



Presented by:

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Minister of Finance, the Economy and Public Administration
Antigua and Barbuda

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2012 Budget Statement

resolved to
TRANSFORM

determined to
DELIVER



2012 Budget Statement

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Antigua and Barbuda*

Acronyms and Abbreviations

| Acronym | Description |
|----------------|--|
| ABHTI | Antigua and Barbuda Hospitality Training Institute |
| ABIA | Antigua and Barbuda Investment Authority |
| ABICE | Antigua and Barbuda Institute of Continuing Education |
| ABIIT | Antigua and Barbuda International Institute of Technology |
| ABST | Antigua Barbuda Sales Tax |
| ACP | African Caribbean Pacific |
| ALBA | Bolivarian Alternative for Latin America and the Caribbean |
| APUA | Antigua Public Utilities Authority |
| CARICAD | Caribbean Centre for Administrative Development |
| CARICOM | Caribbean Community |
| CARTAC | Caribbean Regional Technical Assistance Centre |
| CARTFund | Caribbean Development Bank's Aid for Trade Regional Integration Trust Fund |
| CDB | Caribbean Development Bank |
| CFATF | Caribbean Financial Action Task Force |
| CIDA | Canadian International Development Agency |
| ComSec | Commonwealth Secretariat |
| CRIP | Caribbean Regional Indicative Programme |
| CROSQ | CARICOM Regional Organisation for Standard and Quality |
| CSME | CARICOM Single Market and Economy |
| CST | Customs Service Tax |
| CTO | Caribbean Tourism Organization |
| DAGS | Direct Assistance Grant Scheme |
| DFID | Department for International Development |
| EC | European Commission |
| ECCB | Eastern Caribbean Central Bank |

| Acronym | Description |
|----------------|---|
| ECCU | Eastern Caribbean Currency Union |
| EDF | European Development Fund |
| EPA | Economic Partnership Agreement |
| EU | European Union |
| FATF | Financial Action Task Force |
| FCP | Fiscal Consolidation Programme |
| FDI | Foreign Direct Investment |
| FSRC | Financial Services Regulatory Commission |
| GDP | Gross Domestic Product |
| ICT | Information Communications Technology |
| IICA | Inter-American Institute for Cooperation on Agriculture |
| IMF | International Monetary Fund |
| MSJMC | Mount St. John Medical Centre |
| NAO | National Authorising Officer |
| NEST | National Economic and Social Transformation |
| NETHE | Network of Excellence in Tourism and Hospitality Education |
| NSLF | National Student Loan Fund |
| OAS | Organisation of American States |
| OECS | Organisation of Eastern Caribbean States |
| OSFI | Office of the Superintendent of Financial Institutions (Canada) |
| PAN | Physical Activity and Nutrition Programme |
| PBL | Policy Based Loan |
| PDMC | Policy Design and Management Committee |
| PFM | Public Financial Management |
| PRC | People's Republic of China |
| SBA | Stand-By Arrangement |
| UPP | United Progressive Party |

| Acronym | Description |
|---------|----------------------------------|
| WTO | World Trade Organisation |
| WTTC | World Travel and Tourism Council |

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INTRODUCTION

**In the long vista of the years to roll,
Let me not see our country's honour fade:
O let me see our land retain her soul,
Her pride, her freedom; and not freedom's shade.
From thy bright eyes unusual brightness shed
Beneath thy pinions canopy my head!**

From: "To hope" by John Keats – Verse 6

Today's world, Madam Speaker, is filled with graphic images that capture our imagination and bring to mind the four seasons: winter, spring, summer and fall. The mass demonstrations and uprisings in the Middle East and North Africa have been described as the Arab Spring.

The financial and economic turmoil in Portugal, Ireland, Italy, Greece and Spain is referred to as the European Fall.

And as we read of the Occupy Wall Street Movement and contemplate the dire predictions of doom and gloom, it appears that there may be a Winter of Discontent in some of the major capitals around the world.

Our mission and our mandate are to create and embrace a Summer of Hope in Antigua and Barbuda. Hope for our People as we meet and surmount the challenges ahead.

As I ponder the imperative of HOPE, I am moved to consider another concept with which HOPE is often twinned: LOVE. The Good Book, in I Corinthians 13:6, says this of LOVE: it rejoices in truth. Later in that oft quoted passage, 13:13 to be specific, it speaks of LOVE as transcending FAITH and HOPE. This suggests to me, Madam Speaker, that we should be contemplating LOVE first, as a pre-condition for understanding HOPE. In this vein, then, since LOVE rejoices in truth, I will be candid in this presentation.

Madam Speaker, the dawning of TRUTH is that seminal moment from which HOPE is conceived. Madam Speaker, HOPE must be defined by TRUTH. We should not be hoping for carrots, if indeed we have planted onions.

It was Ghandi who beckoned us to be mindful of:

Politics without Principle

Commerce without Morality

Wealth without Work

Rights without Responsibilities

If we say we are free of these cardinal ills we deceive ourselves and the truth is not in us.

Though we may not have always made the best choices, we are a resilient and talented people and we can weather any storm. We can outwit, outsmart and outlast this crisis. We must **re-engineer, reform and reframe** our methods and tools of engagement. We must challenge ourselves to think the unthinkable, achieve the unachievable and realise the impossible. We shall no longer think of ourselves as 90,000 individuals. We are a force of ONE. 90,000 strong, with inherent ingenuity, creativity and enterprise. We must transform our country and position Antigua and Barbuda for an era of sustained growth and prosperity.

Fifty years ago, Madam Speaker, the United States of America faced a national crisis of a different sort, but a crisis nonetheless. The Soviet Union had successfully put the first human being into outer space, four years after launching *Sputnik 1* into earth's orbit. Then President, John F. Kennedy, addressing a country that was experiencing a crisis of self-belief and confidence, framed these developments within the context of a battle for the "*...minds of men everywhere who are attempting to make a determination of which road they should take*". In challenging his country to be the first to put a man on the moon, he urged:

"This decision demands a major national commitment of scientific and technical manpower, material and facilities, and the possibility of their diversion from other important activities where they are already thinly spread. It means a degree of dedication, organization and discipline which have not always characterized our ... efforts. It means we cannot afford undue work stoppages, inflated costs of material or talent, wasteful interagency rivalries, or a high turnover of key personnel".

Kennedy ended his famous Man on the Moon address by emphasising that delivering on the challenge of being the first country to place a man on the moon would be possible only if “...*every scientist, every engineer, every serviceman, every technician, contractor, and civil servant gives his personal pledge that this nation will move forward...*”

Madam Speaker, Ladies and Gentlemen, we have already had our Sputnik moment, our “wake-up-call”. Budget 2012 presents us with our Man on the Moon Moment, and we are not allowed to simply say “pass”. This moment we must seize – with hands that are **more committed, more devoted, more dedicated**, to a cause that requires the focused minds, nimble feet and sturdy shoulders: the manager and the messenger, the clerk and the carpenter, the politician and the professional.

Whereas landing a man on the moon drew upon an understanding of the more exact sciences such as physics and astronomy, our challenge derives in large part from the inexact discipline of predicting and managing the behavioural patterns of human beings, institutions and markets. We must deliver a **reformed, renewed and revitalised** Antigua and Barbuda. As such, our challenge is no less complex than that issued by JFK to his countrymen fifty years ago. Likewise, we will require effective mobilisation, major national commitment and a degree of **passion, dedication, discipline and organisation** not hitherto asked for nor given. Our more than ninety thousand nimble steps must deliver one giant leap for Antigua and Barbuda. Hence, we must be **RESOLVED TO TRANSFORM, DETERMINED TO DELIVER**.

Madam Speaker, Antigua and Barbuda has not been without friends on this journey. We have the support of those citizens and residents who are committed to a new and better nation. We thank them for this support. We have received tangible reinforcement from the regional and international community that we are doing the right thing. I must express our gratitude to our development partners for their faith in the path we have chosen. I would like to especially mention the Eastern Caribbean Central Bank (ECCB), the OECS Secretariat, the Caribbean Development Bank (CDB), the Caribbean Regional Technical Assistance Centre (CARTAC), the World Bank, the International Monetary Fund (IMF), the European Commission, the British Department for International Development (DFID), and the Commonwealth Secretariat (ComSec).

A number of sovereign governments have availed us of both expertise and finances, notwithstanding their own economic challenges. Antigua and Barbuda is grateful to the Republic of Cuba, the Bolivarian Republic of Venezuela, the People’s Republic of China,

the United States of America, Japan, the United Kingdom, and Canada for their generous support.

Finally, a team of talented and committed technicians have gone above and beyond the call of duty over the past several weeks, so that I could deliver this statement today. I must thank all those who worked on the budget, including:

- Mr. Whitfield Harris Jr., Financial Secretary
- Ms. Rasona Davis, Deputy Financial Secretary
- Mr. Sean Cenac, Permanent Secretary
- Mrs. Carolyn Charles-Tonge, Budget Director; Ms. Sandra Henry, Deputy Budget Director; and other members of the Budget Office Staff
- Mrs. Nadia Spencer Henry, Debt Manager and the members of the Debt Unit
- Dr. Cleopatra Gittens, Accountant General
- Mr. Everett Christian, Project Manager, Revenue Reform
- Ms. Hortense Brookes, PSIP Coordinator and her team
- Mr. Ted Lewis and Ms. Denise Knight, Senior Economists

With your indulgence, Madam Speaker, today I will present an abbreviated version of the Budget Statement for 2012. The full statement will be available on the Government Web Site after this presentation.

ECONOMIC DEVELOPMENTS 2011

Madam Speaker

In 2011 there was a slowdown in the global economic recovery. The IMF World Economic Outlook now projects global economic growth to be 4 per cent in 2011, compared to 5 per cent in 2010. This slowdown can be attributed to a number of factors, including natural disasters; rising food and energy prices; financial volatility, and high national debt levels. The ‘advanced economies’ did not perform as well in 2011 as they did in 2010, and this slow growth had a negative impact on the Caribbean economies including Antigua and Barbuda. Generally, ‘emerging’ and ‘developing’ economies fared somewhat more favourably than their *advanced* counterparts. Advanced economies are projected to have 1.5 per cent economic growth for 2011, compared to a growth rate of 4.5 per cent for Latin America and the Caribbean.

Table 1 highlights the economic growth positions for Antigua and Barbuda’s major trading partners in 2011 compared to 2010.

Table 1: Economic Growth Rates for Major Trading Partners

| Country / Area | GDP Growth (%) 2010 | GDP Growth (%) 2011 ^e |
|----------------|---------------------|----------------------------------|
| U.S.A. | 3.0 | 1.5 |
| Germany | 3.6 | 2.7 |
| Japan | 4.0 | (0.5) |
| United Kingdom | 1.4 | 1.1 |
| Canada | 3.2 | 2.1 |
| China | 10.3 | 9.5 |
| ECCU | (1.1) | 1.1 |

Source: IMF World Economic Outlook, September 2011
e: estimated

Generally, economic performance in 2011 was not as favourable as in 2010. In the United States there was lower domestic demand and a worsening of consumer confidence. The recent downgrade in the U.S. sovereign credit rating has reinforced this. Additionally,

unemployment is 9.1 percent and is expected to remain elevated. Consequently, growth is estimated at 1.5 percent for 2011. The weak performance of the U.S. economy has negatively impacted Canada, for which economic growth is projected to be 2.1 percent in 2011, compared to 3.2 percent in 2010.

The sovereign debt crisis in the Euro area has caused a greater level of uncertainty in all financial markets. The United Kingdom is projected to have a marginal change in economic growth from 1.4 percent in 2010 to 1.1 per cent in 2011.

Madam Speaker

In Asia there was a decrease in output caused by the disruption in supply of vehicles and their components as a result of the earthquake and tsunami in Japan. This affected production and output in countries like the U.S. which are major importers of Japanese vehicles and components. This major natural disaster is the main cause of the poor performance in the Japanese economy. China continues to be a net exporter of products, and had one of the best economic performances globally.

In the Caribbean growth has been constrained by a slow recovery in remittances and the tourism sector, and by the challenges that go along with high public debt. International food prices have risen significantly and oil and energy prices also increased in 2011. These contributed to growing inflation and to higher wage demands.

For countries like Antigua and Barbuda that export tourism and import food, the increases in world food prices have led to a worsening of the terms of trade and higher costs which have lowered disposable income and adversely affected domestic consumption.

According to the IMF *World Economic Outlook*, growth in a number of Caribbean countries is expected to improve in 2011 compared to 2010. Barbados and the Bahamas are projected to grow by 2 percent, Jamaica by 1.5 percent, Trinidad and Tobago by 1.1 percent and Guyana by 5.3 percent.

The ECCB projects growth of 0.35 percent for the Eastern Caribbean Currency Union (ECCU) in 2011. Montserrat is expected to record the highest growth rate at 4.4 percent. Economic activity in Anguilla is projected to contract by 2 percent while Dominica,

Grenada, St. Kitts and Nevis, St. Lucia, and St. Vincent and the Grenadines should grow by 1.2 percent, 1.6 percent, 0.5 percent, 2.6 percent and 0.8 percent respectively.

Economic output in Antigua and Barbuda is projected to contract by 3.2 percent in 2011. This further contraction in the economy bears out the fact that Antigua and Barbuda is highly dependent on tourism. As unemployment and growth continue to be depressed in the US and Europe, visitor arrivals and visitor spending will remain suppressed. It should be noted that the countries in the ECCU that experienced growth in 2011 were less reliant on tourism than Antigua and Barbuda and Anguilla. These countries would also have had fiscal space – either savings or the ability to borrow – in order to finance programmes that would mitigate the impact of the global recession. In the recently published report, *Travel and Tourism's Economic Impact 2011*¹, Antigua and Barbuda is identified as the most tourism dependent nation in the Caribbean, with tourism contributing 74 percent of GDP in 2011. The tourism sector employs 69 percent of the workforce in Antigua and Barbuda, the highest in the ECCU. In light of our considerable reliance on tourism for employment and economic activity, growth in Antigua and Barbuda, unlike the majority of the members of the ECCU, will undoubtedly be linked to improved economic fortunes in our source markets.

MONEY AND CREDIT IN ANTIGUA AND BARBUDA

Madam Speaker

Total monetary liabilities (M2) were \$2.9 billion at the end of July 2011, as compared to \$3.0 billion at end July 2010, a decline of 1.1 percent. This decline was due to a 10.9 percent decline in narrow money (M1), even as quasi money increased by 1.5 percent. The growth in quasi money was accounted for by marginal increases in its components: private sector savings deposits, 0.7 percent; private sector time deposits, 1 percent; and private sector foreign currency deposits, 4.7 percent.

Total domestic credit decreased by 5.7 percent to \$2.8 billion at end July 2011, compared to \$3 billion at end July 2010. Credit to the private sector fell by 3.8 percent to \$2.5 billion during the period, as a result of decreases in credit in a number of areas. These

¹ This report was a collaborative effort between the World Travel and Tourism Council, Caribbean Hotel and Tourism Association, and Caribbean Tourism Organisation.

include a decline in credit to private individuals of 2.7 percent; business firms of 5.2 percent; and subsidiaries and affiliates of 0.3 percent.

There was a decline in credit to a number of key sectors, during the period June 2010 to June 2011, including:

- Agriculture, of 25.2 percent
- Construction and land development of 7.4 percent
- Tourism of 3.6 percent
- Transportation of 26.2 percent

However, during the same period, other sectors experienced increases in credit. These included:

- Fisheries, of 3.9 percent
- Manufacturing, of 4.9 percent and
- Public Administration, of 3.7 percent.

Credit for personal purposes was on average 44.45 percent of total credit during the first half of 2011, and was by far, the largest contributing category to total credit. Within this category, there were increases in credit for acquisition of property of 3.4 percent, home construction and renovation of 5.9 percent; and other personal purposes of 1.15 percent during the period June 2010 to June 2011. Conversely, there were decreases in credit for house and land purchases of 0.8 percent and durable consumer goods of 20.9 percent over the same period.

THE EUROPEAN UNION AND THE ECONOMIC PARTNERSHIP AGREEMENT (EPA)

Office of the NAO and EPA Implementation

As we continue to respond aggressively to the global fiscal and economic challenges, the Government welcomes the firm support from the European Union in a number of areas critical to our development. It should be recalled that in 2010 the EU gave us a grant of

EC\$31.5 million under its Vulnerability Flex scheme, which was set up to help eligible African, Caribbean and Pacific (ACP) countries deal with the effects of the global financial crisis. This contribution allowed the Government to fill a financing gap and maintain critical social expenditure in such areas as public health services and teacher training programmes.

Antigua Emergency Ferry Docking Facility

On the eve of our 30th anniversary of political independence in 2011, ambassadors from Belgium, Finland, France, Germany and Spain were here to witness the handover of the new ferry docking pier. It was the first occasion such a gathering of EU Member State representatives, based outside and within the region, were present for such an event in Antigua and Barbuda.

The handover marked an important achievement for the 9th European Development Fund (EDF) Caribbean Regional Indicative Programme (CRIP) and emergency evacuation planning. The CRIP also focuses on tourism in the Eastern Caribbean. The project cements long cooperation arrangements between Antigua and Barbuda and Montserrat, and the dedicated pier will play a critical role in moving goods and people, including cruise passengers on day tours.

The Government will now construct a passenger clearance facility to properly process and clear ferry passengers. Capital Signal Company has given assurances that the additional work will be undertaken in shortest possible time. The building's design has taken into account the movement of cruise passengers and residents, along with the flow of traffic. New handrails have already been erected along the wharf wall as part of the improvement arrangements. Additionally, Capital Signal Company will restore part of the wharf wall immediately west of the Bryson building. However, in order to meet the costs associated with the construction and restoration work, a modest fee, no different than what is applied in neighbouring territories, will be introduced.

EU Assistance to Financial Sector Stability

The EU is also providing technical assistance to the Financial Services Regulatory Commission (FSRC) to strengthen the supervisory and regulatory framework of the insurance sector. The Office of the National Authorising Office (NAO) is sourcing a suitable consultant and expects the expert to be in place by early 2012. This initiative

forms part of the overall restructuring exercise of the FSRC to allow for greater efficiency.

Tourism Education and Training Project

Antigua and Barbuda and the rest of the OECS await positive feedback from the European Commission on the *OECS Network of Excellence in Tourism Education and Training* project. During the course of 2011 the Office of the NAO and other regional partners continued discussions on the procedures to realise the project.

One component of the OECS Network has already been approved as part of the wider OECS Integration programme, while the other component of the project will provide physical expansion, to include a small training hotel and furnishing at the Antigua and Barbuda Hospitality Institute (ABHTI). Antigua and Barbuda will be able to offer the accommodation specialisation component of the OECS Network.

It is hoped that all the procedures will be cleared during the 2012 Budget cycle.

Economic Partnership Agreement (EPA) Implementation

Given the significance of the CARIFORUM-EU Economic Partnership Agreement to the development of Antigua and Barbuda, the national EPA Implementation Unit has undertaken several activities to ensure that we fulfil our national obligations under the agreement. These include technical arrangements and regional workshops for legislative drafters, media workers, and on the communications and public education dimensions of the Agreement, as well as awareness building seminars for public and private sector stakeholders.

