses with sixty houses already under construction.

At Denfields (Cooks Extension), a total of one hundred and forty-eight houses are to be constructed with 45 houses already under construction.

It is anticipated that some thirty houses will be built at Lightfoot. At present, preparatory work has begun, including grading of the site. Actual construction of the houses is scheduled to begin by the third quarter of 2017. We will also build a number of homes in Barbuda.

In addition, our government's social housing project will commence later this year at Booby Alley in the Point and will subsequently be expanded to include Grays Farm, Green Bay, Perry Bay and Ottos.

The social housing programme will be heavily subsidized and will target the poor and vulnerable in poor communities.

The housing programme will be augmented with increased availability of affordable housing plots, and supporting tax concessions on building material, furnishings and fixtures for first time home owners.

These housing lots will be retailed for \$5.00 per foot to include infrastructural costs.

My government will also make larger development plots available at \$3.00 per square foot, to promote increased entrepreneurship in building a stakeholder society.

In addition, several senior citizen recreational facilities will be constructed across the island in promotion of good health and wellness.

No one will be left behind.

Mr. Speaker, my government is fulfilling its pledge to build houses for the people of our country, and, at the same time, a significant contribution is being made to growth and development of our economy as is evident from our impressive performance in 2016.

Mr. Speaker, my government made promises to the people, and we are keeping those promises.

You can believe in the integrity of our words and the reliability of our actions.

It is as well, that I remind our nation that the previous UPP government not only made promises they did not keep; they deceptively imposed policies for which they had no mandate.

This included imposing personal income tax - with all its hardships - on the working people.

In 2016, in fulfilment of our pledge, my government once again abolished personal income tax.

The UPP said it could not be done, we said it could be done, and we did it.

This government, Mr. Speaker, is not a 'Can't do' government; we are a 'Can Do', 'Are-doing', and 'Will-do' government.

We know that the best way we can help working class people, is to help them to save and invest. To increase their disposable income, to empower workers to spend on the things they need and that help them in the enjoyment of their lives.

Part of the consequence of that policy, is the increase we witnessed last year in the growth of the value-added in the wholesale and retail sector.

Mr. Speaker, I draw attention to three other factors that demonstrate both the benefits of abolishing personal income tax, and the outstanding economic performance in 2016.

First, revenue from the ABST is expected to increase by 11% from \$232 million in 2015 to \$258 million in 2016.

Further, the actual performance of the ABST for 2016 is 9% or \$21 million above what was projected in Budget 2016.

This growth in revenue from the ABST is indicative of improved economic activity over the past twelve months, resulting in part, from people having more money in their pockets to spend on the goods and services they want.

A second factor is the strong performance of revenue from Stamp Duties.

Based on the preliminary estimates for 2016, Stamp Duties should generate revenue of \$43 million, which is 26% above the \$34 million collected in 2015.

The third factor is revenue from consumption tax which grew by 13% from \$64 million in 2015 to reach \$72 million in 2016.

Further Consumption Tax revenue collected in 2016 is \$12 million greater than the amount projected in Budget 2016.

Import Duty is also projected to yield \$87 million in 2016, a 6 % increase over 2015.

All of this, Mr. Speaker, underscores confidence in the economy by the business community and improved prospects for the nation as a whole.

These figures speak for themselves.

And, what they tell is a story of improvement, development and advancement.

Mr. Speaker, the hotel and restaurant sector also benefitted from the greater disposable income available to our people from the abolition of personal income tax.

But, the greatest contributor to this sector was my government's enhanced policy on tourism, which had steadily declined under the dead-hand of the UPP regime.

Apart from the considerable sums the government devoted to the promotion and marketing of our country in the global market place, we spent \$81 million in 2016 to dredge St. John's harbour and to renovate and extend the Heritage Quay Pier.

We will all recall, with profound pleasure and satisfaction, the first sight of a Quantum Class cruise ship, *The Anthem of the Seas*, as it docked at our shore, discharging close to 5,000 passengers.

I should add, Mr. Speaker, that my government also contributed to the renovation and expansion of several hotel properties in 2016, including Pineapple, Verandah, St. James' Club, Hawksbill, Non-Such Bay, Mill Reef Club and several apartment condominium buildings in English Harbour through various concessions and incentives.

My government also provided Jolly Beach Resort concessions to facilitate its refurbishment and issued a guarantee of \$8 million to Elite Resorts, to continue operating Jolly Beach as a going concern to avert its closure and the attendant job losses.

MACROECONOMIC PERFORMANCE

Two and half years ago, Antigua and Barbuda was rated as one of the worst economies in the region.

Today, Antigua and Barbuda is among the best.

That is what this Government's economic plan has been all about.

That is what our work has been all about.

We want only the best for Antigua and Barbuda, and every person who is nurtured by this land.

But, I have to say, Mr. Speaker, that our economy would have been much farther ahead by now, were it not for the huge debt crisis that my government inherited from the UPP.

We would also have been much further ahead if we were not compelled to manage the banking sector disaster that the UPP also left us.

We dealt with the huge debt overhang to save the economy from bankruptcy.