Among the specific tasks undertaken were:

- i. Notification of the *Other Duties and Charges (ODCs)* to the CARIFORUM-EU Trade and Development Committee in June 2011:
 - *Environment Protection Levy Act No 22, 2002* as amended;

- *Petroleum Products Throughput Levy Order Statutory Instrument No. 6* under section 22 of *Petroleum Act, Cap 236* as amended.
- ii. Notification of the competent authorities for the exchange of information for issues relating to Technical Barriers to Trade (TBT), Sanitary and Phytosanitary measures (SPS) and Services and Investment to the European Commission (EC);
- iii. Identification and Notification of technical errors in the services schedule of the EPA Agreement;
- iv. Procurement of the *Movement Certificate EUR. 1 Forms* required for the movement of goods into the EU;
- v. Notification of the specimen stamp impression and authorising authority for the movement of goods into the EU;
- vi. In collaboration with the Customs Division, a workshop explaining the administrative procedures and required documentation for the movement of goods into the EU was conducted on October 20th, 2011;
- vii. Technical work to implement the 2007 Harmonised System (HS 2007);
- viii. A consultation to determine the level of legislative compliance with the EPA. As a result a request was made to the Regional EPA Implementation Unit for assistance with drafting proposed legislative.
- ix. A series of one-on-one public sector consultations with several government departments to introduce the members of the Unit, highlight aspects of the Unit's work programme, and bring awareness to the implementation responsibilities and issues relevant to the provisions of the EPA Agreement.

Development Cooperation

In 2012 we will focus on development cooperation assistance available from the EPA. The development cooperation programmes and projects will be based on the following cooperation priorities of the EPA:

- capacity and institution building for fiscal reform;

- support measures aimed at promoting private sector and enterprise development, in particular small economic operators, and enhancing the international competitiveness of firms;
- diversifying exports of goods and services through new investment;

Public Education

The public education dimensions of the EPA are critical to stakeholders' ability to use the provisions of the Agreement. The Office will launch its website in December 2011 to provide user friendly information. Additionally, the Office will publish booklets on the practical components of the trade in goods, services, standards, and trade-related aspects of the Agreement. The Office will also conduct subject specific workshops on culture and trade, intellectual property, and the services components of the EPA, along with continuous face-to-face dialogue with stakeholders.

Cooperation with Guadeloupe

The proximity of Antigua and Barbuda to Guadeloupe facilitates cross-border cooperation and the establishment of privileged partnerships. In 2012 we will undertake projects and activities to facilitate closer ties and the exchange of experiences. The areas of focus are renewable energy, agriculture, tourism, education including linguistic exchange, marine services, yacht and ferry services, health, culture, information and communication technologies, promotion for small and medium-sized enterprises and trade export, natural disasters, and media and communication.

REGIONAL INTEGRATION

CARICOM Single Market and Economy (CSME)

Madam Speaker

The Government of Antigua and Barbuda remains committed to the goals and objectives of the Caribbean Single Market and Economy.

We wish to place on record our congratulations to His Excellency Irwin LaRocque, newly appointed Secretary General (SG) of the Caribbean Community (CARICOM). Ambassador LaRocque is a son of the OECS who has toiled hard in the vineyard of Caribbean integration for many years. Ambassador LaRocque recently led a mission comprising his chief technical officers to Antigua and Barbuda. During his visit SG LaRocque recommitted the CARICOM Secretariat's willingness to work with Antigua and Barbuda to achieve the goals of this regional integration initiative.

Our focus on CSME should not be limited to the free movement of skills aspect. At this point, we shall focus more on the gains and benefits that should accrue to Antigua and Barbuda. Through the CSME, local private sector entities have an opportunity to expand and establish themselves in eleven other Member States.

Throughout the year, regional partners including the CARICOM and OECS Secretariats have provided us with technical assistance and other resources. We received assistance with streamlining the import licensing process, and to implement the CSME Best Practices Project. This project is designed to set up administrative systems and equipment that will support the effective operation of the CSME and provide sufficient services to the stakeholders originating within the single market.

Antigua and Barbuda has also been a beneficiary of the CARICOM Trade and Competitiveness Project funded by the Canadian International Development Agency (CIDA). This project features several components relating to gender, the environment, and the legislative and administrative implementation of Caribbean Vocational Qualifications (CVQs). During 2012 we will participate in the implementation phase of this project.

We express our appreciation to our regional development partners for their invaluable technical and financial assistance, which has ensured that capacity constraints do not frustrate the implementation of the Single Market.

We look forward to working with them, as we continue our efforts to build a stronger economy.

OECS Economic Union

The OECS Economic Union is a critical element in our nation's sub-regional integration advancement. Significant strides have been made, with the *Revised Treaty of Basseterre* establishing the OECS Economic Union being ratified by Antigua and Barbuda and four of the other six OECS Member States. In October 2011 the House of Representatives passed the Treaty of Basseterre into domestic law.

It must be noted that Antigua and Barbuda was the first OECS Member State to ratify the Treaty on 30th December 2010. This act symbolised the nation's enduring commitment to making integration a functional reality. The Revised Treaty establishes a single financial and economic space, within which goods, people and capital can move more freely within the sub-region.

Territories are better placed to adopt a common approach to trade, health, education, the environment and the development of critical sectors such as agriculture, tourism and energy. These are key factors in the region's thrust towards achieving sustainable growth and development.

1st August 2011 marked the commencement of full free movement of travel amongst OECS nationals to any of the OECS Member States. This is another practical and fundamental element of putting the Treaty into effect, for it is via the free movement of people that opportunities can be truly actualised.

Through the OECS Commission, the situation regarding free movement of persons will be monitored and kept under continuous review. In addition, Government is consulting with the International Organisation for Migration (IOM) with a view to undertaking a technical study regarding the likely socio-economic impact of free movement on Antigua and Barbuda.

Regarding OECS free movement, it is important to remember that *Article 12.5 of the Protocol on Eastern Caribbean Economic Union* allows a member state to regulate the movement of persons as a safeguard mechanism.

The Cabinet Sub-Committee on OECS Economic Union, established in 2009, has been over-seeing implementation of the OECS Economic Union. The communication and public awareness initiative on the OECS Economic Union and establishment of a Regional Integration and Diaspora Unit (RIDU) in the Office of the Prime Minister will

be an ongoing feature of the Government's work programme for 2012. This Unit will have direct responsibility for the public communication and awareness initiative at the national level.

OECS Economic Union will give us three important elements that are relevant to economic development and growth:

- economies of scale in production, marketing, distribution and public administration;
- greater capacity to negotiate beneficial agreements with third parties; and
- the spread of risk over a larger physical space and bigger population.

In this regard, the Government reiterates its commitment and continues to stand ready to make the benefits of the Economic Union accessible to all nationals of Antigua and Barbuda.

OECS Economic Union by itself will not achieve economic growth and development. The OECS collective must now chart a growth and development strategy that leverages the advantages inherent in a single economic space. In the coming months, the OECS will define more closely its strategic priorities for the economic drivers that will stimulate growth and development in the new OECS Development Strategy.

CARICOM-Canada Trade and Development Agreement

Under a mandate from CARICOM Heads of Government, negotiations began on the CARICOM-Canada Trade and Development Agreement in the last quarter of 2009. Three rounds of negotiations have since taken place. The Department of Trade, Industry and Commerce has been working with public and private sector stakeholders to consolidate and submit Antigua and Barbuda's position to the Office of Trade Negotiations (OTN), which is an arm of the CARICOM Secretariat.

The CARICOM-Canada Trade and Development Agreement will replace the CARIBCAN Agreement that extends duty-free treatment to imports of the CARICOM into Canada. CARIBCAN was set to expire on 31st December 2011, but Canada has

applied to the World Trade Organisation (WTO) for an extension of this waiver until 31st December 2013.

A great deal of technical work has been completed at the national and regional levels to ensure that the concerns and priorities of the region are articulated in the negotiations. This Agreement is being negotiated to provide better market opportunities for our private sector companies and individual service suppliers. An Agreement such as this provides a predictable environment for doing business for all negotiating parties.

Through this Agreement local firms will have the opportunity to establish joint ventures and receive capital investments from Canadian firms into targeted local industries. The negotiations are expected to conclude in 2013.

BILATERAL RELATIONS AND SOCIAL AND ECONOMIC COOPERATION

The Ministry of Foreign Affairs is the arm of Government with primary responsibility for maintaining good relations between Antigua and Barbuda and its regional and international counterparts. The work of the Ministry is guided by a set of fundamental principles that include support for economic and social policies that promote poverty reduction, good governance, environmental protection and sustainable resource management. In 2011 Antigua and Barbuda continued to enjoy the benefits of our diplomatic ties with a number of countries.

Social and Economic Cooperation with the Republic of Cuba

Since we established diplomatic relations with the Republic of Cuba 17 years ago, both our countries continue to find ways of enhancing cooperation. Over the years we have seen approximately 160 students studying at the tertiary level in a wide range of subject areas in Cuba. Cuba has also provided medical teams to support our health care system and technical support for infrastructural development projects. Notwithstanding the challenging financial outlook for most countries worldwide and the difficult economic conditions, Antigua and Barbuda will continue to benefit from valuable support from Cuba in 2012.

In the area of health, specialised training will be offered to young medical students. We will also receive technical support to improve our community health care capacity. Along with our Eastern Caribbean neighbours, we will continue discussions aimed at improving improved air services to and from Cuba. Additionally, the Ministry of Works and Transport will benefit from additional technical support, with the services of hydraulic, quarry and road engineers.

Ours is not a one-sided relationship. Antigua and Barbuda will offer to assist Cuba to develop the game of cricket in that country. We have also offered to expose Cuban students to tourism training at our Hospitality Training Institute.

Agreement has been reached in principle for Antigua and Barbuda and Cuba to begin the process of exploring mechanisms that would facilitate bilateral trade in products that are more cost effective to obtain from Cuba.

The Bolivarian Alliance – Bilateral Relations with Venezuela

Madam Speaker, even as Antigua and Barbuda continued to benefit in 2011 from the generosity of the Bolivarian Republic of Venezuela, that country's President, Hugo Chavez, was faced with a personal challenge, that of a serious illness. On behalf of the Government and People of Antigua, I want to extend our sincerest wishes to President Chavez for a full and speedy recovery.

The cornerstone of our alliance with Venezuela continues to be the PetroCaribe Initiative. In the six years since this agreement was incorporated, we have imported oil from that country on very concessionary terms. The arrangement has also facilitated a number of social programmes aimed at easing the economic burden on our most vulnerable citizens and residents. These programmes are administered by PDVCAB, the local implementing company for the Agreement.

So far for 2011 some \$3.4 million has been spent on the Senior Citizens Utility Subsidy Programme, which is a monthly utilities subsidy started in 2008. The amount expended to date on this programme is \$11.7 million.

Also coming under the PetroCaribe Initiative is the People's Benefit Programme, which was started in 2009 to benefit disabled and economically disadvantaged citizens. Under this programme a special debit card given to each beneficiary is "loaded" monthly with

\$215.00 to be used to purchase food. There are two vendors in Antigua and one in Barbuda where the beneficiaries can do their shopping. So far this initiative has assisted over 1,600 individuals with a current monthly expenditure of approximately \$340,000. The total expenditure on this project since 2009 is \$7.7 million.

National Public Library

Funding of this project began in 2009 with an allocation of \$3 million. So far, \$2.7 million has been spent. The capacity of the new library is approximately 300 persons and it would require a staff of 85 for optimal functioning. This means that the conclusion of this project will see the creation of new jobs.

Grays/Green Community Recreational Centre

This project is intended for economic, social and cultural services to the Grays Farm and Green Bay areas. It provides for a back-up power source, a waste treatment plant, on-site cistern along with a fence for security and improving drainage around the site. \$5.5 million has been set aside for this project, which began in 2009. To date \$658,461.09 has been spent on the Grays /Green Community Recreational Centre.

Codrington Airport Upgrade, Barbuda

Work continued to enhance the safety and security of operations at the Codrington Airport, including overlaying, widening, extending, lighting and painting the runway. The most recent report on this project stated that the first phase of the work, which took just over six months, is complete. The other phase, the lighting of the runway, is about 90 per cent finished. The total funding for this project was \$1.9 million. Barbuda is now better equipped to accommodate visitors by air.

Barbuda LPG Subsidy

In August 2009, having taken into consideration the challenges experienced in the sister island, the Government took a decision to cover the full cost of transporting LPG cylinders to Barbuda. Based on information provided by the Barbuda Council, this translated into a subsidy of \$6 per 20lb cylinder and \$15 for each 100lb cylinder. The Government, in collaboration with PDVCAB, has taken on the full responsibility for

paying the transportation costs in order to reduce the retail price of propane on Barbuda. As at October 2011 approximately \$67,000 had been spent on this venture.

Infrastructural Development of Water Distribution on Antigua and Barbuda

This \$22 million project replaces deteriorating mainlines with PVC pipes and extends the distribution system into previously un-serviced areas. To date water service to over 7,000 individuals has been improved and it is anticipated that when completed the final number of consumers with improved service would be more than half of the population of Antigua and Barbuda. Water mains have been extended into some 530 households. The other deliverables include increasing Antigua's water storage capacity by four million imperial gallons and its water production capacity by 600,000 imperial gallons per day. The project will increase the water storage capacity on Barbuda by 150,000 imperial gallons and the water production capacity by 100,000 gallons per day. As of October 2011, approximately \$15.7 million has been spent on this project.

Other projects that have been implemented, managed and/or funded by PetroCaribe or the ALBA Caribe Fund throughout the past 6 years include:

- Sir Vivian Richards Cricket Grounds (\$6 million in 2007);
- Gilberts Agricultural & Rural Development (GARD) Centre Solar project (\$53,000 in 2007/08);
- Hurricane Omar Relief (\$1.08 million in 2008).

Social and Economic Cooperation with the People's Republic of China

Madam Speaker, the People's Republic of China (PRC) continues to demonstrate its commitment to the People of Antigua and Barbuda through grant and loan financing, as well as technical cooperation initiatives. A Government delegation led by the Honourable Prime Minister took part in the 3rd China-Caribbean Economic and Trade Forum held in Trinidad and Tobago from September 11–13. An Agreement on Economic and Technical Cooperation was signed between the Government of Antigua and Barbuda and the Government of the People's Republic of China, providing us with grant aid in the amount of approximately \$12.7 million.

The restoration of the Grays Green Gutter will soon commence, thanks to a grant valued at approximately \$3.4 million.

Three months ago we commissioned our new 30 megawatt power plant, which was built with a concessional loan of approximately \$126.9 million. This additional capacity is expected to greatly enhance our ability to meet the electricity requirements of domestic and commercial customers. A further loan of approximately \$126.9 million has been secured to build a new, state-of-the-art terminal at the VC Bird International Airport. We broke ground on this project several weeks ago.

Mindful of the economic challenges we currently face, the People's Republic of China has extended the repayment period for three of our existing loans. The first extension is for a loan signed on 8th December 1988 for \$2.1 million for the Big Creek Bridge. This would have been due in December of 2013 but is now extended to January 2019. The second is for a loan signed on 18th July 1991 for \$10.1 million to build the Multi-Purpose Cultural Centre at Perry Bay. This was due on 31st July 2011 but has now been extended to 1st August 2016.

The third extension is for a loan signed in July 1992 for \$ 8.5 million for construction of the Grays Green Gutter and additions to the Multi-Purpose Cultural Centre. This would have been due in September 2012, but has now been extended to September 2027. The addition of the 20 new university scholarships in 2011 brings to 70 the number of Antiguans and Barbudans studying in China. These scholarships are valued at approximately \$60,000 each.

China also continues to give support to the nation of Antigua and Barbuda by underwriting expenses for technicians to attend conferences, training programmes and seminars. In September the Vice Governor of Guizhou Province, Mr. Meng Qiliang, led a delegation to Antigua and Barbuda to discuss tourism investment.

We are also exploring several development projects for Antigua and Barbuda in 2012. The Government has received grant funding from the Peoples Republic of China to construct a new secondary school at Five Islands. In addition, we are discussing possible funding for a new indoor basketball and netball facility in the Grays Farm Community, for upgrades to the King George V playing field, and building a tennis court and Olympic-sized swimming pool at Crawfords/Cedar Grove.

I wish, Madam Speaker, to extend the deepest gratitude of the Government and People of Antigua and Barbuda to these friends of our nation.

Social and Economic Cooperation with Japan

The relationship between Antigua and Barbuda and Japan continues to evolve, with mutual respect and understanding about the development needs of both countries. In this regard Antigua and Barbuda continues to benefit from Japan in the areas of Fisheries, Education and Training and cooperation in multilateral organisations. The completion of the Barbuda Artisanal Fisheries Project in 2011, at a cost of approximately \$30 million, will serve to enhance our ability to export fish to the European Union and satisfy the demands for fish in the tourism sector.

In the area of education and training, 16 Antiguan and Barbudans have benefitted, or are earmarked to benefit from scholarships made available by the Government of Japan, during the period 2010 to 2011, at an approximate value of \$650,400. Areas of training include teaching methods for science and mathematics, nursing management, leadership development of persons with disabilities, sustainable waste management and coastal fisheries management, solid waste management and tourism.

It must be noted that one young national of Antigua and Barbuda continues to facilitate the teaching of English in Japan through the Japan Exchange and Teaching Programme. The programme is designed to promote mutual understanding between the people of Japan and those of other nations.

During the period under review Antigua and Barbuda became eligible for support under the Japan Grassroots Human Security Project, which is designed to support project proposals from non-governmental organisations and local government authorities. The Antigua and Barbuda Waste Recycling Corporation, a non-government organisation, is earmarked for financial support of approximately \$216,000 in 2012 for their waste recycling project.

Madam Speaker, even in the midst of the economic downturn and notwithstanding the catastrophic damage to our Japanese friends by both earthquake and tsunami in recent times, we continue to benefit from their generosity of spirit.

FISCAL PERFORMANCE 2011

In 2011 economic activity in Antigua and Barbuda remained weak as our main trading partners, the US and the UK, continued to struggle with high unemployment, volatile financial markets, growing debt problems, and low levels of consumption. This weak economic performance resulted in lower than expected revenues and required us to maintain tight control on expenditure to ensure that we met the fiscal targets outlined in our Fiscal Consolidation Programme. It is expected that actual revenue for 2011 will amount to \$646 million, which is 7 percent below the \$697.4 million that was budgeted for the year.

It is expected that there will be a current account deficit of \$71 million for 2011. This is the result of lower than expected revenue, \$50 million less than budgeted, and the Government's financial support to ABI Bank to the tune of more than \$40 million.

Chart 1: Current Account Balance (EC\$M): 2007 to 2011

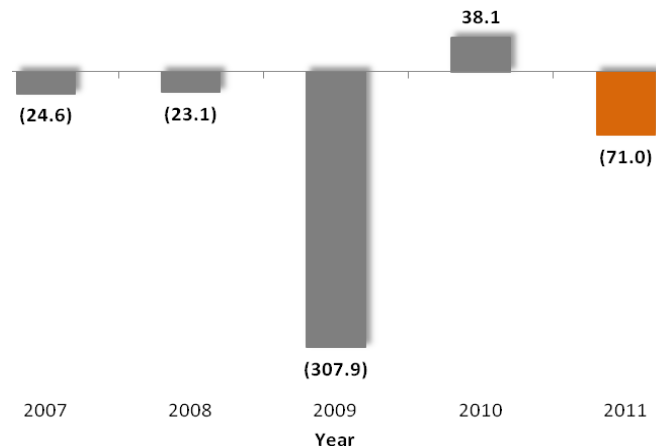


Chart 1 presents the current account balance from 2007 to 2011. The current account balance is the difference between current revenue and current expenditure. It represents a Government's ability to cover its recurring operational expenses. Current expenditure comprises expenditure on wages and salaries; goods and services such as utilities, office

supplies, and travel; payments to Mount St. John Medical Centre; and interest payments on debt. A core principle of our Fiscal Consolidation Programme is to ensure that, at a minimum, the Government is able to generate the revenues needed to meet its current expenditure. This means that current revenue, which is generated from tax and non-tax sources, must be aligned with current expenditure. As seen in Chart 1, the current account balance improved considerably from a deficit of \$307.9 million or 10 percent of GDP in 2009² to a surplus of \$38.1 million in 2010. This 112 percent improvement in the current account balance is a direct result of the fiscal consolidation initiatives pursued by the Government in 2010.

Actual current expenditure for 2011 is projected to be \$689.8 million. This is about 9 percent more than the actual current expenditure of \$635 million recorded for 2010, and about \$11 million less than the \$700.5 million estimated in Budget 2011. The Government's ability to maintain expenditure below budgeted levels is the result of ongoing efforts to curtail spending, particularly in light of lower than expected revenue. It should be noted that but for our financial support to ABI Bank, current expenditure would have been contained at 2010 levels.

Revenue Performance

As seen in Chart 2, current revenue increased each year between 2004 and 2008. This was the result of strong economic performance and revenue reform initiatives that streamlined the tax system and improved tax administration. The sharp decline in revenue in 2009 reflected the impact of the global economic and financial crisis on economic activity in Antigua and Barbuda. Despite the continued impact of the global recession on the domestic economy, current revenue improved in 2010 to \$672.9 million. Included in this amount is a \$34 million grant from the European Union in support of Antigua and Barbuda's NEST Plan.

Also included in the 2010 revenue yield are tax arrears amounting to \$20 million. Current revenue is expected to amount to about \$620 million for 2011. This is about 8 percent less than the \$674.7 million that was estimated in Budget 2011 and the current

² A significant contributor to the deficit in 2009 was approximately \$234 million in interest payments on the debt, which includes large penalties on arrears and past due interest.

revenue realised in 2010. If the \$34 million grant and the \$20 million tax arrears collected in 2010 are excluded, current revenue in 2010 would be the same as current revenue anticipated for 2011.

Chart 2: Current Revenue (EC\$M): 2004 to 2011

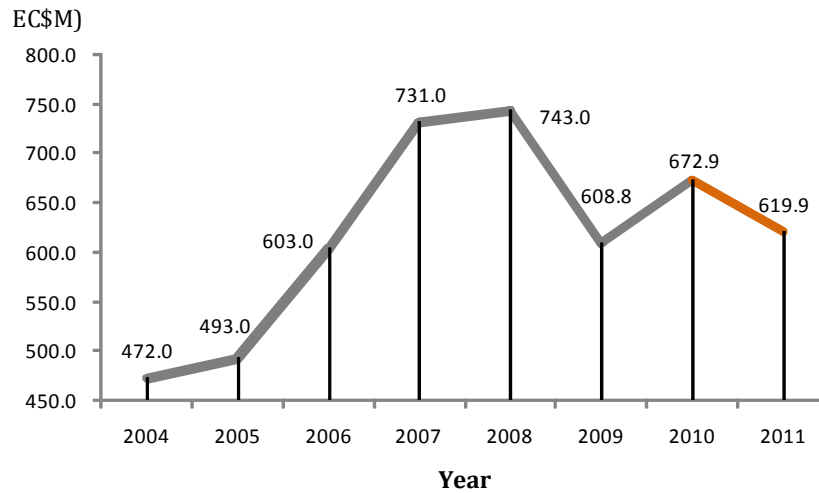
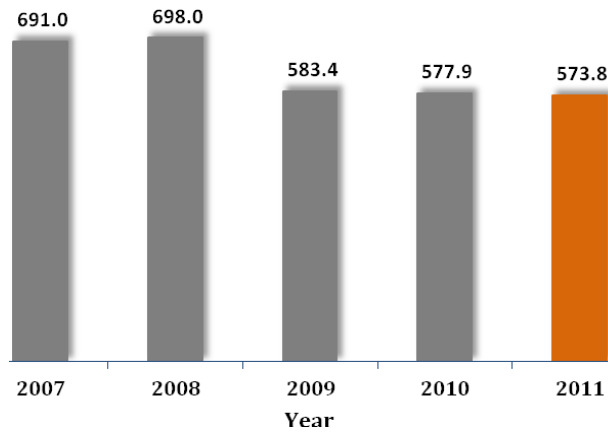


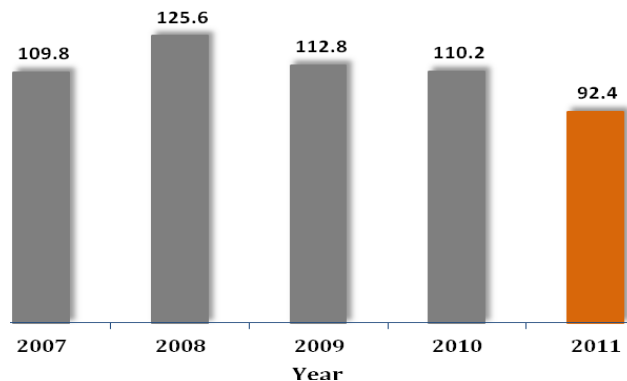
Chart 3: Tax Revenue (EC\$M): 2007 to 2011



Tax revenue is presented in Chart 3. In Budget 2011 tax revenue was projected at \$619.2 million. Actual outturn for 2011 is estimated to be about 7 percent less, at \$573.8 million. Tax revenue outturn for 2011 is expected to be about 1 percent less than the \$577.9 million collected in 2010.

Direct taxes, which should yield \$92.4 million in revenue, accounted for about 16 percent of tax revenue in 2011. This is about 16 percent less than the \$110.2 million in direct tax revenue generated in 2010. The yield from direct taxes was lower in 2011 following significant collection of arrears in 2010, mainly from corporation tax. Revenue collected from direct taxes between 2007 and 2011 is presented in Chart 4. The main components of direct taxes are taxes on income and taxes on property shown in Charts 5 and 6.

Chart 4: Direct Taxes (EC\$M): 2007 to 2011



In 2011 revenue from taxes on income amounted to \$73.4 million, which is \$20 million less than the amount collected in 2010. Corporation tax and personal income tax, which make up taxes on income, are expected to yield \$37.2 million and \$36 million in revenue respectively. In 2010 the corporation tax yielded \$58.8 million, which included collection of tax arrears. Revenue from personal income tax amounted to \$33.4 million in 2010.

Property tax generated \$17.7 million in revenue in 2010, which reflected a 20 percent increase over property tax yield in 2009. In 2011 property tax is expected to yield \$19 million. The enhanced revenue yield from the property tax is due to the Property Valuation Department's collaboration with the Antigua Public Utilities Authority

(APUA) to improve distribution of property tax citations. Chart 6 presents the yield from property tax revenue between 2007 and 2011.

Chart 5: Taxes on Income (EC\$M): 2007 to 2011

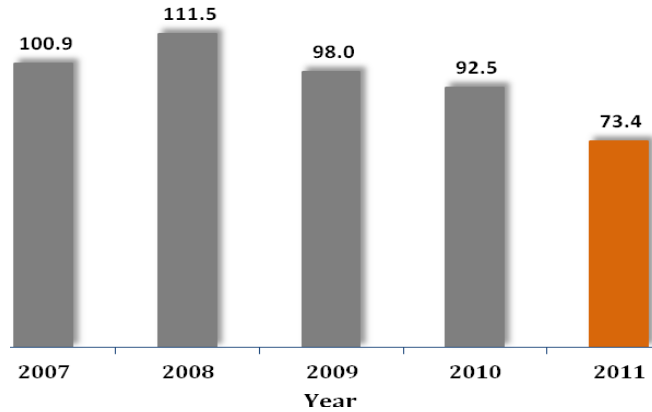
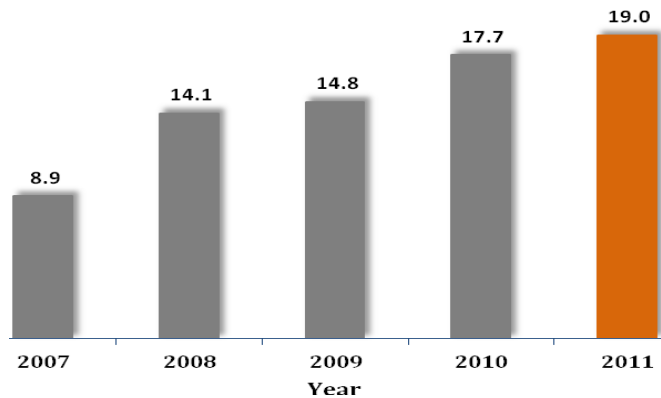


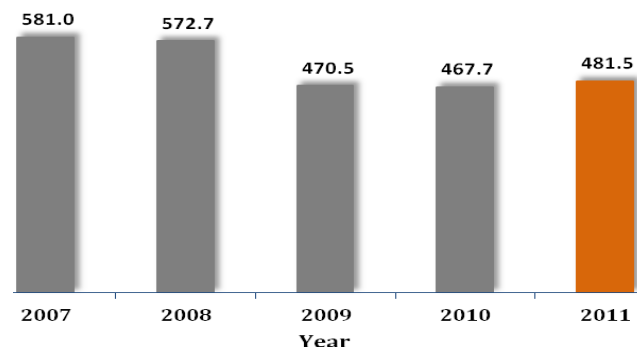
Chart 6: Property Tax Revenue (EC\$M): 2007 to 2011



New property tax legislation introduced in 2007 increased the number of properties captured in the property tax system, and the hard work of the dedicated staff at the Property Valuation Department has enhanced the yield from this revenue source.

Indirect taxes are projected to account for 84 percent of tax revenue in 2011 and are expected to generate \$481.5 million, which is about 3 percent above the amount generated in 2010. In light of the contraction in economic activity that has resulted from the continued global economic crunch, revenue from indirect taxes in 2011 remains \$100 million less than indirect tax revenue collected in 2007 and 2008 (see Chart 7).

Chart 7: Indirect Taxes (EC\$M): 2007 to 2010



Indirect tax revenue is generated by taxes on domestic production and consumption and by taxes on international trade and transactions. Taxes on domestic production and consumption include stamp duties and the Antigua and Barbuda Sales Tax (ABST), and are expected to yield revenue of \$235.9 million in 2011. This is about 8 percent less than the \$257.2 million estimated in Budget 2011 and 6 percent greater than the \$222.8 million collected in 2010. Chart 8 shows revenue from taxes on domestic production and consumption.

Chart 9 presents revenue collected from stamp duties and the ABST between 2009 and 2011. Stamp duties are projected to generate \$31.1 million in revenue in 2011, about the same amount generated from this source in 2010. The ABST is the main source of revenue from taxes on domestic production and consumption and is expected to yield \$196.2 million in 2011. This is about 9 percent more than ABST revenue generated in 2010 and is indicative of enhanced efforts to improve compliance and collection.

Chart 8: Taxes on Domestic Production and Consumption (EC\$M):2007 to 2011

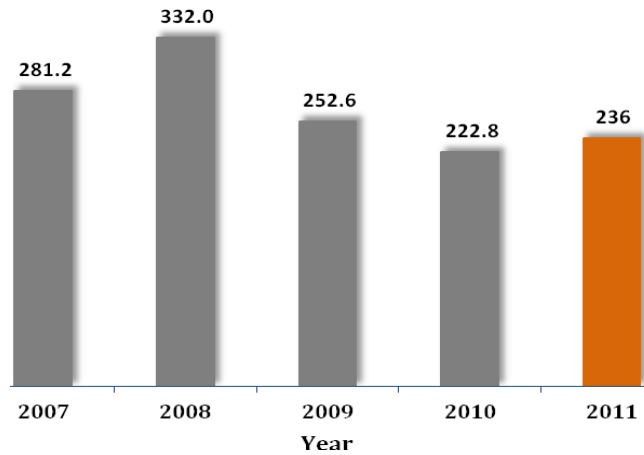
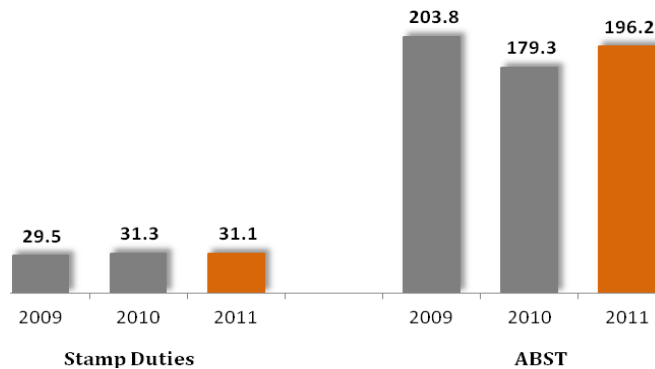
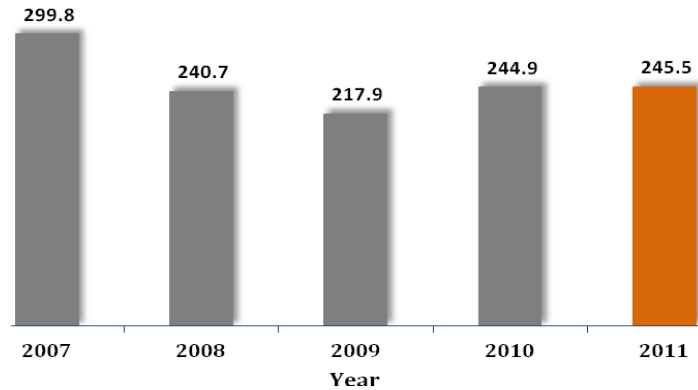


Chart 9: Revenue from Stamp Duty and ABST (EC\$M)



As seen in Chart 10, revenue from taxes on international trade and transactions is projected to be \$245.5 million in 2011, about the same as the amount collected in 2010. Included in this group of taxes are the embarkation tax, the passenger facility charge (PFC), the revenue recovery charge (RRC) and import duty.

Chart 10: Taxes on International Trade and Transactions (EC\$M):2007 to 2011



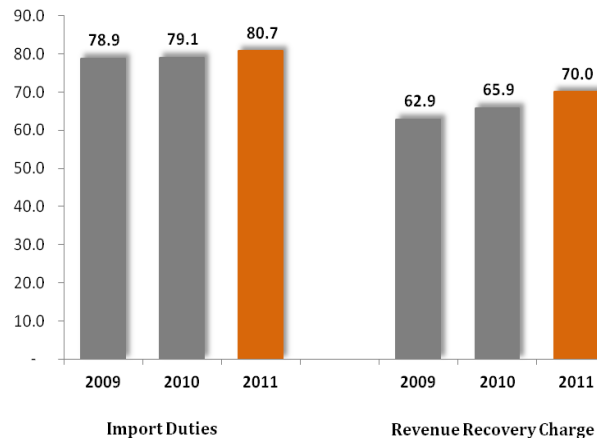
Revenue from the embarkation tax is expected to amount to \$15.9 million in 2011, which is about 14 percent greater than the \$14 million collected in 2010. In 2010 revenue from the PFC amounted to \$21.7 million. Revenue from this source is projected to decline by 17 percent to \$18.1 million in 2011. Chart 11 shows the revenue yield from the embarkation tax and passenger facility charge.

Chart 11: Revenue from Embarkation Tax and Passenger Facility Charge: (EC\$M)



The RRC was introduced on 25th January 2010 to replace the customs service tax (CST) and is applied at a rate of 10 percent on all non-oil imports. The RRC generated revenue of \$65.9 million in 2010 and is projected to yield \$70 million in 2011. As seen in Chart 12, revenue from import duties remained relatively flat between 2010 and 2011. Revenue from this source amounted to \$79.1 million in 2010 and is expected to amount to \$80.7 million in 2011.

Chart 12: Revenue from Import Duty and Revenue Recovery Charge (EC\$M)



Non-tax revenue is the other component of current revenue and comprises profits from statutory corporations, U.S. Naval Base lease payments, profits from ECCB, and surplus funds from merchant shipping. In 2011 non-tax revenue is expected to amount to \$46 million. This is about 6 percent greater than the amount budgeted for 2011 but 27 percent less than the \$63.1 million generated in 2010. The yield from non-tax revenue in 2010 was a result of \$19 million in profits paid in from State Insurance Corporation and about \$8 million which forms part of the IHI/Bruce Rappaport legal settlement.

Expenditure Performance

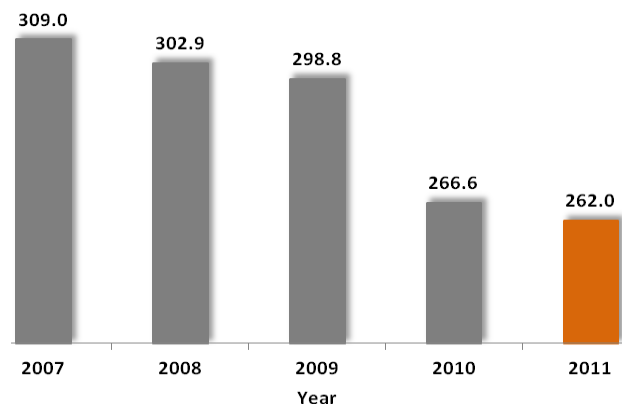
In 2010 the Government introduced a procurement policy that requires ministries and departments to secure approval from the Ministry of Finance, the Economy and Public Administration (Ministry of Finance) before executing a transaction with a merchant or

contractor. This arrangement has been an essential tool in controlling expenditure and reversing an imprudent and costly practice of arrears accumulation. The procurement policy provides a degree of flexibility that allows the Government to adjust expenditure during the fiscal year to keep spending in line with revenues. As indicated earlier, revenue outturn for 2011 is \$50 million less than anticipated. It was therefore critical to have the ability to limit expenditure in order to achieve the targets set in the Fiscal Consolidation Programme. In addition to the procurement policy, the Government has continued measures such as a freeze on non-essential hiring, limiting expenditure on overtime, postponing the expansion of existing programmes and delaying implementation of new programmes.

Recurrent expenditure is projected to amount to \$691.1 million in 2011, which is about 1 percent less than the \$700.5 million forecasted in Budget 2011. The components of recurrent expenditure include wages and salaries, transfer payments, goods and services, contributions to statutory corporations and interest payments on public debt.

Wages and salaries amounted to \$262 million in 2011, accounting for 43 percent of recurrent expenditure. This is about 7 percent less than the \$280.6 million estimated in Budget 2011 and 2 percent less than the \$266.6 million spent on wages and salaries in 2010. The reduction in wages and salaries was a result of restrictions on non-essential hiring and limits on overtime spending. Chart 13 presents the movements in expenditure on wages and salaries between 2007 and 2011.