We did so in two ways.

We cleared arrears and paid down debt owed to several entities including, West Indies Oil Company, Sembcorp and Antigua Power Company (APC).

And, as I indicated earlier, we converted fiscal deficits into surpluses in 2015 and again in 2016.

Those surpluses allowed us to use revenues to pay debt.

This is evidenced by the reduction in the debt stock from \$3.1 billion in 2014 to \$2.9 billion in 2016.

At the end of 2016, the Debt to GDP ratio is estimated to be 76 %, down from 102% when we took office.

This key macroeconomic indicator is projected to decline further to 74% by the end of 2017.

But, I should make the point, Mr. Speaker, that if we did not have this huge debt we inherited, the money that is now being sucked out of our surpluses to pay debt, would have been used to take our country further along the path to economic prosperity.

Mr. Speaker, I draw attention to a specific debt settlement that had grave implications for the people of Antigua and Barbuda both in terms of burdensome cost and the supply of electricity.

My government successfully negotiated a settlement to the Power Plant dispute – a problem created by the UPP government and then, like everything else, left the country with a huge debt due to the judgement of the Privy Council.

It is a debt of \$221 million in compensation, that this nation would have struggled to pay, and could only have managed at the expense of spending on health, education and other social welfare sectors.

A creative and innovative solution of using a Power Purchase Agreement, saved APUA and the people of our country significant sums of money that can now be used for social and economic advancement.

Further, the cost of energy was negotiated downwards. Consequently, APUA will now be able to return to a profitable path and service all its debts, relieving central government of that responsibility.

This is what good and responsible government is about, Mr. Speaker.

It is not about bad policy judgements; reckless borrowing, pervasive corruption and a failure to plan to meet obligations.

That was the UPP way.

But, no way is it or will it ever be the Labour Party's way.

Mr. Speaker, any objective assessment of this government's performance must be that we saved the nation from bankruptcy and pulled it back from the brink of economic collapse on which it hung dangerously when we came into office just two and half years ago.

In and of itself, that was a huge accomplishment that ought not to be taken for granted.

Let me make a further point.

When we came into office public servants were being paid late; so too were pensioners.

This government has managed to pay both workers and pensioners in a prompt manner, even as we pay down debt that the UPP created and then neglected.

But, the size of the debt and the interest payments that have to be made eat into our cash flow even with the surpluses that we now generate.

It is a further credit to this government's ingenuity and management that we have kept the economy solvent; paid down debt; paid workers and pensioners; reduced the cost of living; and continued to grow the economy.

That, Mr. Speaker, is good government.

It is competent management.

It is responsible stewardship of the nation's affairs in the people's interest.

FINANCIAL SECTOR STABILITY

Mr. Speaker we also dealt with the ABI Bank disaster to save the money of depositors who, otherwise, would have lost their savings; in many cases, they would have lost their life-savings.

In any event, the effect on our banking system and on the economy as a whole would have been catastrophic.

To recount the situation, Mr. Speaker, on 27th November 2015, ABI Bank Ltd, once one of the largest indigenous banks in Antigua and Barbuda, was placed in receivership.

Prior to that, from 22nd July 2011, the Eastern Caribbean Central Bank had exercised its special emergency powers to intervene in the Bank because it faced serious liquidity and solvency issues and did not have sufficient assets to pay its liabilities.

Also on 27th November 2015, the Eastern Caribbean Amalgamated Bank (ECAB) purchased some of the Assets and assumed deposit Liabilities up to \$500,000 per depositor from ABI Bank Ltd (In Receivership).

The remaining Assets and Liabilities of ABI Bank Ltd are being managed by the Receiver.

However, it was evident that ABI Bank Ltd in Receivership did not have sufficient assets to repay all the ABI Bank Ltd depositors with balances over \$500,000 whose accounts remained with the ABI Receiver.

Therefore, in the interest of those depositors and to safeguard their families and their businesses, my Government decided to offer a benefit to those with balances in excess

of \$500,000 equivalent to what they would have received had the Bank not been placed in receivership.

This was also done to protect and safeguard the stability of the banking system in Antigua and Barbuda and in the Eastern Caribbean Currency Union as a whole.

I make the point, Mr. Speaker, that in the run-up to the 2014 general elections, this calamity was already formed into a perfect storm.

But it was a storm for which the UPP administration had made no preparation.

Let me emphasize that the UPP government had no resolution plan after three years and was actively contemplating liquidation without any deposit protection.

It was already battering the doors of government as my party approached the doorstep.

Unlike our predecessors, we moved proactively to deal with it in the interest of all.

A Depositor Protection Trust (DPT) was established and operationalized on April 14th 2016 when a Trust Deed was registered to record a benefit by law for each depositor.

As part of the Trust Deed, the Government issued a Bond for \$157 million at an interest rate of 2 % per annum to the Depositor Protection Trust.

The Government will make semi-annual Bond payments to the Depositor Protection Trust.

The first payment of \$17.3 million was made to the Trust on 23rd May 2016 to pay the beneficiaries of the DPT.

On 28th October, the Government made a second payment to the DPT of \$1.4 million to cover interest payments.

The DPT made the second payment to beneficiaries on 30th November 2016.

Of the seventy-five eligible individuals and entities that had balances with the ABI Bank in Receivership, fifty-six have already signed up as DPT beneficiaries and received both payments.

To date, Mr. Speaker, the Government has paid \$18.7 million to the DPT, and we will continue to do so until the amounts owed to the affected depositors by ABI Bank (In Receivership) are fully paid.

My government also proactively and strategically invested \$30 million in Caribbean Union Bank to further strengthen the indigenous banking sector.

But, Mr. Speaker, it should be clear for all to see, that had this government not inherited this calamity from the previous administration that did absolutely nothing to resolve it, we would have had millions more to spend on improving the lives of our people.

So, when judgements are being made about the performance of this government over the last two and half years, it should be recalled – particularly by the UPP representatives themselves – that much creative effort, effective management and actual cash had to be spent on cauterizing this running sore in our banking system left to fester by the UPP.

One of the ways in which these monies could have been spent is in paying increased salaries and wages to our public servants.

And, Mr. Speaker, at this point, I make a few remarks about support for our public servants.

My Government is cognizant that public sector workers have had to shoulder a disproportionate share of the burden associated with the economic and financial downturn that has affected the country over the past several years.

This is most starkly evidenced by the fact that the majority of public servants have not had an increase in pay since 2008.

Although the demands on cleaning-up the UPP mess do not allow the Government to immediately address an increase in pay, the Government's Negotiating Team will be reconstituted in 2017.

This team will be tasked with the responsibility of commencing discussions with the bargaining agents for the various segments of the public service to arrive at a satisfactory and fiscally sustainable way forward.

In addition, the Government will commission a review of the segments of the public service that have not yet been reclassified.

The purpose of this review is to determine the appropriate salary scales for the relevant agencies and departments.

While this is ongoing, the Government pledges to continue to provide its support to public servants through a number of initiatives.

These include but are not limited to, earmarking a proportion of the houses constructed by the National Housing and Urban Renewal Company for public servants and providing duty-free concessions on building materials for public servants who intend to construct homes or undertake major home renovations.

Additionally, public servants who acquire homes through National Housing will be given a grant of \$10,000 to assist with their equity contribution.

Further, as an added support for public servants, the Government will make it easier for all those public servants who are travelling officers and are desirous of purchasing a vehicle to do so by waiving both the import duty and the RRC on vehicles.

An employee incentive programme will be introduced in 2017, to reward high performers in the public sector, as we seek to build a culture of excellence, supported by increased productivity and service quality.

STRATEGIC INTERVENTIONS IN 2016

Mr. Speaker, before I leave our performance in 2016, I repeat a statement I made in my New Year's message to the people of Antigua and Barbuda about our statutory corporations.

The turn-around in several of our statutory corporations is remarkable and noteworthy, driven by improved management, an end to waste and corruption, and best business practices.

Antigua Port Authority, without increasing fees, will turn a profit of a few million dollars; it is no longer reliant exclusively on a \$10 million bank overdraft to fund its operations.

This contrasts with persistent and successive losses between 2009 and 2014 amounting to a cumulative \$35 million.

The Transport Board, which previously lost money is now turning a profit.

State Insurance Corporation turned a profit of approximately \$13 million in 2016, so much so, that it was able to pay in excess of \$9 million in dividends to the government.

The nation would recall, the attempt by the UPP to dispose of this crown jewel for a mess of pottage.

Thanks to a vigilant ABLP, we succeeded through protest action to scuttle the sale of State Insurance Corporation.

WIOC is expected to show a year-end profit for 2016 of approximately \$18 million and will make another dividend payment to the government by April 2017, exceeding the sum of \$5.5 million paid in December.

WIOC also paid \$8 million in corporation taxes in 2016.

In 2016, Caribbean Union Bank which is majority owned by the Government and people of Antigua and Barbuda, for the first time since incorporation, turned a nominal profit.

The profitability of the bank is expected to increase exponentially as it introduces a variety of new products in 2017.

I am confident that the Board of CUB would actively develop banking products, including mortgage products with favorable terms.

We have been advised that the services of the Bank will be augmented with the addition of several drive-through tellers at strategic points throughout the island, for greater customer convenience.

CUB is expected to offer safe, secured, convenient and responsive banking.

We expect them to offer banking at its best.

PURSUING OUR DEVELOPMENT STRATEGY

The successes with these private enterprises and the benefits to the people vindicate and validate our economic paradigm of entrepreneurial socialism.

Entrepreneurial Socialism is a hybrid model that takes the best of capitalism and socialism in the promotion of public private partnerships. It is equitable in its distribution and more egalitarian in its development.

It socializes supernormal profits for the benefit of the masses without destroying the incentive for entrepreneurs to flourish.

It also promotes free trade, with outward looking policies to aggressively promote investment and trade.

In pursuance of this exciting tailor-made economic model and to scale up public-private sector investments; my government has incorporated the National Asset Management Company Ltd. (NAMCO)

In addition to scaling up investments, the objective is to close the inequality gap and to reduce poverty through job creation and entrepreneurship.