Chart 13: Wages and Salaries (EC\$M): 2007 to 2011



In Budget 2011 expenditure on goods and services was estimated at \$126.2 million. Actual expenditure on goods and services is projected to be about \$110 million, which is 13 percent below the amount budgeted for 2011 and about 5 percent less than expenditure on goods and services in 2010. The areas of government spending that comprise goods and services include office and computer supplies, cleaning and security services, rents, food, and utilities. Chart 14 presents the movement in expenditure on goods and services between 2007 and 2011.

Chart 14: Goods and Services (EC\$M)

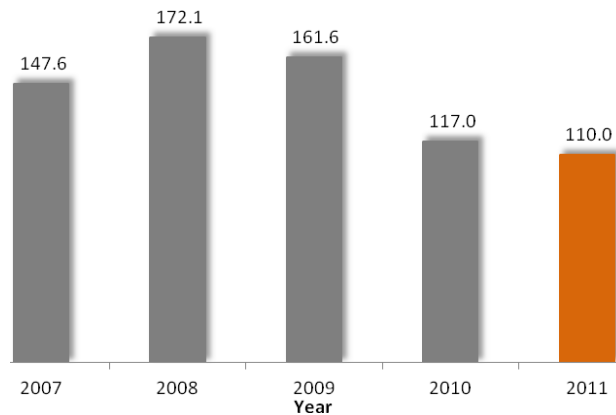
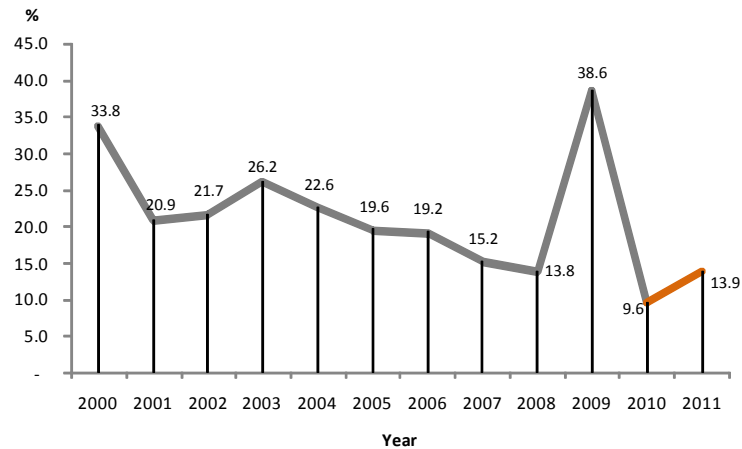


Chart 15: Ratio of Interest to Current Revenue (EC\$M)



Transfer payments are expected to amount to about \$213 million in 2011, which is about 20 percent above the \$177.9 million estimated in Budget 2011 and about 26 percent above the amount spent in 2010. Transfer payments include expenditure on pensions and gratuities, and transfers to state owned corporations such as Mount St. John Medical Centre, Antigua and Barbuda Airport Authority and the overseas offices and missions. Expenditure on pensions and gratuities is projected to amount to \$66 million in 2011 and is about the same as the amount spent in 2010.

Expenditure on other transfers is projected to be \$147 million for 2011 and is 31 percent greater than the \$112 million budgeted for this year. This increase in expenditure on transfers was a direct result of the Government's financial assistance to ABI Bank. In fact, were it not for the \$40 million transfer to support the Bank, expenditure on other transfers would have amounted to \$107 million for 2011.

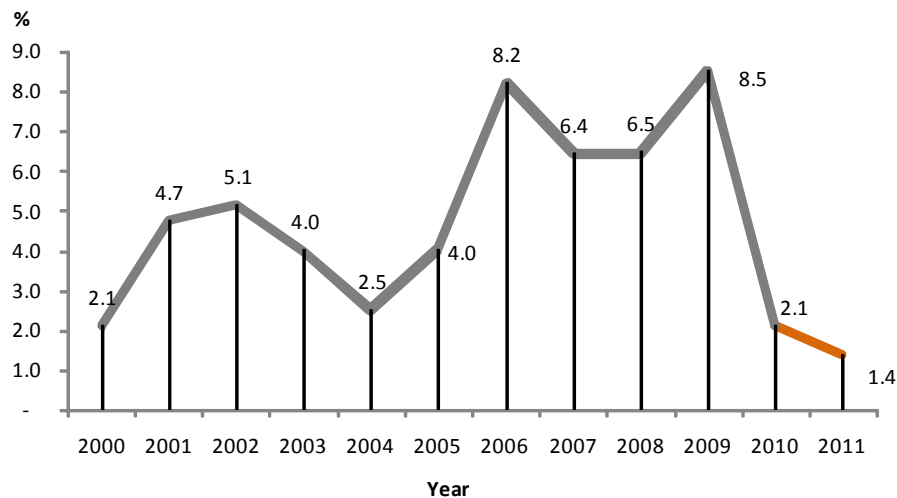
In 2011 interest payments are expected to amount to \$86 million, which is 9.5 percent less than the \$95.1 million estimated in Budget 2011. This reduction in the interest bill is a result of our debt management strategy. The debt management section of this document presents the details of the activities undertaken by the Debt Unit and the impact of the debt strategy on the public debt. Chart 15 tracks interest payments as a percentage of current revenue between 2000 and 2011.

Of the \$58.5 million in interest payments between January and October 2011, more than \$800,000 was paid to investors in treasury bills and bonds that were issued before 2004. For the same period, \$7.5 million was paid to investors in bonds issued on the RGSM and \$29.6 million was paid to domestic banks between January and October 2011. In addition to the interest payments, the Government also paid \$88.7 million in principal repayments to domestic and external creditors. Of this amount \$78.2 million represents payments to domestic creditors, while \$10.5 million was paid to external creditors.

In Budget 2011 we projected capital expenditure would be \$49.7 million, with \$20.2 million of this expenditure to be funded with grant resources. Actual capital expenditure for 2011 is estimated to be about \$6 million lower at \$43 million. This level of capital expenditure is not adequate and, at 2 percent of GDP and 1.4 percent of GDP in 2010 and 2011 respectively, is well below the amount needed to maintain the existing stock of capital and to engage in new infrastructural development projects. The appropriate level of capital expenditure to support economic activity in Antigua and Barbuda is no less

than 5 percent of GDP. Chart 16 tracks capital expenditure as a percentage of GDP from 2000 to 2011.

Chart 16: Capital Expenditure in Percent of GDP



Capital expenditure averaged just over 7 percent of GDP from 2006 to 2009 and indicates significant investments in infrastructural development over that period. As a result of this, the restriction of capital expenditure to between 1.5 and 2 percent of GDP in 2010 and 2011 should not lead to major deterioration of the capital stock. Though revenue constraints have limited new investments in infrastructure, the Government has focused on maintaining the existing stock of capital and reducing the amounts due to local contractors and merchants. Between January and September 2011, approximately \$5.3 million has been spent on road works to prevent significant deterioration of the road network.

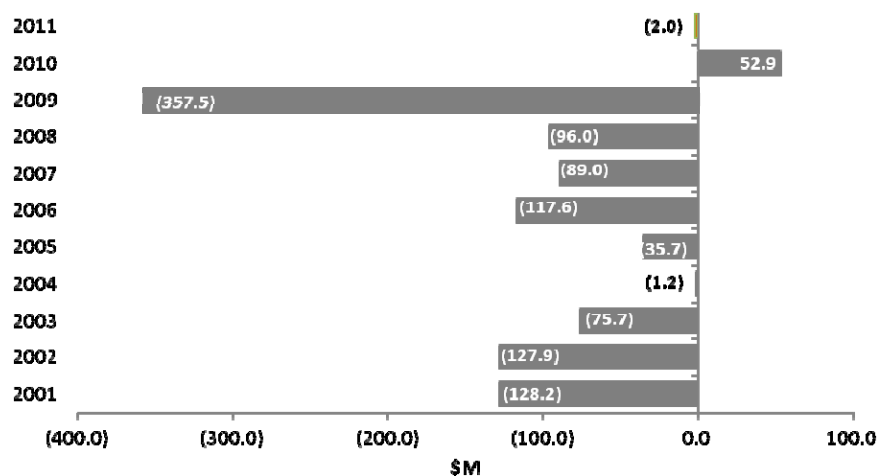
Madam Speaker, between January and October 2011 we made \$80.4 million in payments to contractors and local merchants and suppliers. This, in addition to the \$151 million paid in 2010, means the Government has paid a total of \$231.4 million to local contractors and suppliers over the past 22 months.

The Government has been able to start liquidating amounts owed to local contractors and suppliers because of the resources made available by the IMF and the CDB. These institutions have disbursed \$166.4 million to Antigua and Barbuda through a Stand By

Arrangement (SBA) and a Policy Based Loan (PBL). Antigua and Barbuda is still to receive over \$220 million in disbursements from the IMF SBA and \$27 million from the CDB PBL. The Government received financial assistance from these institutions in support of its Fiscal Consolidation Programme.

Total primary expenditure, which is equivalent to capital expenditure, plus recurrent expenditure, less interest payments, represents the Government's total spending in the fiscal year. Prudent fiscal management is evidenced in a Government's ability to meet its primary or non-debt expenditure with the revenues generated within a given fiscal year. Notwithstanding improvements in revenue between 2005 and 2008, Antigua and Barbuda did not generate the revenues required to cover its non-debt expenditure for the most part of the last decade (See Chart 17).

Chart 17: Primary Balance (EC\$M): 2001 to 2011



After implementing most of the measures outlined in the Fiscal Consolidation Programme in 2010, the Government was able to reverse this untenable course by registering a \$53 million primary surplus. This means that for the second time in nearly 40 years, the Government was able to cover all of its non-debt expenditure with revenues and grants received in a fiscal year and have surplus funds to service its debt. Essentially, in 2010 this Administration was able to align its income with its spending, thereby

significantly curtailing any addition to the debt stock. Each year that expenditure exceeded revenue, the resulting fiscal deficit was added to the public debt. Such an approach to fiscal management could not be sustained. Eventually, the Government would find it difficult to cover the cost of its operations and would begin to default on payments.

In Antigua and Barbuda the first expenditure item to be affected was interest payments on debt. As the country continued to default on its debt, it became increasingly difficult to borrow. Creditors were unwilling to commit additional resources to a nation that did not honour its obligations. As credit became more difficult to access, capital expenditure was not possible, since the Government was unable to generate sufficient resources to cover basic operational costs. Other expenditure areas that were impacted include contributions to statutory corporations and wage increases to public servants. The Government also accumulated vast arrears to local suppliers and contractors. This Administration is committed to ending this vicious cycle and will continue to pursue appropriate steps to improve public financial management.

Table 2 – Fiscal Summary

| | Actual 2010 | Budgeted 2011 | Prelim Estimate 2011 | Budgeted 2012 |
|--|----------------|------------------|----------------------------|------------------|
| Total Revenue and Grants | 688.9 | 697.4 | 646.0 | 735.0 |
| Current revenue | 672.9 | 674.7 | 619.9 | 706.0 |
| <i>of which: Tax revenue</i> | 577.9 | 619.2 | 574.0 | 656.2 |
| Capital revenue | 3.0 | 2.4 | 3.0 | 4.0 |
| Capital grants | 13.0 | 20.2 | 23.0 | 24.9 |
| Total Expenditure | 700.6 | 750.2 | 734.0 | 754.9 |
| Current expenditure | 634.8 | 700.5 | 691.0 | 680.4 |
| Wages and salaries | 266.6 | 280.6 | 262.0 | 270.7 |
| Contribution to SSB, MBS,BOE | 17.7 | 20.6 | 20.0 | 20.6 |
| Goods and services | 117.0 | 126.2 | 110.0 | 122.4 |
| Interest payments | 64.6 | 95.1 | 86.0 | 85.5 |
| Pensions, other transfers | 168.9 | 177.9 | 147.0 | 181.2 |
| Capital Expenditure & Net Lending | 65.7 | 49.7 | 43.0 | 74.5 |
| Current Account Balance | 38.1 | (25.8) | (71.1) | 25.6 |
| Primary Balance | 52.9 | 42.3 | (2.0) | 65.6 |
| Overall balance | (11.7) | (52.8) | (88.0) | (19.9) |

A primary deficit of \$2 million is projected for 2011 which represents a deterioration after last year's performance. It should be noted, however, that this outcome for 2011 is a result of the financial transfers made to ABI Bank by the Government. In the absence

of this, the Government would have achieved a primary surplus of \$38 million in 2011. Table 2 presents a summary of expenditure and revenue for 2010, the amounts estimated in Budget 2011, and the revised expected outcome for 2011.

While our fiscal performance over the past two years is commendable, we are not yet out of the woods. There remain significant challenges, as the economy remains sluggish in the face of a protracted global recession. In the absence of a global economic recovery, our cash flow position remains tight and we continue to struggle to meet our obligations consistently. These struggles remain a source of great concern for the Government and are understandably vexing for public servants and their families, as well as for our merchants and contractors. The process of transforming the approach to managing this nation's fiscal affairs is not easy. It requires dedication, vigilance and, at times, sacrifice. As I have indicated before, this sacrifice will not be in vain. Antigua and Barbuda is in the midst of a storm and, at times, it is hard to see the shore. One thing that is certain though, the storm will end. With the steady hand of our Honourable Prime Minister at the helm we will emerge from the tempest stronger and with even greater resolve to move our nation onward and upward.

ECONOMIC OUTLOOK 2012

The September 2011 publication of the IMF *World Economic Outlook* predicts global output will grow by 4 percent in 2012. Output in emerging and developing economies is projected to grow by 6 percent in 2012 with the highest level of growth expected for China at 9 percent and India at 7.5 percent, indicating that Asia will remain at the forefront of economic expansion. By contrast, growth in the 'advanced economies' is only projected at 2 percent for 2012. The outlook for advanced economies remains dim due to persistent and high unemployment, continued fragility in housing markets, and the looming financial instability in Europe. These factors continue to dampen consumer confidence and, despite rising corporate profits and declining oil and commodity prices, consumption remains low in advanced economies. Specifically for our major trading partners, growth is projected at 1.8 percent for the United States of America and 1.6 percent for the United Kingdom.

The ECCB projects the ECCU will grow by 2.7 percent in 2012. Real growth rates for ECCU member countries range from about 1 percent to 3.5 percent. In Anguilla, growth is expected to be 3.3 percent; in Dominica, 1.5 percent; in Grenada, 2.7 percent; in

Montserrat, 1 percent; in St. Vincent and the Grenadines, 3.1 percent; in St. Kitts and Nevis, 2.1 percent; in St. Lucia, 3.5 percent, and in Antigua and Barbuda growth is projected to be 2.3 percent. The outturn for the economies in the ECCU region will ultimately be determined by developments in the region's main trading partners. In Antigua and Barbuda the Government will continue to focus on implementing policies and programmes to mitigate the impact of the continued global economic turmoil and position the economy to maximise opportunities once the global economy rebounds.

STRATEGY FOR 2010 TO 2014 – THE NEST PLAN

The National Economic and Social Transformation (NEST) Plan remains at the heart of this Administration's strategic response to global economic and financial developments. It is the basis upon which Antigua and Barbuda has been able to access millions of dollars in budget support and technical assistance from a number of regional and international institutions and development partners. The NEST Plan has started the much needed process of transformation that will ultimately deliver a more fiscally sound, economically viable and socially advanced Antigua and Barbuda. These are essential elements of the Government's overall vision for the National Strategic Plan of Antigua and Barbuda 2021: "Each Endeavouring All Achieving". The intention is for all our citizens and residents to play an active role in shaping the Plan, so our people will have the opportunity to participate in public and stakeholder consultations and meetings. This will secure unity of purpose and harmonisation of our efforts.

The six overarching strategic objectives of the plan are:

1. Fiscal Balance
2. Education for All
3. Enhancing our Social Development Agenda
4. Preserving our environment and building a stronger physical infrastructure
5. Economic sustainability
6. Antigua and Barbuda – the Best Brand

These strategic objectives will inform all Government policy decisions of Government and will guide our engagement with the CDB, which will provide technical assistance to Antigua and Barbuda in 2012 to develop a Medium Term Development Strategy.

As we work to articulate the National Strategic Plan, the Government will continue to implement the policies and programmes of the NEST Plan which are contained in the:

- Fiscal Consolidation Programme (FCP)
- Economic Action Plan (EAP)
- Social Transformation Programme (STP)
- Financial Sector Stability Programme (FSSP)

FISCAL CONSOLIDATION PROGRAMME

Madam Speaker

When the NEST Plan was launched in 2009, it was clear that fiscal consolidation would be the central pillar of our strategy to secure long term growth and stability. Though our decision to proceed with the FCP was met with scepticism and, in the case of my esteemed colleagues across the floor, intense opposition, this Administration remained focused on implementing policies and programmes that would lead to fiscal and debt sustainability. As you may recall, Madam Speaker, these included measures to reduce expenditure and to increase revenue to create greater alignment on the fiscal accounts. On the expenditure side we have moved to contain the size of the wage bill through attrition, a wage freeze and by limiting overtime. As a result of these initiatives, we have managed to reduce expenditure on wages and salaries by 12 percent.

Our efforts at fiscal consolidation have also led to a 32 percent reduction in expenditure on goods and services and a 20 percent decline in expenditure on transfer payments over the past two years. Further, the debt management component of the FCP has yielded significant results with the interest payable on loans declining by over 60 percent.

On the revenue side, the Government has sought to increase revenue from about 20 percent of GDP to the ECCU average of 25 percent. We have sought to do this by:

- i. increasing the yield from the ABST by reducing the list of zero rated items and increasing compliance;
- ii. replacing the CST with a Revenue Recovery Charge, which is applied with significantly less exemptions than the CST;

- iii. improving tax administration through various legislative and regulatory reforms.

The impact of the revenue augmenting measures has been mixed, particularly given the absence of a strong and sustained global economic recovery. While current revenue increased by 10.5 percent between 2009 and 2010, we have seen some slippage in 2011 due to weak economic performance. However, revenue in 2011 is still above 2009 levels. We are confident that this Government's efforts to reform, modernise, and diversify our tax system over the past several years have created a sound system which should not require any additional tax measures. Our energies will continue to be channelled towards enhancing tax administration and ensuring more effective collection by transforming the legal and regulatory framework.

Madam Speaker

Though we are still contending with some tough challenges, there is no denying that there has been considerable improvement in fiscal performance. As I indicated earlier, this Government has achieved greater alignment of revenue and expenditure, leading to vast improvements in our primary, current and overall fiscal balances. Since our fiscal consolidation journey began, there has been a 77 percent improvement in the current account balance, a 99 percent improvement in the primary balance, and an 85 percent improvement in the overall fiscal balance. I realize Madam Speaker that in the context of the struggles to meet our recurrent obligations, there seems to be little comfort in knowing that our fiscal balances have improved. In my many conversations with persons from every segment of our society, the two questions that are most often asked are: Why does the Government need to make a fiscal adjustment at this time? And, what will be the benefits of these policies and measures?