In 2017, NAMCO will be capitalized to the tune of \$70 million. The proceeds will be invested in several revenue generating projects to include the Valley Church Beach Resort and the unfinished car park on Independence Drive.

By any measure, to achieve so much has been a phenomenal task particularly given the necessity to rescue the country from the economic and financial quagmire that the UPP administration left behind.

Development Plans

Mr. Speaker, I turn now to the future and my Government's development plans.

In the interest of time, I will now highlight the main points for this Honourable House.

My Government is working to secure a significantly better quality of life for our citizens and residents.

In November 2015, the Cabinet approved a Medium Term Development Strategy for the period 2016 to 2020.

One of the priorities of the Strategy is to build infrastructure that will enable us to become the economic powerhouse of the region.

This requires a complete and comprehensive upgrade of the nation's infrastructure.

Thus, we will focus on our air and sea ports, our road network, and our broadband and utilities infrastructure both in Antigua and in Barbuda.

Sea Port

The Government has successfully accessed \$235 million from the China Exim Bank for the Port Development Project at the Deep Water Harbour.

On its completion, the new, modern, state-of-the art port facilities will ensure that Antigua is established as a primary location for marine transportation and logistical services, for the wider Caribbean.

This project will produce employment in its construction phase and, in the longer term, it will deliver new occupational and career paths, particularly for our young people.

Roads

Another priority, Mr. Speaker, is road and infrastructure rehabilitation, which will be done systematically in keeping with both our development needs and the needs of each community throughout our country.

We will not be responding to the opportunistic carping of uninformed political hacks.

In this regard, my government intends to redesign and reconstruct two major roadways – the Sir George Walter Highway and Friar’s Hill Road.

Other roads will also receive attention as conditions demand and finances allow.

The objective however, is to construct and resurface over 100 miles of roads in 2017.

Energy

In the Energy sector, it is intended that WIOC plays an even deeper role in the progressive development of our country.

We have already seen the benefits that WIOC provides.

In 2017, WIOC will become a player in the cruise ship bunkering market, consolidating the country’s attractiveness as a cruise tourism destination.

The transition of our country to renewables, as one of the most vulnerable in the world to climate change, is not an alternative, but an imperative.

By the end of 2017, my government would have invested \$100 million to transition to renewables, in building a low carbon, climate resilient economy.

In terms of renewable energy, the 10 megawatts solar energy project will begin installation at Bethesda for a 4 Megawatt plant, and also one megawatt on Barbuda.

My government has also successfully negotiated financing from the Caribbean Development Bank for a major project to transition all streetlights in Antigua and Barbuda to LED lighting.

In 2017, two thousand solar street lights will be installed in various communities across the country.

We have also negotiated a US\$15 million concessional loan, to fund a 5 Megawatt wind turbine and solar energy project, through the IRENA and the Abu Dhabi Fund for Development Facility at 2% interest over 20 years with a five-year grace period.

This project will assist in taking Government operations off the APUA fossil-fuel-generated power system, reducing government's costs and contributing to a reduction of the nation's carbon footprint.

With respect to reducing government costs even further, we will at last eliminate that conspicuous UPP 'White Elephant' – the infamous car park.

My government has negotiated the purchase of the building from the Receivers appointed by the Government of Trinidad and Tobago.

NAMCO will complete the purchase within the next 30 days. A number of government offices will be transferred to the facility to reduce the significant monthly sums now paid in rental costs.

Social Assistance Programmes

Mr. Speaker, my government continues to focus on issues of poverty, social vulnerability and the ability of the poor to sustainably improve their livelihoods and well-being.

Through several social assistance programmes, we will continue as a nation, to look after the well-being of those among us who cannot adequately provide for themselves.

The Board of Guardians will continue to provide assistance to clients who are unable to take care of their needs through monthly stipends to assist in the provision of necessities;

we will also introduce a zero hunger programme; grants to purchase building material to facilitate home repairs for the elderly; and funeral grants.

To varying degrees, all of the projects and programmes that I have just described fit within the priorities contained in my government's Medium Term Development Strategy.

Now, in addition to the projects I have already described in this statement, I am pleased to announce other major priorities during this budgetary cycle.

Other Major Priorities

The headquarters for the Antigua Department of Marine Services and the State Insurance Corporation office buildings will be completed – both will save rental costs.

The West Indies Oil Company will continue the construction of its storage tanks and will also develop a business park on Friars Hill Road.

The Port and Airport infrastructure development in Barbuda will commence in 2017, and the logistical arrangements to make Barbuda a port of entry will be finalised;

A five-storey state-of-the-art Business Process Outsourcing office building at Woods Estate will be completed. This US\$25 million project is expected to provide over 800 jobs and boost Antigua and Barbuda's attractiveness as an International Financial Services Centre.

Our Government will partner with Amazon and the Alorica Call Centre, located at Coolidge to construct a call center facility at the Five Islands Campus. This will provide a further 500 jobs in 2017.

A third cruise ship pier will be constructed at Point Wharf to accommodate the world's largest Oasis Class ships at a cost of \$108 million will be completed. This project will ensure that Antigua is able to welcome many more thousands of cruise ship passengers,

with every call benefiting vendors, taxi drivers, restaurants, tour operators and the business community. This investment will also help us to reach the target of a million cruise ship passengers within the next two years.

The operations of Barbuda Air will be launched in 2017 with subsidised fares to facilitate the movement of people between the two islands.

Our Government will also install two Reverse Osmosis Plants this year, one of which is fully funded by the Government of Japan for agricultural use.

Mr. Speaker, these public and private sector projects will further strengthen our economy by generating real economic growth, at an estimate of at least 5% in 2017.

This Honourable House, our people, and our country have much for which to look forward.

FISCAL STRATEGY 2017

Mr. Speaker, I turn now to the government's fiscal strategy for the financial year.

While there has been significant fiscal improvement over the past two years, the Government recognizes that further effort is needed to secure fiscal stability and achieve the objective of debt sustainability.

However, fiscal and debt sustainability must be balanced against the developmental imperatives of economic growth, job creation, social and infrastructural investment.

Therefore, my government's objective is to ensure a gradual reduction in the debt burden, achieving a debt to GDP ratio of 60% by 2030.

In 2017, the fiscal stance will be balanced and pragmatic: securing long term sustainability, while at the same time, ensuring that economic activity is not thwarted by fiscal policies that are too conservative.

Essentially, a primary surplus that ensures the Government can finance its current operations in 2017 will be the target.

This means generating sufficient revenue and managing expenditure such that: (i) Government will have sufficient revenue to meet its current operational expenditures, (ii) the overall fiscal deficit will be contained to less than \$20 million, or 0.5% of GDP, (iii) an underlying primary surplus of at least \$80 million or 2% of GDP will be achieved, and (iv) current payments to the majority of our creditors will be made.

In order to achieve this outcome in 2017 the Government will:

- continue the hiring freeze in the public service, except where a replacement is needed to fill a position that became vacant as a result of attrition;
- contain expenditure on goods and services to no more than 3.5% of GDP; and
- limit other transfers to less than 3% of GDP.

These efforts will be supported by a number of Public Financial Management (PFM) related initiatives to include internal audit of the Treasury and major spending ministries; improving the procurement framework with the assistance of the Commonwealth Secretariat, and, with some assistance from the IMF's Fiscal Affairs Department, reorganizing the Treasury to improve overall operational and cash management processes.

Revenue Increasing Measures

Further, the Government will undertake a number of initiatives that will increase revenue. These interventions will focus on strengthening tax administration rather than the introduction of new tax measures.

At the heart of this effort will be enactment of an updated Tax Administration Procedures Act (TAPA). The Inland Revenue Department will also implement a plan to collect tax arrears, which will involve taking decisive legal action against non-compliant taxpayers.

The IRD will also work more closely with other Government agencies, through the establishment of MOUs, to complete the circle of information regarding activities of taxpayers to help improve tax assessments and revenue collection.

There will also be a cap placed on discretionary tax waivers particularly in respect of the Import Duty and the Revenue Recovery Charge. Also, the revenue collection from these and other border taxes will be bolstered by the implementation of ASUCYDA World.

These interventions will result in an increase in the yield from Property Tax, the Unincorporated Business Tax, Stamp Duties, the Import Duty, Revenue Recovery Charge, Antigua and Barbuda Sales Tax, and the Corporate Income Tax.

The Government is of the view that this is a feasible fiscal strategy that represents an attainable level of fiscal effort for 2017.

It is a credible indication of Antigua and Barbuda's commitment to pursuing a prudent and responsible fiscal path towards debt sustainability, without sacrificing economic growth and employment or compromising the standard of living of the population.

Assistance from Regional and International Partners

Mr. Speaker, over the last two and a half years, with renewed confidence in the governance of Antigua and Barbuda, many partners have contributed to improving macroeconomic performance by providing significant technical and financial assistance.

We are grateful for the assistance of the Eastern Caribbean Central Bank, the Caribbean Development Bank, the Governments of Canada and the United Kingdom, the European Union, the Caribbean Technical Assistance Centre, the IMF and the World Bank, and look forward to continued and mutually beneficial collaboration in the coming years.

The government is also grateful to those friendly countries, regional and multilateral organisations that continue to provide grants and highly concessional financing.

We appreciate the invaluable and always dependable support of the People's Republic of China. We are eternally grateful for the concessional Port loan and for its grants totaling \$50 million, which will be utilized to construct several polyclinics and community centres at Knuckle Block, Villa, and Willikies.

We also thank our other bilateral partners such as the Bolivarian Republic of Venezuela, Japan, Canada, South Korea, the Republic of Cuba, the United States of America, Malaysia, the United Kingdom, and Mexico.

BUDGT PROJECTIONS 2017

Now, Mr. Speaker, I turn to the Budget projections for 2017.

Recurrent expenditure including principal payments is estimated at \$1.2 billion, which is about 6.6 % above the \$1.1billion estimated in Budget 2016.