During previous budget presentations, I have attempted to answer these questions with models for proper public financial management and with theories on economic and fiscal policies. These models and theories uphold fiscal discipline as a pre-condition for strong macroeconomic performance, growth and employment. However, there are still those who question the need for fiscal consolidation; those who doubt that aligning revenue and expenditure can have any real and positive outcomes for the people of this nation.

Madam Speaker

In this presentation I will not use models and academic theories to explain our country's dilemma. Instead, picture a household that consistently spends more than it earns. The household expenses include a mortgage, car payments, credit card payments, school fees, insurance, food, clothing and household sundries, fees for afterschool activities (cricket club, dance class and music lessons), grooming services (beauty salon and barbershop), medical and dental charges, and hire purchase payments. The family also takes annual summer vacations and throws annual birthday parties for the children.

Though both parents are employed, their monthly income is not sufficient to cover all their expenses. Each month is a juggling act. They have borrowed from friends and family to continue their lifestyle and while they try to repay everyone, it remains a constant struggle since none of their expenses have changed. When family and friends grow tired of bailing them out, they decide to join a 'box' and try to repay some of what is owed. They take the very first hand from the 'box', pay off some of what they owe, but then find themselves unable to make further contributions. Now they're alienated from friends and family. Still, no changes have been made to the composition of their expenditure and, to make matters worse, the wife – a housekeeping supervisor at a hotel – is now working a three day week. This reduction in household income has immediate and dire consequences. Car payments are now consistently late, credit cards are in default, and the children's school fees are past due. There are no savings to draw from and no one is willing lend them money. This is precisely where Antigua and Barbuda was in 2009.

Clearly, this is not an acceptable set of circumstances and some adjustment must be made in this household if the family is to survive. The adjustment will not be easy, but short of winning the lottery or receiving a large inheritance, they **must** align their expenses with their income. The family reduces spending at the beauty salon and barbershop, after school activities are suspended, and vacations and parties are put on hold. After making these changes, the household approaches the bank to refinance their mortgage, consolidate credit card debt and pay off outstanding hire purchase amounts.

But while its adjustments have helped, the household position remains shaky and the bank declines their loan application. The family revisits its budget and makes further modifications. The children are transferred to public school and one of the family cars is sold. With these changes, the bank refinances their mortgage and gives them a

consolidation loan that reduces their monthly repayments. This eases the financial burden, but they must stay the course and avoid returning to previous patterns of behaviour. They must work hard to keep their income and expenses aligned, and they also need to put some money aside for emergencies or unexpected developments.

Some may consider this an overly simplistic analogy of the country's fiscal condition. However, I submit that the principles of managing a household budget and managing our nation's financial affairs are not at all dissimilar. So, Madam Speaker, the question I wish to ask is this: was the adjustment to this household's budget warranted? Are the benefits of making the adjustments apparent? My answer is a resounding yes. Certainly, there are some inconveniences and discomfort. It clearly would not have been easy to move the children from a prestigious private school to a public school and with one less car there may be times when public transportation may have to be used. However, this is far better than losing their home, dodging calls from collection agencies and having a reputation for 'bounce cheques'.

Madam Speaker

I have stated before that this Government had begun to address our country's fiscal imbalance at the beginning of our first term in office and that it was our intention to gradually transform our public finances. However, in the face of the global economic recession and the follow-on effects on our local economy and revenues, we had to accelerate our efforts to avoid a potentially catastrophic outcome.

In the face of an external shock such as the financial and economic crisis, a country that has practiced fiscal imprudence will find itself in the very position Antigua and Barbuda was in two years ago. Our revenue declined by 25 percent or nearly \$200 million! The five hundred million dollar mismatch between revenue and expenditure could not be fixed by borrowing, because all traditional sources were closed to us. The only sources of the much needed funding were the IMF and the CDB. These institutions agreed to provide about \$420 million to Antigua and Barbuda **once the Government developed and began to implement a set of policies that would rebalance the fiscal equation and bring about fiscal and debt sustainability**. As we achieved the targets established in the FCP the Government received the much needed disbursements from the IMF and CDB.

Madam Speaker

Despite the claims made by our opponents, the Government's attempt to place Antigua and Barbuda on a sustainable fiscal path is about much more than simply meeting targets that are part of our engagement with the CDB, IMF and other regional and international agencies. Our commitment to a more prudent and responsible fiscal policy stance stems from a firm understanding that fiscal discipline and transparency in public financial matters will benefit Antigua and Barbuda. Sound fiscal management enhances a country's credit rating, and creates an environment of stability and certainty that attracts foreign direct investment. It also boosts the confidence of businesses that they will not be subject to arbitrary increases in taxes in the future. A Government that manages, on average, to secure a balanced budget will be in a position to step in with a stimulus when external shocks adversely impact the economy.

We would then be able to generate economic activity and create employment during times of crisis, when consumers and the private sector tend to be more cautious about spending and investing. Such a stimulus could be funded by borrowing or drawing on savings generated during times of fiscal surplus. At this very challenging time, Antigua and Barbuda would have benefitted greatly from a history of sound fiscal management and a good credit rating. If our nation were perceived as a responsible debtor we would have been able to borrow from creditors who had provided assistance in the past. As it stands, the Government had no real savings, nor could it borrow to finance a stimulus. This was a truly awful position to be in, but this Administration is determined that this will not be the future of our nation.

Madam Speaker

While we have been successful in meeting the targets established under our programme, there have been some delays over the past several months, given the developments with ABI Bank. We made a commitment to safeguard the integrity of our financial system so that no depositor ever loses resources placed with a bank licensed in Antigua and Barbuda. In light of the challenges that impacted ABI Bank, the Government has had to step in and is providing financial support to this indigenous institution. The Government's financial support to the Bank will have fiscal implications and we are working closely with the ECCB, CDB, IMF and World Bank to resolve the ABI problem and minimise the fiscal impact of this resolution. We are confident that once this matter is settled, our reviews will be completed and disbursements under the SBA will resume.

Madam Speaker

Let me take this opportunity to thank the Caribbean Development Bank, International Monetary Fund, World Bank, CARTAC, EU, DFID and other regional and international agencies for their continued support for the Government and People of Antigua and Barbuda as we work to create a better fiscal and economic future.

POLICIES FOR REFORM AND INSTITUTIONAL STRENGTHENING

In order to create a more robust fiscal and economic environment in Antigua and Barbuda, this Administration resolves to transform the institutions and practices that are important to fiscal management. Through this process of transformation, we are determined to deliver a stable and predictable macroeconomic environment, an effective and productive public sector that delivers efficient and reliable service to the public, and transparency and accountability in the administration of public finances. Included in the transformation process are:

- Revenue Administration Reform
- Public Financial Management
- Public Sector Transformation
- Procurement of Goods and Services

Revenue Administration Reform Project

One year ago, I said that the Government must have financial and human resources in order to invest in infrastructure in the public sector. This is still the case, and we continue to focus on reforming revenue administration in Antigua and Barbuda. The intent is to close as many loopholes in the tax system as possible, so that those individuals and firms that have consistently avoided taxes will start paying their fair share into the consolidated fund.

Central to this reform strategy are equity and fairness. We aim to create a system where we will encourage all to live up to their legal and moral obligations. At the same time, we will demonstrate the political will to pursue all those who choose to cheat the system, and

flout the laws of Antigua and Barbuda. In this regard, this Government proposes to repeal an amendment to the *Income Tax Act, Cap 212* which would then enable the Inland Revenue Department to garnish the bank accounts of those taxpayers who collect ABST on behalf of the Government and fail to pay over these trust funds to the Inland Revenue Department. It would also apply to those who withhold pay-as-you-earn (PAYE) income tax from the salaries of their employees, but fail to pay same over to the Department on a monthly basis, as required by law.

Such blatant disregard for our laws cannot continue. Doing so would effectively reward those taxpayers who are delinquent, and place an additional strain on those who are compliant. There is no equity in such a situation, hence our determination to ensure that all taxpayers meet their legal obligations. Madam Speaker, I appreciate that this will not win us any popularity contests, but there are times that we must do the right thing, notwithstanding the ramifications, and this is one such instance.

Over the years, we have witnessed a disturbing trend where salaries and wages have been reduced, or in some cases, have remained static, while benefits and allowances have mushroomed out of control. There are now many persons in Antigua and Barbuda whose benefits and allowances exceed their declared salary and wages. As well, we have been informed of some businesses that pay a portion of salary and allowances overseas for their local staff. I use this opportunity to remind them that this is taxable income that must be reported to the Inland Revenue Department. We cannot continue turning a blind eye to these practices, and so, Madam Speaker, effective 1st January 2012 we will apply the provisions of the *Income Tax Act Cap 212* as it relates to certain benefits and allowances.

All employers in Antigua and Barbuda are advised to familiarise themselves with the Act. The Acting Commissioner of Inland Revenue Department has assured me that he and his staff have prepared *A Tax Payer's Guide to PAYE* detailing those benefits and allowances that are exempt from the payment of income tax and those that will be subject to income tax. The Guide also provides detailed explanatory notes on what factors should be considered to determine whether a benefit or allowance is taxable.

This Guide will be made available on the Government website and on the Inland Revenue Department website. Printed copies of the Guide will also be available from the Department at a reasonable cost.

Madam Speaker, one year ago I announced that the British Department for International Development (DFID) had provided financing for the first phase of the revenue reform project. That first phase came to an end in June 2011, and I take this opportunity to publicly thank the Government and People of Great Britain for their assistance. We have been able to build capacity in the Customs Division and the Inland Revenue Department, and have made good strides in transforming the way we do business in both departments.

During the first phase of the project, we demonstrated our commitment to reforming revenue administration in Antigua and Barbuda. As a result of that commitment, I am pleased to announce to this Honourable House that the EU has agreed to continue financing the reform project, in effect taking up where DFID left off. This new funding and technical assistance will extend over the next 18 months. By the time it comes to an end we are confident that we will have created professional organisations at Customs Division and Inland Revenue Department that can measure up to the best in the region.

Madam Speaker, the Revenue Reform Project had mixed success during the last year. At Customs Division, we were able to draft a new *Customs Administration Act, 2011* and the supporting Regulations. These are now awaiting review and passage into law. The amended law will bring the Customs Division into the 21st century, as it will modernise outdated practices and procedures. It will also provide for the licensing and regulation of customs brokers, so that there will be a defined structure in the sector, rather than the “free for all” that currently exists.

We have taken steps to update the 2007 Harmonised System (HS), the language of international trade and the necessary legislation has been enacted. We are now reviewing a number of laws that will require amendments, to reflect the new tariff codes, and so avoid disputes or misunderstanding when warrants are being prepared or processed.

At the Inland Revenue Department the reforms continue apace. Some challenges have been experienced, due to delays in relocating the department to more adequate premises. I am however pleased to report to this Honourable House that the final touches are now being completed on the new Inland Revenue Department premises at Woods Mall. Within a few weeks, the department will start operating from the new headquarters. I am aware that our detractors have attempted to make this a political football, but it was vital that we provide adequate premises and facilities for the staff. We therefore focused on getting the job done, and today, I am proud to state that it is an impressive edifice, well appointed and very professional in appearance. Our employees have been well trained,

and you can expect enhanced professional service from the Inland Revenue Department going forward, for we will demand no less.

During the first phase of the reform project Inland Revenue focused on the largest 215 taxpayers, as they accounted for over 80 per cent of our ABST revenues. We have seen a significant increase in compliance from these taxpayers, and we encourage them to remain compliant. During the current phase of the reform programme, we shall expand our focus to the medium taxpayer group, to include professionals and self-employed persons such as doctors, lawyers, accountants, engineers, real estate agents, and architects. As we broaden the tax net, we expect to see an increase in revenues, without imposing new taxes.

These are just a few of the initiatives contained in the strategic business plans that were developed for Customs Division and the Inland Revenue Department, and which I referred to one year ago. There is a saying that “the only constant in life is change”. As a country and as a people, we are undergoing change. What is important is how we manage that process. There have been hiccups along the way, there have been challenges, and they have caused some inconvenience to taxpayers, importers etc. We thank all stakeholders for their patience and understanding as we work together to build a new Antigua and Barbuda.

Public Financial Management

The EU has approved a grant of 3 million euros or \$10.9 million for a project to ‘Strengthen Revenue Administration and Public Financial Management (PFM) in Antigua and Barbuda. This project will be managed by the IMF’s Fiscal Affairs Department, which will provide technical assistance. The project is expected to be executed over thirty months. The funds will be made available in January 2012. The goal of the project is to strengthen and modernise fiscal institutions so that the Government can successfully implement a reform programme with the aim of restoring fiscal sustainability.

A PFM Reform Steering Committee will assess progress of the reform efforts, based on the PFM Reform Action Plan which was instituted in October 2010. Members of the Committee include the Revenue Reform Manager, the Accountant General, the Budget Director and the PFM Coordinator.

Funding from the grant will be used to provide technical assistance to fulfill objectives such as:

- **Budget Office** - Improve budget credibility by having more accurate budget estimates and introducing a mid-year budget review process
- **Treasury Department** - Improve the predictability and control in budget execution by implementing a cash flow forecasting model and improving internal audit functions
- **Inland Revenue Department** – Strengthen the core tax administration functions including registration of tax payers, collections and enforcement functions
- **Customs Division** – Improve and update clearance procedures.

Treasury

In 2011 the efforts to improve PFM at the Treasury Department continued. CARTAC provided additional technical assistance to the Treasury Department to continue to refine the bank reconciliation process, which was automated in 2010, and to improve the reporting out of the Department. Other efforts to improve public financial management included training the Treasury Department staff in Government and International Public Sector Accounting Standards. Government now has a centralised payroll system in the Department. Earlier this year the Ministry of Works and Transport was the last Ministry to be integrated into the central payroll. This has made for more efficient payroll processing with a more accurate employee listing. This payroll system is being reconciled with information collected through the public sector census. It is therefore imperative that all employees participate in the public sector census to ensure that they are captured in our centralised human resources and payroll information system.

In 2012 the Treasury Department will benefit from European Union assistance to improve public financial management. There are plans to upgrade to a newer version of the Government Integrated Financial Management System (FreeBalance) software, which is expected to significantly improve reporting on Government's finances. The upgrade is planned for the first quarter of 2012. In addition, the Treasury Department will review the accounting structure and systems in selected departments with a view to restructuring accounting units where necessary. The Treasury Department also plans to train

government accounting officers throughout the service. As part of the PFM improvement project, the Department will continue to review its internal processes and re-engineer where needed.

Madam Speaker

I wish to thank the Accountant General, Dr. Cleopatra Gittens, and the staff at the Treasury Department for their hard work and continued commitment to transform the Treasury to deliver excellent service to the public.

Budget Planning and Expenditure Management (BPEM)

The annual budget presents the Government's strategic objectives and its resources for the given fiscal period. Over the years however, there may have been a misalignment between government's strategy and its resources, exacerbated by fiscal constraints. It is important that the ministries' business plans and budgets be better linked to Government's strategic priorities to secure better public sector performance.

Recognising the disconnect between strategy and available resources, the Ministry of Finance hosted a retreat earlier this year to highlight the importance of linking the budget with strategy, given the limited financial resources. The intention was to build upon the system of programme budgeting, where the focus is on outputs and outcomes rather than on inputs; and to emphasise the significance of proper planning to maximise limited resources. We are grateful to CARTAC and CARICAD for their assistance in facilitating this intervention.

Noteworthy gains have been made in promoting the planning awareness; however, there is much work still to be done. The Ministry of Finance, through the Budget Office, will continue to build on the current planning process.

In 2012 the Ministry of Finance will adopt a more cohesive approach to budgeting. This will involve consultation and dialogue with all the stakeholders that inform the Government's budget - Members of Cabinet, Permanent Secretaries and Heads of Department. Ministers and Permanent Secretaries will be expected to take greater ownership of their allocations, and will be required to report in more detail on how they used their resources. It is imperative that ministries operate in a more accountable manner and Accounting Officers be held to higher performance standards.

It is against this backdrop that Budget Forums will be held in 2012. The first of these is scheduled for the end of January. This initial forum will allow all Ministries to present their priorities, performance indicators and expected outcomes. They will also give an account of their expenditure in 2010 and 2011. The purpose of this initiative is to encourage more effective budgeting and to foster a more strategic approach to managing resources. The second BPEM Forum will take place in mid-2012, at which point Ministries and Departments will be expected to report on their performance and spending. At this second forum they will be advised of the budgetary envelope for the next fiscal year and will be expected to discuss their priority areas. The third BPEM Forum will take place by the end of the third quarter 2012, at which point Government's priorities in relation to the available resources will be finalised.

Madam Speaker

We will continue to maintain expenditure controls, and to detect and address areas of wastage and leakage. We will orient Permanent Secretaries and other senior officers on the *Finance Administration Act, 2006* and on their responsibilities to the public purse. Further, we will articulate and enforce penalties in instances where public officials violate expenditure controls or fail to manage public funds in a prudent manner.

This focus on budget planning and expenditure management is essential to transform public sector operations. Our objective is to deliver the highest quality service to the public in a manner that eliminates waste, increases efficiency and provides value for money.

Public Sector Transformation Strategy

In 2009 public sector transformation was identified as a core component of the NEST Plan and remains a priority for Government to achieve its strategic objectives of institutional strengthening and enhanced service delivery. A number of key initiatives within the public sector transformation action plan have been completed, while others are currently being implemented.

We have inherited a public service architecture that is not well suited for the fast paced environment in which business is conducted. It is a structure which must be re-modeled. To achieve the overall goal of a transformed and modernised public sector, there are a

number of activities we must complete. Already we have made significant strides in improving operational efficiency within the public sector. Every ministry has either re-engineered multiple business processes or is reviewing current procedures.

A census of employees is being conducted to obtain critical data that can inform policy and management decisions. Although we continue to operate a dual system within the public service, I am pleased to inform this Honourable House that with assistance from the Organisation of American States (OAS), a review of the legislative framework governing our public service was conducted and concrete recommendations made. A *Public Service Bill* and *Regulations* have been drafted and are being reviewed with a view to having wider stakeholder discussions in the first quarter of 2012. Draft *Public Service Commission Regulations* are being prepared and will be brought before Parliament during 2012.

Transformation will include job re-classification reform, in which regard an exercise is underway to update and properly document job descriptions in the service.

Last year I reported that functional and efficiency reviews had been conducted in the ministries of Foreign Affairs, and Works and Transport. The recommendations from these reviews have been accepted by Government and are being implemented in the respective ministries.

The *Public Sector Transformation Strategy* will address succession planning for public sector leaders. This will help to develop public sector leaders who are qualified and equipped to navigate the difficult and often turbulent waters of economic change. Earlier this year, with assistance from the Commonwealth Secretariat, Permanent Secretaries and selected senior public sector officers participated in a Leadership Development workshop. This year, Antigua and Barbuda also participated in a region-wide collaborative effort with the Canada School of Public Service, aimed at designing Caribbean leadership development programmes for middle and senior level public sector managers. It is expected that the first cohort of Antiguan and Barbudan public sector leaders would begin training in 2012.

With funding from the World Bank's IDF Grant, a comprehensive payroll audit was undertaken and a report prepared on options to contain the Government's wage bill. These options are being refined and finalised for implementation in 2012. Although we have indicated in the past that our goal is to reduce the wage bill by 20 per cent over a

three year period, we want to ensure that in selecting options, the outcome is value for money.

Value for money is one of the central themes of public sector reform. This is what the taxpayer expects and this is what the Government is **determined to deliver**. In this regard, the Government is taking very seriously its investment in the development of its human resources. The foundation of the public service is the people who make it work. Among the new policies we are developing is a travel policy to be complemented by a training and development policy, a back-to-office-report policy, and a policy for managing the performance of senior officers. All persons who travel on government business or participate in an event, locally or overseas, will be expected to demonstrate how new knowledge and skills are related to functions and service delivery. Senior officers will be required to be more accountable for the performance of the departments. It is the Government's intention to create value and to account for the use of tax payers' money.

While everyone would wish to wake up tomorrow morning and have all of our dreams made a reality, the truth is that there is no magic wand that will make what has been wrong for so long, instantly right. Reform takes time, it takes work, it takes resources, but most of all it takes unwavering commitment to the cause. This Government has that commitment.

Procurement

The *Procurement Administration Act, 2011*, which was passed at the last sitting of Parliament, is expected to enhance the processes and procedures by which Central Government and Statutory Bodies procure goods and services and award contracts. The *Tenders Board Act, CAP 424* will be repealed with the coming into force of the Act. The new Act is expected to effectively manage the procurement process within a more transparent, more effective and more comprehensive legal framework.

One of the important provisions of the Act is the establishment of a Procurement Unit in the Ministry of Finance, which is to be headed by a Chief Procurement Officer. A section of this Unit will be dedicated strictly to procurement and contract management. This new Unit will strengthen governance in procurement process. The Unit's structure would also provide employees with an opportunity to commit to a clear career path in the

Civil Service, in a field that is now being tapped by governments and organisations that are serious about mainstreaming the principles of good governance into their practices.

Another important provision of the *Procurement Administration Act, 2011* speaks to the artificial division of solicitations. The repealed *Tenders Board Act* was silent on this issue and therefore created a loophole that made it possible to sub-divide large projects into petty contracts. This practice of artificial division made the exercise of procurement and contract management unwieldy at best and at worst, encouraged abuse. Under the new Act, the artificial division of solicitations is expressly forbidden. Recognising, too that there will be different circumstances requiring different methods of solicitation, the new Act speaks to seven methods including competitive sealed bids, competitive sealed proposals, large emergency solicitations, large sole source solicitations, competitive quotations, small emergency solicitations, and small sole source solicitations. It is contemplated that regulations would also address exceptional circumstances, for example, where there has been a breach of an awarded contract or where the solicitation process has to be aborted.

Ethical Standards is also accorded prominence in the body of the *Procurement Administration Act, 2011*. Part 3 of the said Act is so captioned and addresses the broad issues of confidentiality of board business, corrupt practices and penalties for offences committed under the Act. Part 6 of the Act introduces a role for the Ombudsman in a review process. The Ombudsman is empowered to review the practices and procedures of the Procurement Unit; assess said practices and procedures for fairness and transparency; review policies and recommend improvements to the Minister of Finance; and review any complaint in respect of awarding contracts or procuring services. All things considered, the passage of the *Procurement Administration Act, 2011* is timely and represents a major advance in the legal and administrative frameworks for managing public procurement. Its considerable emphasis on transparency and fairness is in step with the highest principles of good governance and should engender a greater sense of confidence by all concerned.

ECONOMIC ACTION PLAN

Madam Speaker

This element of our NEST Plan remains of utmost importance to this Administration. We consider it to be the pillar of the Plan that will promote the economic growth needed to reinforce fiscal consolidation, propel social transformation, and improve the wellbeing of our people. Economic growth, simply put, is an increase in a country's productive capacity. It is generally viewed as an expansion in GDP. GDP may be measured in a number of ways – output method, income method and expenditure method. The expenditure method of calculating GDP is also referred to as aggregate demand, since it sums up all expenditure by economic actors in the economy.

GDP or aggregate demand is the sum of consumption by households, investment by businesses, government spending on goods and services and net exports, which is the difference between what a country exports and what it imports. So, when we say we need to grow the economy or the Government needs to boost aggregate demand, what we are saying is that we need to see an increase in consumption, where households are spending more on groceries, appliances, clothing, vehicles and so on. With respect to investment, we want businesses investing in equipment, expanding their offices, increasing inventory and we also want residential construction.

Aggregate demand will also increase when Government purchases goods and services such as office supplies and airline tickets, engages in road development, builds office space, and pays wages and salaries. In terms of net exports, we would ideally want total exports of tourism services, Antigua Black Pineapple, seafood and agro-products to increase faster than our imports. However, as a small, open economy our net position will tend to be a trade deficit – we spend more on goods and services than we earn. What is critical is that we are able to generate sufficient activity and attract capital inflows that will offset the trade deficit.

Madam Speaker

This discussion may seem somewhat academic, so let me give an example of how it works. We start with households purchasing appliances from a local retailer who is able to provide employment for a previously unemployed young man. This young man buys

groceries and clothing for his family. The appliances purchased by the households and the groceries and clothing purchased by the young man represent consumption. Investment occurs when the local retailer, supermarket, and clothing store replace the inventory sold. Now that the young man is employed he and his wife, who works for the Government, have decided to build a home. The wife's government pay check contributes to aggregate demand and this family's construction of a home represents investment. Though an extremely basic analysis of how the economy works, this shows how the actions of the various actors in the economy contribute to growth. In an economic recession, where households are not consuming, businesses are not likely to expand operations or increase investments. Because these businesses are not creating employment, there is no added income to households that can be used for consumption.

In these circumstances, the Government is usually expected to break this cycle of low consumption and lagging investment. Essentially, the Government is to be the source of an economic stimulus. In our case, the significant fall in revenues over the past two years required us to carefully consider our options in response to this call for a stimulus. We had to choose between investing in infrastructure projects, which is typically the kind of stimulus pursued by Governments during recessions, and maintaining social programmes and employment in the public sector. Though it may not have been considered the best course of action by some, we determined that cutting social programmes and dismissing public sector employees would not be choices that put People First. In fact, we are convinced that a large scale reduction in public sector employment would only worsen an already difficult economic situation.

Such a decline in the level of employment would undoubtedly result in diminished spending power and demand, as well as rising loan defaults. Further, many of the families affected by this choice may need the very social programmes that had to be cut so that the Government could finance a stimulus. In essence, this Government concluded that the negative economic and social consequences of public sector retrenchment in the midst of a recession would outweigh the potential benefits of reallocating the funds spent on wages and salaries to capital expenditure.

I would be quite surprised, Madam Speaker, if even our staunchest critics, would have advocated mass public sector layoffs at such a difficult time in our economic history.

Madam Speaker

Though we have not been able to finance a stimulus, we have focused on positioning Antigua and Barbuda to reap maximum benefits when the global economy rebounds and the business cycle is on an upswing. We have all heard the proclamations of the Opposition that they would grow the economy through investments and borrow to finance major projects in order to stimulate activity. As I have indicated before, the financial crisis has precipitated a 95 per cent drop in investments for tourism related developments. I am certain that we all have observed the tumultuous state of global financial markets. Our major trading partners still struggle to gain control of their own domestic economies.

It cannot be that my sophisticated *London Times* and *Economist*-reading colleagues across the floor are unaware of the continued volatility in financial markets which undoubtedly means investors remain timid about investing. Perhaps their intent is to take our Nation down the road of the “godfather” investor who is supposed to swoop in and save our people from these economic challenges. Madam Speaker, we have been down this path too many times before and all it has brought us are lawsuits and a tarnished image regionally and internationally. Antigua and Barbuda’s long outstanding debt to practically all reputable creditors has meant that we have not been in a position, like other countries in the region, to approach these creditors to provide financing for infrastructure projects.

Madam Speaker

While we continue to pursue legitimate and respectable investors, this Administration will focus on strategies that are built on the ingenuity and self-reliance of our people. Instead of looking to be rescued by some wealthy benefactor we must take responsibility for our own economic destiny. That is why this Government has pursued this sometimes rough path. What is clear to us, though, is that the actions we have been taking to transform Antigua and Barbuda have yielded steady and positive results. One such result is the fact that earlier this year, Antigua and Barbuda placed among the top ten Countries of the Future for Economic Potential in the Caribbean and Central America. This was according to the Foreign Direct Investment Division of the Financial Times of London. More than thirty Caribbean and Central American countries were assessed in areas such as infrastructure, human resources, investment strategy, and quality of life.

Madam Speaker, Antigua and Barbuda's strong showing in this survey is not happenstance. It is a reflection of the returns to this Government's investment in education and ICT infrastructure and its foresight in creating the Antigua and Barbuda Investment Authority. We are encouraged by this favourable rating, as all Antiguan and Barbudans should be, and will intensify our efforts to further transform the business environment in support of private sector activity. In 2012 the focus of our economic action plan will be:

- Creating a Business and Investor-Friendly Environment;
- Tourism
- Agriculture
- Promoting Investment to jump-start economic growth

Creating a Business and Investor-Friendly Environment

Madam Speaker

In my budget presentation last year I indicated that this Government would take the actions necessary to improve the environment for doing business in Antigua and Barbuda, so that by 2015 our ranking in the World Bank *Doing Business Report* would be in the top twenty. Antigua and Barbuda has maintained its ranking as second among the CARICOM member countries (excluding Barbados) for ease of doing business, and is ranked 57 out of 183 countries worldwide in the *2012 Doing Business Report*. However, it is clear that significant transformation must take place if we are to achieve the top-twenty goal.

Having set that milestone, the Government established a Permanent Committee on the Economy to “*design, implement and monitor the appropriate initiatives, protocols, mechanisms, and legislation, to establish an enabling and facilitating environment for increased economic activity in Antigua and Barbuda*”. The Permanent Committee is led by the Department of Trade, Industry and Commerce. It will address the needs of local and foreign investors and small and medium enterprises. Given its widespread mandate, the Permanent Committee comprises participants from the private sector, non-governmental organisations, business and professional associations, and Government ministries, departments and agencies.

The core members of the Committee are drawn from the following public sector entities:

- Department of Trade, Industry and Commerce
- Inland Revenue Department
- Customs Division
- Statistics Division
- Economic Planning and Policy Unit
- Antigua and Barbuda Bureau of Standards
- Public Sector Transformation Unit
- Antigua and Barbuda Investment Authority
- Antigua and Barbuda Port Authority
- IT Centre, Ministry of Information, Broadcasting, and Telecommunications

This core group is responsible for implementing the broader Committee's recommendations.

The broader members of the Committee, who provide feedback and share their concerns represent:

- Antigua and Barbuda Employers Federation
- Antigua and Barbuda Chamber of Commerce
- Coalition of Service Industries
- National Economic and Social Council
- Antigua and Barbuda Contractors Association
- Antigua and Barbuda Manufacturers Association
- Antigua and Barbuda Trade Union Congress
- Antigua and Barbuda Development Bank

The objectives of the Committee encompass a myriad of issues including:

- i. To improve "ease of doing business" for SMEs and at the same time improve Antigua and Barbuda's ranking from 64 in the 2011 *Doing Business* Report to at least 20 in the 2015 *Doing Business* Report.
- ii. To oversee agency compliance with administrative requirements, the enactment of legislation and the design of other protocols to

implement the provisions, and to ensure that the arrangements are consistent with the arrangements of the CSME and the OECS Economic Union.

- iii. To work collaboratively and in a coordinated way to deliver business process improvements in a timely fashion and to meet the expectations of the private sector and investors.
- iv. To promote and advocate cooperation such that official statistics can be available to businesses and government to inform decisions, planning and development programmes and projects.

Over the past several months, the Committee on the Economy has focused on trade facilitation and investment promotion, and has identified specific activities that may be pursued to facilitate business activity. A number of interventions have been proposed and will be implemented over the first six months in 2012. These include:

- i. Enacting legislation to reduce the number of goods that require an import licence and, where a licence must be acquired, introducing a web-based import licensing system that will ensure licences are processed in one day. By processing the import licences online, importers will no longer have to travel from one government department to another to have the import licence approved.
- ii. Streamlining procedures at the Inland Revenue Department, Customs Division and Intellectual Property Office. Particular emphasis will be on establishing a “one-stop payment window” at the Inland Revenue Department where all tax payments, except the property tax, will be paid. This would save significant time for investors and business operators, since they would no longer have to travel between the various agencies to pay taxes and fees. In addition, the Government is currently working with a local financial institution to introduce the systems that would allow taxpayers to pay taxes by way of credit and debit cards.
- iii. Reviewing the operations of the customs management system and making the appropriate changes to attain and sustain a 24-hour clearance time for regular business importers.
- iv. Enacting legislation for a Broker Licensing system.
- v. Enacting a new *Business Registration Act* to simplify the process of business registration.

- vi. Creating a list of bona fide manufacturers who would have to be registered in order to access incentives and concessions.
- vii. Conducting national symposia and workshops on productivity management to help improve productivity in the private and public sectors.

Madam Speaker

I wish to thank the private sector, public sector and civil society members of the Permanent Committee on the Economy, Senator the Honourable Joanne Massiah, Minister of State in the Ministry of Legal Affairs with responsibility for Trade, Industry and Commerce, and the Department of Trade Industry and Commerce for their commitment to this task and for proposing concrete actions that can impact the experience of small and medium enterprises and local and foreign investors operating in Antigua and Barbuda. These interventions are just the beginning, as I look forward to the additional proposals from the Committee in 2012 that will engender a more business and investor friendly environment.

Small Business Development

As I have stated before, small businesses play a critical role in job creation that boost economic performance and can facilitate poverty reduction. These small businesses are a critical component in an economic structure which has a few large actors at the commanding heights and a mass of job seekers and consumers underpinning its base. That is why this Government established a formal system of incentives and a framework through which technical assistance and advisory services can be provided to our local entrepreneurs. The system of incentives and support for small and medium enterprises is enshrined in the *Small Business Development Act* that was passed in 2007.

The Enterprise Development Department (EDD) in the Antigua and Barbuda Investment Authority is charged with converting the provisions of the small business legislation into tangible programmes that benefit business. In 2011 the department considered more than one hundred applications from small businesses seeking to access the concessions and incentives provided under the Act. Approximately 40 per cent of the applicants have completed the process and are formally registered businesses. The remaining applicants are still completing their applications in order to be registered. A challenge to completing the registration process is the applicant's ability to meet basic requirements,

such as business plans and financial information. One of the interventions of the EDD is therefore the “Mind Your Business” training programme that is a part of the package of business counselling and advisory services provided by the department. This was launched in 2011 and has trained 418 businesses, start-ups and potential entrepreneurs in 17 courses, from QuickBooks, to the use of the social media to enhance delivery of goods and services.

One of the activities announced in Budget 2011 was a business incubation programme. In 2011 we received technical assistance from the Commonwealth Secretariat, which undertook a feasibility study on a Business Incubator for Antigua and Barbuda. The study advised on the sustainability of an Incubation Unit in the Enterprise Development Department and assisted with finalising a business plan for the Unit. The Business Incubation Unit “The Business Factory” will be established in 2012, and will host 25 high growth potential businesses in the initial start up year. It will focus on agro-processing, packaging, art and craft and the fashion sectors.

Madam Speaker

The Enterprise Development Department’s success at providing technical and advisory support to small businesses was made possible by its continued collaboration with a number of private sector, government and NGO partners. These include Scotiabank, ABI Bank Ltd, Community First Cooperative Credit Union, Eastern Caribbean Amalgamated Bank (ECAB), Gilbert Agricultural and Rural Development Centre (GARDC), the Ministry of Information, and local professionals. They have made invaluable contributions to the EDD and we look forward to their continued support for small business development in the coming year.

The training, advisory and counselling services delivered to small businesses in Antigua and Barbuda are an essential phase in this Government’s strategy to introduce a small business credit guarantee scheme. A challenge that faces small businesses in all countries, whether developed or not, is access to funding. An equally pervasive challenge is the high rate of failure and thus default associated with lending to small businesses. The failure of small businesses may be due to a range of factors, from declining economic activity, to poor business management, ineffective planning, and operational inefficiencies. We recognise that providing access to financing will not, on its own, secure the success and longevity of a small business. Good business practices, proper financial management, and pursuing standards and practices to increase

productivity are also essential for business success. The technical assistance and training programmes delivered to small businesses by the EDD help businesses that access funding through the credit guarantee scheme can thrive.

The Credit Guarantee Scheme is available to existing and start-up small businesses that do not have the collateral to secure a loan. Through this Scheme, a small business will have access to security of up to 80 percent of a loan from a commercial bank. In order to afford access to as many businesses as possible, the guarantee will not exceed one hundred thousand dollars for any small business.

To benefit from the *Credit Guarantee Scheme*, a business must be registered as required by the Small Business Act. According to the Act a small business:

- i. has no more than 25 employees;
- ii. is not a wholly – or majority – owned business or a subsidiary of a larger company;
- iii. does not have capital investment exceeding three million dollars;
- iv. has total annual sales below two million dollars and
- v. is majority owned
 - (a). by citizens of Antigua and Barbuda; or
 - (b). by non-citizens of Antigua and Barbuda and where the following applies:-
 - over one-half of the production of the business, calculated by value of the product, is exported;
 - there is a minimum investment in the business of five hundred thousand dollars;
 - at least 50 percent of the employees of the business are citizens of Antigua and Barbuda; and
 - at least 40 percent of goods and services used by the business is procured locally.

Businesses wishing to benefit from the *Credit Guarantee Scheme* will be encouraged to make use of the various training, advisory and counselling services offered by the EDD.

The technical and other advice provided by the EDD should help these small businesses develop the financial and management skills that will ensure they are successful.

Finally, Madam Speaker, a new component to the Connect Antigua and Barbuda Initiative will be introduced. This is called “Technology for SMEs” and includes a complete portfolio of products and services that the Ministry of Information will provide, including highly focussed training in computer fundamentals, web marketing and business process re-engineering. Over 250 small and micro enterprises across all sectors will benefit directly from this program.

Manufacturing

Madam Speaker

Before moving on, I wish to turn to the manufacturing sector, which forms a part of the small and medium enterprise grouping. Some of the operators in this sector have been around for many years and were able to develop and thrive at a time when the international trading arrangements tended to be more responsive to the need for protectionist policies in developing countries. Arrangements such as the Caribbean Basin Initiative (pre-NAFTA) and provisions such as the Article 56 clause in the original Caricom Treaty of Chaguaramas facilitated these businesses. However, in the face of trade liberalisation and globalisation, international trade arrangements have become less and less accommodating of the protectionist practices of developing countries. Larger developing countries with cheaper labour and economies of scale that mean lower production costs make manufacturing in small economies less attractive. With such a drastic evolution in the global trading environment, manufacturers in small economies like ours have been adversely impacted.

As the Government has had to adjust its own operations in the face of a changing global environment that directly impacted revenues, there have had to be changes to the tax system and to the framework within which support can be provided to the manufacturing sector. In light of this, the Government has been working to find the most effective ways to support the manufacturing sector within the context of a changed global environment.