Recurrent expenditure excluding principal payments for Fiscal Year 2017 is estimated at \$769 million while recurrent revenue is estimated at \$935 million.

Accordingly, we project a current account surplus of \$165 million for Fiscal Year 2017.

This compares with a current account surplus of \$120 million in Budget 2016.

Revenue Projections

Recurrent Revenue for Fiscal Year 2017 is budgeted at \$935 million.

This is 10% above the \$852 million projected in Budget 2016 and 17% more than the \$798 million actually collected in 2016.

The anticipated increase in revenue compared to actual outturn in 2016 is based on a number of factors including further improvement in economic growth, strengthened revenue administration and enhanced tax collection.

In addition, collections from the Tax on Income of International Banks and the Gambling Tax will begin in 2017.

Tax revenue, comprising of direct and indirect taxes, will account for about 79% or \$742 million, while non-tax revenue of \$193 million will make up the remaining 21%.

Direct taxes are expected to yield \$97 million in 2017.

The main contributors to direct tax revenue are the Corporate Income Tax, the Property Tax and the Unincorporated Business Tax.

The Corporate Income Tax is projected to yield \$54 million in 2017 while the Property Tax is expected to yield \$26 million.

Property Tax revenue is expected to increase by 43% compared to the amount collected in 2016.

The significant growth in revenue from this source will be the result of improved administration of the property tax and an aggressive arrears collection programme.

Specific interventions will include reclassifying condominiums as commercial properties.

Presently, condominiums that are leased to visitors, or are part of time-share arrangements, attract the same property tax rate as a typical home.

The intention was not for condominiums that are income generating properties to be treated the same as owner-occupied residential properties.

Once reclassified as commercial properties in 2017, the condominiums will attract a higher property tax rate.

The increase in the property tax revenue will also be the result of broadening the tax net, by including at least four hundred additional high value properties that have been identified by the Inland Revenue Department.

Further, the IRD will implement a programme to increase compliance among property owners, with particular focus on commercial property owners.

This will include taking legal action to collect arrears and to ensure payment by non-compliant tax payers.

The IRD will also continue to offer discounts to property owners who make early property tax payments.

Revenue from the Unincorporated Business Tax (UBT) is budgeted at \$12 million.

This tax was introduced in July 2016, as a measure to partially compensate for the revenue lost due to the removal of the Personal Income Tax.

To ensure full compliance, the IRD will make full use of the provisions of the Unincorporated Business tax legislation which includes strict penalties for tax avoidance and evasion, failure to remit the tax, refusal to file a return and understatement of tax on withholding tax return.

The Commissioner is also empowered to determine the tax liability where a business has failed to pay tax and can carry out an inquiry or audit to ascertain the tax liability of a business.

The Commissioner will also be granted administrative power to assess the tax liability on the gross income of any unincorporated business that fails to comply with the provisions of the Act.

The businesses that comply with the law and remit the tax to the Inland Revenue Department as required, will not be affected by these provisions of the Act.

Tax on the Off-shore Sector

Another source of revenue is contained in the new International Banking Act (IBA) which was enacted in 2016.

The IBA strengthens the regulatory and supervisory powers of the Financial Services Regulatory Commission, to ensure Banks and Trusts licensed in Antigua and Barbuda, conduct business in a manner that is consistent with international best practices and standards.

The IBA also makes provision for licensed financial institutions, to contribute to national development, by investing in or providing loans to finance approved projects.

International (offshore) banks, will also contribute to the national economy by paying taxes.

This provision was included in the IBA, following consultation with the licensees and is part of the Government's strategy to change the perception of Antigua and Barbuda as a tax haven.

The intention is to present our jurisdiction as a well-regulated, international financial services centre that offers competitive tax rates.

Antigua and Barbuda is committed to complying with the international standards and rules governing international financial services and will take the steps necessary to ensure it is not classified as a tax haven.

Starting in 2017, the offshore banks licensed in Antigua and Barbuda, will pay to the Commissioner of Inland Revenue a tax on the profits and gains generated in 2016.

These payments are to be made annually by the 31st day of March.

The revenue forecasted from this source in Budget 2017 is \$10 million.

Indirect taxes are expected to yield \$650 million, which is about 88% of tax revenue.

A total of \$288 million or 44% of the revenue from indirect taxes will be generated from the ABST.

This represents an 11% increase over the ABST yield for 2016.

Revenue from import duty is budgeted at \$104 million, while the Revenue Recovery Charge is projected to yield \$95 million in 2017.

Both of these taxes are expected to yield 20% more revenue in 2017 than what was generated in 2016.

The expected expansion in revenue will be the result of a number of factors including; increased economic activity and tighter control over tax concessions, by containing discretionary waivers to less than \$80 million or 2% of GDP.

Revenue from stamp duties is expected to be \$49 million in 2017, which is a 13% increase over the amount collected in 2016.

Finally, included in the category of indirect taxes is the Gambling Tax, which represents a consolidation and revamping of taxes that are applied to the gambling industry, to include commercial lotteries.