Madam Speaker

Though our manufacturers are small and may not be able to compete with their much bigger counterparts in significantly larger countries, they are a vital part of Antigua and Barbuda's economic landscape. The Government is committed to helping our manufacturers navigate the challenges that limit their competitiveness and profitability. While we can provide advisory and technical services to these businesses to help enhance financial management and operational efficiency, there are some challenges that are inherent to the size and structure of our economic space that cannot be eliminated. For instance, utilities and labour costs will remain major contributors to the cost of production. Additionally, since practically all their material input is imported, local manufacturers face transportation charges and border taxes that also impact their production costs.

How then can the Government help to alleviate some of the costs that make local manufacturing such an expensive venture? There is little scope for drastically reducing labour costs. We cannot, nor would we want to, pursue wage policies that would adversely affect workers in the manufacturing and other sectors. Greater focus could be placed on enhancing work productivity and skills to help reduce marginal production costs, but the kinds of wage rates that exist in many Latin American and Asian economies would not be a consideration for Antigua and Barbuda. In terms of utility costs, the Government has been in discussions with the APUA to establish a preferential electricity tariff for commercial enterprises. One challenge in this respect is the absence of clear and comprehensive data on the actual proportion of the unit production cost that is contributed by electricity. A workable solution to this issue requires a preferential rate that is grounded in a full understanding of the role utilities play in the cost build-up of the manufacturers.

The same applies to the calls for lowering or altering taxes to assist the manufacturing sector. Again, the Government is amenable to providing the appropriate tax relief to manufacturers, but this has to be done in a manner that ensures Antigua and Barbuda remains compliant with its regional and international agreements. In order for the Government to justify its special or differential treatment of manufacturers, we need appropriate information from that sector. The Government could justify a particular course of action if we could clearly state that duties and taxes make up 15, 20, 30 or whatever per cent of operational expenses, and that if those expenses could be reduced or

deferred, the manufacturers would not only be able to retain the current levels of employment; they would be able to expand operations and create additional jobs.

Madam Speaker

The UPP Administration remains committed to ensuring that local manufacturers continue to operate and are able to improve productivity and profitability. We are resolved to transform the processes, procedures and arrangements through which assistance and relief are provided to the manufacturing sector. With this transformation, the Government would be able to deliver more effective and sustainable forms of support in a more judicious, transparent and accountable way.

Further, the Government is assessing a number of options through which some assistance may be provided to manufactures in order to relieve some of their cash flow challenges. We expect to make a determination on the most fiscally acceptable option and to introduce the new processes by February 2012.

I wish to thank manufacturers and all businesses for their contribution to the economy and, particularly at this time, their role in generating employment. I am confident that we all have the same desire to see economic expansion and job creation in Antigua and Barbuda. I am even more confident that if we work together, trusting in each other's commitment to achieving the best outcome for this nation, we will be triumphant.

Tourism

Tourism remains the fastest growing international industry, notwithstanding the global economic downturn. Tourism accounts for some 14 per cent of total receipts from world exports, and 38 per cent of total world exports in services. The World Travel and Tourism Council (WTTC) has ranked the Caribbean first among the 13 regions which identify travel and tourism as the major contributor to the economy. On a global scale, the Caribbean was also ranked first for capital investment and government expenditure on tourism. By 2017 travel and tourism in the Caribbean are expected to generate some US\$107.3 billion of economic activity.

The Antigua and Barbuda tourism industry registered an encouraging increase of 5.8 percent in total visitor arrivals for the period January to September 2011, over the same

period in 2010. This trend is expected to continue for the remainder of the year, according to forward booking projections.

Although our major source markets under-performed during the first half of 2011, the UK market registered a 7.9 percent increase, and arrivals from Italy grew by 11.7 percent. The best showing, a 25.5 percent increase, was from the Canadian market. Canada was not as adversely affected by the global crisis as some of our other source markets. This has been attributed to their strict banking regulations.

The South American market declined by 6.1 percent, while visitor arrivals from Central America grew by 39.4 percent compared to 2010. Total arrivals from the Caribbean market increased marginally by 3.0 percent. Arrivals from the United States remained relatively flat. However, the US market remains the second largest source of visitors for Antigua and Barbuda with the United Kingdom the largest. Overall, the arrival figures for all sectors have been fair, given the extenuating circumstances.

Figures are not yet available for the second half of 2011, but compared to the growth we are accustomed to see in the tourism sector, it is safe to say that the cautious turnaround observed in global tourism is yet to reach us. There are a number of factors responsible for this. They include the negative impact of rising fuel costs on the demand for travel, the air passenger duty on UK travel, the adverse effects of the mortgage crisis in the US, and the ongoing competition for the events market in particular.

Tourism continues to be Antigua and Barbuda's main engine of economic growth, as it is for most Caribbean states. In order for us to remain competitive in the global economy, we must constantly review our position in the marketplace. Antigua and Barbuda's share of all Caribbean tourism is 1.16 percent. To maintain and grow our market share we must consolidate and increase arrivals from the traditional markets to 5 percent of the Caribbean market in the medium term.

Antigua and Barbuda is fortunate that we continue to be an attractive destination for investors interested in establishing high-end resorts. This type of accommodation satisfies the growing demand by sophisticated travellers for an up-market product, characterised by luxury accommodation, excellent services and amenities. We can also meet the demand for second or vacation homes. We will continue to market Antigua and Barbuda as a mid to up-market tourist destination and a choice spot for this type of high-end investment.

In 2012 the Ministry of Tourism, Culture and Civil Aviation intends to reposition all sectors of the tourism industry for growth. We have been looking at our tourism development strategy in a holistic way which would address our product, land use policy, marketing, carrying capacity and linkages to other sectors. More importantly, we have been looking at how tourism development affects the lives of every citizen and resident. We plan to embrace this development strategy and explore its potential by working with and assisting communities that wish to enter into the mainstream of this economic activity.

We expect the total contribution of travel and tourism to GDP to rise from the current 74 percent to 79.9 percent by 2021. Antigua and Barbuda's tourism industry has been largely dependent on the UK and European markets. However the US is still the closest major source market, hence its importance to the future of our tourism.

The ailing US economy will likely continue to affect visitor arrivals and visitor spending for the 2012 season. Projections indicate that Antigua and Barbuda, like several other Caribbean and Latin American economies, will continue to have mixed fortunes. While the Caribbean is still getting a good market share of tourists, their reduced spending levels have been at the lowest since 2004, further hampering our economic recovery.

We have put in place plans to weather the storm. Our proximity to the US has inspired confidence that we will be a preferred destination. The Ministry of Tourism will enhance our product, with safety and security concerns assuming great importance. We are also looking at tapping into other markets to help cope with the slowdown. We are exploring the virtually untapped north-eastern US market and scouting source markets like Asia and Latin America.

Enhancing Performance in Tourism

Madam Speaker

Our efforts in 2012 will revolve around a number of activities including a tourism development and investment plan, a service excellence programme, and on-line marketing strategy.

Our Tourism Development Plan will focus on the following:

1. developing our tourism product while paying due attention to issues of environmental protection, and preserving our natural, historical and cultural heritage;
2. training and educating our people to meet the demands of visitors;
3. adopting an integrated and focused marketing strategy that recognises our fiscal limitations, yet seeks to maximise output through selective tools, some of which use modern communication technologies;
4. building strong alliances among tourism stakeholders at the national, regional and international levels so that visitor-sharing will be a seamless, high quality experience.

We will attract Antiguan and Barbudans, and friends of Antigua and Barbuda living overseas to come not only as visitors, but as potential investors. We are consulting with Antigua and Barbuda associations in North America on ways in which citizens living abroad can invest in their homeland and contribute to nation building.

An important aspect of our plan to enhance investment in tourism is to encourage residential tourism. The Government's exploration of a *Citizenship by Investment* initiative with a focus on residential tourism is expected to greatly enhance our capacity to compete in this segment of the tourism market. Antigua and Barbuda's low crime and high human development index ranking make it ideally suited as a second home destination.

Madam Speaker

The Ministry of Tourism's **service excellence programme** will follow a three-pronged approach:

1. A tourism awareness programme to increasingly sensitise citizens and residents about the importance of the industry to the overall economy of Antigua and Barbuda, and their role in enhancing performance;
2. Productivity;
3. Growth of the industry.

To achieve success with this programme, the Ministry of Tourism will design and develop a DVD entitled “Tourism Profiles” which will showcase successful tourism personalities and entrepreneurs in Antigua and Barbuda; and a tourism capacity enhancement training strategy which will seek to build on our human capacity within the industry.

Also, the Ministry of Tourism will:

- Continue to work with the OAS in training our tourism hospitality workers;
- Continue to expand our Tourism Education Programme in primary and secondary schools and tertiary institutions, including the Ministry’s Tourism Cadet Programme;
- Introduce the Hospitality Assured Programme as a pilot project in at least five small properties.

The final tier of our service excellence strategy is the continued development of Tourism Standards, which is a collaborative effort with the Bureau of Standards, OECS Secretariat and the CARICOM Regional Organisation for Standard and Quality (CROSQ).

Marketing

Taking into consideration current tourism trends, the Ministry of Tourism and the Antigua and Barbuda Tourism Authority have restructured our marketing programme to focus primarily on the more price-resilient sources, and those from which we would be able to maintain our airlift capacity. In 2012 we will roll out an integrated on-line strategy. This strategy will build on the existing e-commerce platform for the tourism sector. The integrated online marketing strategy will include:

- i. A mobile marketing strategy to include possible iphone, ipad, Symbian and Android applications;
- ii. A new tourism web site in English and two other languages, preferably Italian and French, and a cohesive social media strategy incorporating the current resources in the Ministry;
- iii. Branding guidelines;
- iv. A fully managed database of customers.

The Ministry of Tourism is mindful that in this technological age, it is important that potential visitors to Antigua and Barbuda have accurate information that is readily accessible to their mobile devices.

The Government has collaborated with West Indies Books and *SearchAntigua*, a new online company, to develop a mobile application that will help to market Antigua and Barbuda to technologically savvy visitors. The application offers a great opportunity to communicate with a group of people who wouldn't necessarily be interested in reading a magazine, but will show interest in information presented in a format that is easy to use and instantly updated.

A major marketing tool unveiled for the 2012 season is the A & B BUZZ online magazine. The magazine was released by the tourism offices in North America in honour of our nation's 30th anniversary of independence. Presented in a lifestyle format, the BUZZ uses a multimedia combination of print, video and social media, and features an online training forum for travel agents. The BUZZ targets travel specialists who are provided with the relevant information and the social media techniques to in turn target consumers with weekly destination updates, including special promotions and industry news.

The multimedia format of the BUZZ means that information is disseminated more quickly and efficiently, thereby facilitating cost effective connectivity between the destination and the travel industry. We welcome the BUZZ as a strong, efficient and cost-effective marketing tool which gives Antigua and Barbuda visibility in the competitive tourism environment.

Madam Speaker

Our success at increasing our competitiveness as a premier tourism destination will depend on how much is spent on marketing. During our many deliberations with hotel operators on how best to develop tourism in Antigua and Barbuda, the main issue they have raised is the need for greater investment in marketing. Government's cash constraints have limited its ability to invest additional resources in tourism marketing. To address this challenge, the Government and the hoteliers agreed to increase the transitional ABST rate applicable to hotels from 10.5 percent to 12.5 percent. The Government and the Antigua Hotels and Tourist Association have agreed that the additional revenue generated from this 2 percent increase will be placed in a special fund

for marketing and promoting Antigua and Barbuda in major source markets. As a result of this initiative, an additional \$5 million will be made available for tourism marketing.

Sport Tourism

Our thrust to re-position Antigua and Barbuda as a significant player in the sport, culture and event tourism market is beginning to bear fruit. The Sir Vivian Richards Cricket Stadium is considered a premier multi-purpose facility, hosting major sporting, cultural and entertainment events. It has become a significant tourist attraction, adding to our tourism product and revenue.

It is the intention of the Government to more avidly promote Antigua and Barbuda as the sporting events capital of the region. This is a fast growing sector within the global travel industry, on which we aim to capitalise. We will form partnerships with event planners to bring international sporting groups to Antigua and offer a new brand of entertainment that combines sports and music.

In June 2012 the Antigua and Barbuda Football Association will host the United States National Soccer team in the semi-final round of the World Cup Qualifiers. We have already started to prepare for their arrival, and for the hundreds of fans who will follow them here.

Airline Capacity

To support our visitor arrivals strategy, in 2011 the Ministry of Tourism and the Antigua and Barbuda Tourism Authority engaged our airline partners with the objective of increasing airlift into Antigua and Barbuda.

We successfully negotiated increased airlift and seat capacity for the 2011 to 2012 period. This includes two new flights: American Airlines direct from JFK to VC Bird Airport four times weekly (an increase of 592 seats) and the Italian Neos Airlines, direct from Milan once weekly, with approximately 240 seats. Overall, the country's seating capacity increased by 1668 seats for the 2010 to 2011 period.

Cruise Tourism and Yachting

Cruise tourism and yachting did modestly better in the period from January to August 2011 than in the previous year. Cruise arrivals totalled 399,490, which was a 13 percent increase from the same period in 2010. Projections show a total of 302 cruise ship calls for 2011. This figure represents approximately a 20 percent increase over last season, which recorded 222 calls. Yacht arrivals increased by 11 percent to 18,197.

Last year most of the major cruise lines noticeably shifted away from the Caribbean and redirected a large portion of their summer business to other parts of the globe. The entire Caribbean region lost market share as a result of that move. However, although areas like the Mediterranean attract a considerable amount of business from US cruise lines, the Caribbean is still the number one destination for European cruise passengers in the winter season.

To protect this lucrative market, Cabinet approved a stimulus package last June to be offered to the cruise lines. The package includes incentives in relation to the passenger head tax, and makes special provisions to attract cruise calls to Barbuda. Our proposals were enthusiastically received, and resulted in requests to keep the incentives in place for a longer period, to facilitate future itinerary planning. This package of incentives will take effect in time for the upcoming season. It also provides much needed exposure for Barbuda.

Some new lines and ships are being added for the upcoming season. Already two new lines made their inaugural calls in November. The German ship, *Mein Schiff 2*, which forms part of the TUI Cruises fleet out of Hamburg, and carries 2,000 passengers, with a crew of 800; and the *Silhouette*, which is the largest ship in the Celebrity Cruises line, a subsidiary of Royal Caribbean Cruise Lines, and carrying 2,853 passengers and a crew of 1,250. The *Silhouette* is one of Royal Caribbean's newest ships and is the largest cruise liner to come into Antigua. The *Silhouette* will make weekly calls to the Nevis Street Pier and this will provide immense benefits for tour operators, taxi drivers and vendors who ply their trade at the Heritage Quay.

This season, the Finnish cruise vessel *Katarina*, a ship from Kristina Cruise Lines, will make Antigua and Barbuda its first port of call in the region. The ship carries 650 passengers and will make approximately seven calls to our destination. The *Costa Luminosa*, a ship from Costa Cruise Lines, with a capacity of 2,260 passengers, will also make its inaugural visit to Antigua and Barbuda.

Looking ahead to the 2012 -2013 season, the Italian-designed MSC Fantasia, the newest ship of the fastest growing European cruise line, has already selected Antigua and Barbuda to be included in its itinerary.

Madam Speaker

Antigua and Barbuda has a strong and longstanding tradition in yachting. This industry has exposed the beauty and unique wonders of our nation to yachting enthusiasts the world over and has developed in many of our people skills and expertise that are in high demand. This Government recognises the potential of this industry and continues to work with the stakeholders to improve the arrangements and procedures for marine clearance of visiting yachts. We are convinced that the new and simplified clearance procedures will to improve operations in the industry.

With the increasing competition for yachts in the region, Antigua and Barbuda must continue to introduce policies and programmes to improve the yachting experience. We must also seize every opportunity to showcase the factors, such as our many natural safe harbours, that make Antigua and Barbuda the premier yachting destination in the Eastern Caribbean. Madam Speaker, our efforts to improve yachting in Antigua and Barbuda have borne fruit as we have seen an 11 percent increase in yacht arrivals for the period January to August 2011 over the same period in 2010. Our Sailing Week is still among the most popular sailing regattas in the world and with the anticipated strong turnout for the 50th anniversary of the Antigua Charter Yacht show, which started on 4th December 2010 this Government is determined that Antigua and Barbuda remain a leader in this industry.

Finally, Madam Speaker, through the dedicated efforts of the ABIA, the ABI Group and Jolly Harbour we have been able to secure the return of the Russian Sailing Regatta to Antigua and Barbuda. Representatives from ABIA, the ABI Group and Jolly Harbour attended an international property show and hosted a reception in Moscow in February of this year. The objective of the trip was to create awareness of Antigua and Barbuda and to secure the return of the regatta. I am therefore pleased to announce that the Russian Sailing Regatta will again be in Antigua and Barbuda in March 2012.

Madam Speaker

Sustainability in tourism is a difficult but achievable goal, and this administration will leave no stone unturned to achieve it. But we all have a part to play. Our country's reputation as a genuine caring people, and for safety, natural beauty and a colourful history must be protected and preserved by all citizens. Above all, our efforts to keep our country clean must always be at the forefront of our national psyche.

Tourist arrival figures are relevant. Tourist expenditure figures and economic impact are more important. It is therefore critical that we continue to create an environment that will generate increased tourist expenditure. We must offer a diverse package of quality destination experiences, targeted at the discerning traveller who has spending power.

In 2012 we expect total tourist expenditure to improve considerably. This will be a powerful indicator that we are moving in the right direction. We must make sure that the benefits of the industry's expansion manifest themselves in increased private and public sector revenues, expanded cultural and economic linkages, and more opportunities for the average Antiguan and Barbudan.

Agriculture

Madam Speaker

With Antigua and Barbuda's focus on services as the means to achieve our growth and development aspirations, the contribution of agriculture to annual economic output has declined steadily to less than 2 percent. However, the objectives of food security and generating or persevering foreign exchange have brought renewed focus on agriculture. In order to achieve these objectives, we have pursued a number of policies and programmes to boost crop and livestock production.

The objective of food security can be tied to that of preserving foreign exchange and increasing income for local farmers. Instead of spending between forty and fifty million on imports of fresh produce and crops, we can preserve foreign exchange by producing more of these crops locally. The Government has focused on developing new varieties of crops that can thrive in Antigua and Barbuda and increase the harvest of our farmers. Emphasis has been placed on tomatoes, sweet peppers and other vegetables, including

Irish potatoes. In fact, with the successful trial of a specific variety of Irish potato we are preparing to undertake production on a semi-commercial basis. Further, we will continue to capitalise on onion and carrot production for both local consumption and export to a number of our CARICOM neighbours.

Madam Speaker

We recognise that in order to significantly augment crop production and reduce the amount of foreign exchange spent on food imports, existing and potential farmers must possess the necessary inputs and receive appropriate support from the Government. The Government has therefore earmarked 300 acres of land for crop production in 2012. A related intervention is the Government's plans to harness the skills of the youth to develop the sector through entrepreneurship. The National Youth Farm and the 20/40 project in Pares Village are intended to attract youth to the sector by emphasising investment in and the direct returns from agriculture. These programmes are also intended to offer economically viable income generating options for youth. This is paramount to the continued existence and sustainability of agriculture in Antigua and Barbuda. We have approached the governments of Spain and Venezuela to assist with the 20/40 project, and we are working with the CDB to identify a funding arrangement for the National Youth Farm.