The Gambling Tax will be established through the Gambling Act, which has been enacted to ensure that Antigua and Barbuda adopts international best practice in the regulation of gambling.

In addition, passage of the new Gambling legislation, brings Antigua and Barbuda into compliance with the recommendations from the Financial Action Task Force (FATF), regarding regulation of casinos and similar businesses.

The Act also establishes the Antigua and Barbuda Gambling Authority which will be responsible for regulating all forms of gambling.

With the enactment of the Gambling Act and the creation of the Gambling Authority, it is expected that these new regulatory framework and improved controls, will provide a better basis for fair competition among local businesses.

At the same time, our jurisdiction will be compliant with international requirements and standards, and provide the community with greater confidence in the integrity of the gambling industry in Antigua and Barbuda.

An amount of \$5 million has been forecasted in Budget 2017 for the Gambling Tax.

Mr. Speaker, a high level of compliance is critical, if the taxes that are on the books are to generate the revenues needed to adequately fund public sector operations.

Non-tax Revenues

Of the \$193 million budgeted for non-tax revenue, \$117 million represents receipts from the Citizenship by Investment Programme (CIP), while \$30 million represents surplus funds from the Citizenship by Investment Unit operating account.

The amount budgeted for capital receipts is \$4 million, while grant funding for Fiscal Year 2017, excluding the Chinese grant is budgeted at \$42 million.

Grant funds will be provided by the Caribbean Development Bank, the European Union, the CARICOM Development Fund, Mexico and the United Kingdom.

Expenditure Projections

Mr. Speaker, I turn now to the budgetary allocations for this fiscal year.

The Parliamentary Representatives with responsibility for the respective Ministries will provide details of their priorities, strategies and programmes for 2017 in the course of the debate on this Budget.

However, I will highlight those ministries that will receive the highest allocations.

In keeping with developing our human resources and preparing our youth to be competitive in the global community, the Ministry of Education and Technology receives the highest sum at \$98 million.

Additional capital funding will be made available to construct a new secondary school at Tomlinson's, commencing in the first quarter of 2017.

Manifesting my government's commitment to provide the best possible health care to our people, the Ministry of Health and the Environment receives \$89 million.

The sterling leadership of the Minister of Health and his staff at Mount St. John Medical Centre, has culminated in the first successful kidney transplantation in the OECS.

The Ministry of Works and Housing is next at \$72 million to carry out its projects and programmes, some of which I have already detailed in this statement.

The Office of the Attorney General, Ministry of Justice and Legal Affairs, Public Safety and Labour is provided \$73 million with the emphasis on keeping the people of our country and our visitors safe and secure from criminals.

We maintain that crime and violence will not pay and those who persist with crime and violence will surely pay.

The Ministry of Tourism, Economic Development, Investment and Energy, which is charged with promoting and marketing our country, is allocated \$31 million.

These resources will be used by the Ministry to build upon the successes achieved in 2016.

The Minister and his staff must be congratulated for earning Antigua and Barbuda the award of Caribbean Tourism Destination of the Year. The Minister's award as Caribbean Tourism Minister of the Year is also commendable.

Allocations for other Ministries

Budgetary Allocations for the other Ministries are as follows:

Ministry of Information, Broadcasting, Telecommunications & Information Technology:
\$14 million

Ministry of Social Transformation & Human Resource Development: \$20 million

Ministry of Foreign Affairs and International Trade: \$26 million

Ministry of Agriculture, Lands, Fisheries & Barbuda Affairs: \$18 million

Ministry of Public Utilities, Civil Aviation & Transportation: \$8 million

Ministry of Trade, Commerce & Industry, Sports, Culture & National Festivals and Community Service: \$23 million

The 2017 budget also includes allocations for:

- Office of the Governor General: \$2 million
- The Legislature: \$2 million
- The Cabinet: \$3 million
- The Judiciary: \$2 million
- The Service Commissions: \$800,000
- Audit: \$1million
- Pensions and Gratuities: \$61 million
- Electoral Commission: \$4 million
- Ombudsman: \$500,000
- Charges on Public Debt: \$476 million

Mr. Speaker, I take this opportunity to present highlights of the Office of the Prime Minister which is allocated \$28 million and the Ministry of Finance and Corporate Governance which receives \$97 million.

The strategic focus in these ministries will continue to be the following:

- i. Promoting the Citizenship by Investment Programme to further increase global interest and strengthening due diligence processes, to maintain the integrity of the Antigua and Barbuda programme;
- ii. Increasing the number of registered Antigua and Barbuda flagship vessels, and increasing revenues, through the work of the Antigua and Barbuda Department of Marine Services (ADOMS);
- iii. Developing a Corporate Governance policy and implementing governance training programmes;

- iv. Increasing monitoring and reporting on the performance of statutory corporations;
- v. Ensuring continued, timely preparation of Government's annual financial statements;
- vi. Continuing to improve arrangements for procurement and contract administration with assistance from the Commonwealth Secretariat;
- vii. Implementing incentives-based performance improvement plans, to ensure delivery of professional and cost effective service and achievement of key objectives.

The Office of the Prime Minister and the Ministry of Finance and Corporate Governance have direct responsibility for Anti-Money Laundering and Combating the Financing of Terrorism and issues relating to the Caribbean Financial Action Task Force (CFATF), the Global Forum, and the Foreign Account Tax Compliance Act (FATCA).

In 2017, Antigua and Barbuda will undergo a number of assessments, to test its compliance with international standards for a well-regulated and effectively operated financial sector and international financial services sector.

The CFATF Mutual Evaluation of Antigua and Barbuda will take place in June 2017, while an assessment of Antigua and Barbuda's readiness for the Global Forum's Common Reporting Standard will take place during the first half of 2017.

With respect to FATCA, Antigua and Barbuda has executed the Intergovernmental Agreement with the United States and will soon enact the related FATCA legislation to ensure our jurisdiction can fully comply with the reporting requirements under the FATCA.

My government's policy is to ensure that Antigua and Barbuda is an early adopter of evolving standards and best practices for regulating and supervising the financial services and offshore sectors.

A strong financial services sector is built on confidence, transparency and sound regulation. However, the government is keenly aware of the risks and developments that constantly threaten the sector. A case in point is the recent allegations that an offshore bank in Antigua and Barbuda served as a conduit for bribes paid by Odebrecht S.A between 2010 and 2014. The only way to effectively respond to these issues is to be proactive, ensure compliance with international standards, and to take appropriate action to tackle any developments that threaten the stability of financial services in Antigua and Barbuda. In this regard, the ONDCP must be commended for its quick action and response to the Brazilian authorities' request for information under a Mutual Legal Assistance Treaty (MLAT).

Many questions remain unanswered about the relationship of the UPP administration with persons connected to the offshore bank at all times that it is alleged money was laundered through it.

No doubt, these questions will be answered as formal inquiries continue.

In any event, Mr. Speaker, my government is committed to protecting the financial services sector and will take all necessary action to ensure all entities licensed to operate in Antigua and Barbuda do so in accordance with the provisions of the applicable laws.

Mr. Speaker, I now turn to Capital Expenditure which is budgeted at \$106 million.

This is about \$3 million more than the amount spent in 2016.

As I mentioned earlier, my Government has prioritised road development and road repair and maintenance for 2017.

Therefore, 57% or \$61million of the resources allocated for capital expenditure will be spent on road works.

FINANCING

In 2017, an amount of \$391 million has been allocated to make principal payments to domestic and external creditors and to reduce the level of arrears.

Based on the budget estimates for 2017, total revenue and grants will be \$935 million while total expenditure, excluding principal payments, will be \$769 million.

This means an overall surplus of \$106 million is budgeted for Fiscal Year 2017.

Given this overall surplus, the financing requirement is reduced from \$391 million to \$285 million.

The financing requirement for 2017 will be met by: raising \$196 million from Securities issued on the Regional Government Securities Market; and loans and advances of \$89 million, including disbursements of \$66 million from the Caribbean Development Bank.

CONCLUSION

Mr. Speaker, I now make some concluding remarks.

Members of the other side decided to boycott this Budget presentation.

This is not surprising.

The last thing they wanted to hear were the facts and figures of the Labour Party government's success on behalf of the people of this nation.

They are running a campaign of nastiness and vitriol; of false accusations and misleading claims.

They are doing what they do best.

They have proven that they cannot run a country, except to run it into the ground.

Running a country successfully requires thoughtful, creative and innovative interventions with competent implementation skills.

They have proven that they have no such skills.

Even as they boycott this Budget statement, they do absolutely nothing for the people of Antigua and Barbuda.

Not a single Antiguan and Barbudan benefits from their absence and their gross dereliction of their parliamentary duty.

Mr. Speaker, we have made tremendous strides in the pursuit of a better life for every man, woman and child in this land.

We leave none behind; we say the pie must be shared.

We want no economic underclass.

We want a rainbow nation – red yes, but blue too; and incorporating black, white and all those in between.

Mr. Speaker as much as we have covered great distance in returning prosperity to our land, we have much farther to go.

We will stay the course.

We are grateful for the support of the people and we pledge to keep the faith; to continue to lead, and to continue to deliver.

With the people, we will take our country to the mountaintop and look down on the land of promise and fulfilment that lies within our reach.

I also thank the Minister of State and staff members in the Ministry of Finance and my Cabinet colleagues for their continued contribution to nation building.

Mr. Speaker, I have reported on an economy that is growing faster than any in the CARICOM region.

I have reported on a country that's on the move.

I have reported on the positive developments that will lead our nation to opportunity and prosperity.

This Budget introduces no new taxes on the domestic sector, leaving money in the pockets of the people and in the coffers of the business community.

This is a Budget that gets investors investing; jobs opening; savers saving; businesses doing business. They will do so in a low tax, enterprising economy and in a country which offers much to all.

Mr. Speaker I commend to this Honourable House this Budget that lays out a clear road map to our nation's growth and success.

God bless this Honourable House; God bless our beloved Antigua and Barbuda.