The National Youth Farm comprises 100 acres of land which will be used to train and employ Antigua and Barbuda's future farmers. This project will occupy 250 young people over a three year period. In 2012 the Government will focus on implementing the first phase of this project. This first phase will offer 80 youth an opportunity to begin training in modern crop production on 40 acres of land.

Another positive development in the sector is a one million dollar agricultural investment project geared towards sustainable development of the eight species of avocado varieties in Antigua and Barbuda. This project is being implemented at Gaynors by Avikado Antigua Ltd. Its overall objective is to develop a handling and processing facility in Antigua and Barbuda in an effort to strengthen the agro-processing industry.

Several hundred avocado trees are being planted with advantages ranging from increased local employment in the agricultural industry, impact on food security, reduction of imported avocado and its by-products, savings of foreign exchange and further diversification of the output from the agriculture sector. We are encouraged by the

opportunities associated with this project and the Government will provide the requisite support to secure the success of this venture.

Madam Speaker

In terms of securing foreign exchange through this sector, we will continue to enhance production of the Antigua Black Pineapple and Sea Island Cotton for export. With respect to our Sea Island Cotton we intend to fully exploit the trade agreement with the Cooperative West Indian Sea Island Cotton Japan Project that was established earlier this year. This product demands strict adherence to high standards and the Cotton Station is working to ensure the integrity and quality of our unique Sea Island Cotton are maintained. The agreement affords Antigua and Barbuda the opportunity to supply a minimum of 20,000 pounds of Sea Island cotton lint annually at US\$10.00 per pound. There are currently 50 acres under production which will yield nearly 200,000 pounds of cotton with a market value of about US\$2 million.

The fisheries sector has incredible potential to generate foreign exchange in Antigua and Barbuda. With the opening of the Artisanal Fisheries Complex on Barbuda, which was generously provided by the Government and People of Japan, we anticipate increased capability for employment, handling, processing, and export of seafood. Antigua and Barbuda continues to enjoy the coveted status of being one of the few Caribbean countries that is able to export fresh seafood products to the European Union. The intent is to take greater advantage of this position in 2012 by enhancing our capacity to deliver seafood products that meet the high standards and quality requirements of the export market. We will achieve this with the coming on stream of the Complex in Barbuda and the improvements that have been made at the Point Wharf.

Lobster is the only product exported to the EU at this time. However, with the improvements made at the Point Wharf Processing Complex we will start exporting fish and conch to the EU in 2012. Additionally, all the infrastructure and equipment for processing seafood products are now in place. The Point Wharf facility has the capacity to gut and scale, fillet, steak, dry salt, and pickle fish in a sterile environment. In 2012 other products such as fish burgers, fingers, and patties will be added while adhering to quality assurance standards. These developments, along with the Government's direct support to fisher folk, promise to increase productivity and income in the fisheries sector. Government's support includes concessions on tools and equipment, and on fuel costs.

Madam Speaker

The prospect of further erosion of the agriculture base does not augur well for food security and generating or preserving foreign exchange. We are therefore mindful that the Government must continue to provide farmers with access to improved and affordable tractor services, along with ongoing training in crop production technology and good agricultural practices. Further, the Government continues to assist in keeping the cost of production low by affording bona fide farmers duty and tax, including ABST, concessions on inputs such as seeds, fertilizers, and various tools and equipment. A Buy Local Campaign will be launched to encourage our people to support local farmers. As part of this initiative, the Government will continue to pursue avenues to strengthen links between the agriculture and tourism sectors. If households and businesses all make a conscious effort to consume the foods produced in Antigua and Barbuda, the higher incomes of farmers would help to increase demand for other goods and services in the economy. Essentially, Madam Speaker, when we buy local, we are stimulating our own economy. While we are not likely to become fully self-sufficient, it is good economic sense to make the best use of our resources by empowering the agriculture sector to make a meaningful contribution to economic growth.

Promoting Investment to Jump-start Growth

Madam Speaker

As I indicated earlier, private investment plays a very important role in generating output and growth in our economy. Much of the private sector investment over the past several years has been for tourism-related construction, averaging \$521 million per year over the period 2004 to 2010. Since its inception in 2007, the ABIA has approved investment projects valued at \$3.3 billion. Of this amount, \$2.1 billion was foreign investment and \$1.2 billion represented local investment. Total concessions amounted to \$577 million or 18 per cent of the value of the projects. These projects generated more than 4,700 jobs, with the employment split almost equally between the foreign and local projects. The projects approved by the ABIA include manufacturing, agriculture, health, education, property management and financial services. Accounting for 85 percent or EC\$2.8 billion, tourism projects were by far the largest component of projects approved by the Authority. Therefore, with a 95 percent decline in funding for tourism development

projects worldwide, it is expected that the quantum and value of investments processed by the ABIA would have contracted.

Though there is a paucity of available financing for tourism development projects, the ABIA continues to discuss investment opportunities with potential local and foreign investors. In order to supplement and boost these efforts, the Government is engaged in deliberations with the IMF to convene a regional investment conference in mid 2012. This conference, to be held in Antigua, will bring investors from across the globe to discover investment opportunities in the ECCU region. The ECCB, CDB and World Bank will assist in planning the conference and play a major role in bringing investors to our shores.

The investment conference will afford our countries the opportunity to showcase their unique attributes and to present opportunities for investment to a wide range of private investors from across the globe. These investors will also be able to discuss directly with the Government the improvements that can be made to create a more investor-friendly environment.

Madam Speaker

We look forward to welcoming the private investors, regional private and public sector participants, and our regional and international development partners to our shores next year to share in this significant event. This regional investor conference will afford the members of the ECCU an unprecedented opportunity to make contact with private investors and form alliances that can benefit the countries individually and as a group.

While this event is intended to unlock foreign direct investment (FDI) resources for the region, it will also target domestic investors. Of the 251 projects approved by the ABIA between 2007 and 2011, about 85 percent were funded by local investors. In fact, of the 24 projects approved in 2011, 18 were local projects valued at \$60 million. While the value of domestic investment tends to be about one third that of foreign investment, these local investments are the very ones that help to expand the number of small and medium enterprises in the economy. These businesses will contribute in large measure to sustainable and long term growth and it can be expected that much of the profits they generate will remain in the local economy. The Government is therefore determined to work along with these local potential investors to identify and implement business retention and expansion strategies.

In this regard, the Permanent Committee on the Economy along with the ABIA will arrange a seminar for local entrepreneurs and investors to discuss project ideas, investment opportunities and options for advancing development of these projects. It is anticipated that this seminar would bring together existing businesses, prospective entrepreneurs, financial institutions and other stakeholders. The outcome of their deliberations will help the ABIA to strengthen its investment facilitation activities. While we await a rebound in FDI flows, we can work together to use our own resources to start moving out of this low point in our economic history and position our nation and our people to capitalise on the advantages that will accompany the global economic recovery.

The ABIA is also expected to intensify efforts to expand the business process outsourcing (BPO) sector. This sector includes businesses which offer services such as debt collection, technical support, order processing, customer service, and sales calls. Over the past year employment in this sector more than doubled. This was largely due to the quality of our workforce, our robust ICT infrastructure and stellar facilitation by the ABIA.

In 2012 the ABIA will amplify its BPO acquisition strategy to attract more companies to locate in Antigua and Barbuda. The new commercial centres on Friars Hill Road are equipped with the infrastructure to house these businesses. This sector is expected to grow by 40 per cent as a result of the ABIA's interventions in 2012.

Tourism Development Projects

Madam Speaker, it would be unrealistic to expect that the pre-crisis levels of economic growth could be regained solely by local investment. Our country will need the rapid surge in economic activity that accompanies a large FDI project. The ABIA is engaged in negotiations with a number of investors who have expressed interest in financing projects in various areas including tourism development and ICT. At the same time, the Government continues to discuss with the investors and developers of projects such as Crystal Bay Resort, Half Moon Bay, Azure Bay and Buccaneer Cove. The main reasons for the delay on these projects are financing, but the developers maintain a strong desire to move ahead, and they continue to explore various sources of funding. In total, these projects are valued at well over \$2 billion and are expected to generate more than 1,300 jobs over the next five years.

Based on recent developments, we expect that the US\$70 million Buccaneer Cove development will finally begin in 2012. This high-tech condominium development is expected to employ up to 300 persons during the construction and operation stages. Another project expected to start shortly is the US\$30 million development of a 70-room family hotel at Valley Church. This project will provide more than 200 jobs for our citizens and residents.

While attempting to push these projects forward, the Government has also been exploring other opportunities to trigger economic activity. One such venture is a public-private partnership in which the Government and a group of local investors will collaborate to reopen and operate the Colonna Beach Resort and Spa. The Government will make a 25 percent investment in this project, which also offers citizens an opportunity to invest in a hotel venture. There are some legal matters to be ironed out, but once they are resolved, this enterprise will employ between 150 and 200 persons. Annual wages, salaries, benefits and service charges for the staff are expected to range from \$7 million to \$10 million. We estimate that tax revenue and statutory contributions will amount to about \$5 million per year.

We are working very closely with the investors to settle the legal issues and complete all arrangements so that the property can reopen in late December this year. This, Madam Speaker, is precisely the type of initiative that local investors and entrepreneurs can pursue to stimulate activity and create employment. The Government is more than willing to join forces with investors in public-private partnership projects that will create jobs.

Another project for which negotiations are nearing completion is the Beaches family resort to be constructed at Long Bay. This US\$100 million development has been a source of much discussion. It served as fodder for divisive politicking at a time when our national focus should have been to secure investment that would benefit several hundred families. One claim has been that this hotel project would put the existing vendors out of business. This is a baseless conclusion, since a larger hotel with hundreds of additional guests would actually mean increased business for the vendors. Despite the obviously self-serving attempts to derail this initiative, I am pleased to report that the investor, who has been a long time friend of Antigua and Barbuda, remains determined to move ahead. The 400 room property that will carry the world renowned Beaches brand will create 300 to 400 construction jobs and 1,000 jobs once the hotel opens.

Madam Speaker, this is a venture that would contribute substantially to the economy. The Government will not allow the actions of the Opposition to rob up to 1,400 families of the direct benefits associated with this opportunity. What is truly galling is that they are the very same ones who accuse this administration of not doing enough to attract investors.

What are the implications of this project for the existing businesses at Long Bay? The Government recognises their concerns and has worked with the investor to ensure that the businesses and individuals are able to continue operating. Madam Speaker, you may have heard the claims that this project will lead to the businesses and vendors being barred from operating at the beach. The truth is, a project called the Long Bay Public Park will accompany this hotel project. The public park will include restaurants, a water sports facility, a beach bar, children's play area, public restrooms and showers, and vendor huts on the beach for the existing vendors.

This public beach park will be developed as a public-private enterprise that will transform the area and increase the beach-going experience of locals and visitors alike. I encourage our people to look beyond the tricks of our critics, the very ones who say they would "grow the economy by investment". These are the same persons who have practically given away prime lands and properties to so-called investors who have yet to deliver on their development promises. Instead of bringing jobs and increased private capital stock, these deals have cost our people millions of dollars in bills and legal judgments. I wish to make it clear, the UPP Administration will not engage in the types of shenanigans that our predecessors found so appealing. Our only objective is to provide economic opportunities that will benefit all our people, not just a handful of interest groups.

Another promising development being considered is an 82-room expansion at the Verandah Hotel. This too will be accompanied by a public beach park that will boast a number of amenities and facilities. The park will also enhance the visitor experience at Devil's Bridge, a popular stop on taxi tours and for locals. It is the kind of development that amplifies the tourism product and can encourage return visits.

Other Projects

In addition to these private sector projects, work will start on the new \$45 million airport terminal that is being funded by the People's Republic of China. Construction is

scheduled to begin in early 2012 and be completed by December 2013. This upgraded airport will improve our ability to handle larger and more frequent airlift, and to welcome an expanding flow of visitors and residents. The new facility will be equipped with three jet bridges, and will include room for 15 duty free shops, two VIP lounges and increased space for airline, immigration and security personnel.

Although the China Civil Engineering Construction Corporation (CCECC) will handle the overall construction, 30 per cent of the total investment will be funnelled into the local economy. This transfer will take place through the employment of local contractors, subcontracting and labour, aggregates and building material, trucking, and earth-moving equipment. Increased container arrivals will mean higher haulage receipts.

Madam Speaker

The Government is pleased to announce that the Cancer Centre Eastern Caribbean (CCEC) has obtained funding to begin building the sub region's first comprehensive cancer treatment centre. Construction on this \$13.5 million project will start in the first half of 2012. The CCEC will be equipped with the same state-of-the-art machinery and technical expertise that can be found in the very North American and European centres to which our people now travel for treatment.

This Centre will attend to residents, OECS nationals, and patients from outside the region. It will afford the very best comprehensive care in chemotherapy, radiation, radiology, surgery, and surgical care close to home. The Government currently assists with the costs for Antiguan and Barbudans who need to travel overseas for cancer treatment. This is expensive, since it also involves paying for family members accompanying the patient.

The CCEC is a great opportunity for functional cooperation in the ECCU. It will ensure that the best cancer care can be made affordable and available to the people of our region.

Madam Speaker

The Government launched the *Construct Antigua Barbuda Initiative (CABI)* in July 2011 to help stimulate activity and jobs in the construction industry. The objectives of the Initiative are to:

- i. Make homeownership affordable by reducing costs by 15-20 percent;
- ii. Stimulate economic activity;
- iii. Create employment in the construction sector;
- iv. Build confidence in the economy via government policy.

Through the CABI, potential homeowners and participants would be entitled to tax relief and discounts on all building material procured locally, as well as reduced rates and fees from banks, insurance companies, aggregate suppliers and contractors registered with the ABIA. The initiative also applies to citizens living abroad.

As at 16th November 2011, the ABIA has received 38 applications for concessions valued at about \$18 million. Over 50 percent of these have been approved and are in active construction. The remaining projects are being processed and should be approved shortly.

Based on applications received thus far, the projected expenditure on labour will be \$5.8 million while expenditure on material will be \$10 million. Given that the project is expected to run for 18 months, the current trajectory could mean \$108 million in construction activity. In terms of material this equates to over one year's imports by the hardware sector, based on the last 21 months. The initiative therefore has the potential to make a significant impact on the hardware sector. It can also generate over \$35 million in construction wages. In light of the interest and activity to date, the CABI is likely to outperform its original target of generating housing construction valued at \$30 million.

I wish to thank all homeowners and businesses that have participated in this initiative. It is yet another example of what our people can do once we realise that we can in fact be the masters of our circumstances, the captains of our economic destiny.

Finally, Madam Speaker, the Government intends to go one step further in its bid to make home ownership a reality for our people and to stimulate economic activity. Over the past few years, we engaged in limited land development and distribution as we were awaiting completion of the National Land Use Policy. With this Plan in place, we will be able to meet the land needs of our people and ensure protection of the environment.

In 2012 we will begin an intensive land development and distribution initiative. We have made a policy decision that we will no longer sell land without the proper infrastructure

in place. To address this, we have been engaged in discussions with a number of local contractors who wish to work with the Government to develop land for residential and commercial purposes. This engagement would be a private-public sector partnership under which the contractors would develop the land with the appropriate infrastructure, according to Government's specifications. The lots will then be sold to those desiring land. Of course, the selling price would need to reflect the fact that the proper roads and utilities have already been installed. However, the price will remain below that charged by private sellers.

The Ministry of Agriculture has scores of applications to purchase land, but has not been able to meet the demand. This initiative will allow the Government to meet this demand and provide an investment opportunity for local contractors and investors. As I mentioned earlier, Madam Speaker, this Government paid over \$231 million to local contractors and merchants over the past 22 months. We intend to continue to make these payments, resources permitting, which will in turn enable the contractors to reinvest in the economy. Over the coming months, we will also work with the banking sector to secure their participation in this venture.

This is Phase Two of the Construct Antigua Barbuda Initiative and will commence in March 2012 with the sale of 600 parcels of land. We have identified 127 acres as follows:

- North Sound – 30 acres
- Freetown – 20 acres
- Bolans – 12 acres
- Urlings – 15 acres
- McPond – 50 acres

The average size of the plots will be $\frac{1}{4}$ acre.

Madam Speaker

We have not excluded our Antiguan and Barbudan brothers and sisters living abroad. They too will have an opportunity to benefit from the Government's land distribution

programme in 2012. We have set aside land at Dow Hill for this purpose and will encourage the Antiguan and Barbuda Diaspora to make use of the Construct Antigua Barbuda Initiative to construct homes on the lands made available to them.

We are confident that these initiatives will yield tremendous benefits for contractors, hardware stores, and construction workers.

SOCIAL TRANSFORMATION PROGRAMME

The Government continues its efforts to reshape education services and health care delivery, and to safeguard all in our society, including the most vulnerable. All citizens, including our children and the elderly, will benefit from new and improved programmes which will properly harness the untapped talents of our youth and able bodied.

Education

The Government recognises that maximising returns from our human resource pool means investing in all segments of our society. It is therefore worthwhile to expand upon our traditional concepts of early childhood, primary and secondary education. The Government proactively advances its mission to Education of *no child left behind* by broadening its effort in 2012 to include special needs education and universal early childhood and secondary education.

This broadened focus requires specialised services such as clinical psychologists, social workers and related experts to indentify students suspected of suffering from any disability. Accurate diagnoses will inform the design of special programmes and, later on, integrate special needs students into the wider curricula of our standard learning institutions.

Continuing with our stated commitment in 2010 and progress made in 2011, early childhood and secondary education will benefit from the continuous training of our teachers to enhance their capabilities. Secondary schools will continue to be upgraded, guaranteeing there is no shortage of desks. Primary school students will seamlessly transition to secondary schools with ample space, suitably equipped classrooms, access to modern technology and guided by well trained teaching professionals. The Government

has worked tirelessly to assess and consolidate human development resources so that education services are delivered expertly and at a high standard to all of our capable young minds.

Health

In 2011 the Government began to develop a national strategic health plan and health policy. The Pan American Health Organisation (PAHO) has helped us to start the Essential Public Health Functions exercise, which will continue into 2012. PAHO is also assisting us to implement a human resource plan to ensure health care services are expertly discharged. Key among planned health care services is the development of appropriate policies and regulations for private medical facilities and alternative medical practitioners. Health related laws will be revised in order to enforce compliance among both conventional and alternative practitioners.

Chronic non-communicable diseases (CNCDs) are a primary international focus for 2012. This year Antigua and Barbuda hosted its first summit on chronic non-communicable diseases and participated in related high level discussions at the United Nations. In 2012 a CNDC plan will also be developed, centering on the causes of morbidity and mortality in Antigua and Barbuda.

The government will continue to upgrade health facilities and refurbish various wards and healthcare delivery centres throughout the country. Community clinics that have been left in a state of disrepair for decades will follow the trend of the Bendals and Parham clinics, which were repaired. The greater environs and public health for citizens of Antigua and Barbuda will benefit from a refined Central Board of Health operating with greater efficiency, transparency and effectiveness in 2012.

Living a healthy lifestyle is a preventive measure that postpones the advance of disease, disability and premature death. Significant investment will be made to reduce the high cost of tertiary health care and positively promote health education.

Social Protection and Safety Nets

A country poverty assessment conducted in 2005 created a realistic baseline of existing levels of poverty, indigence and other social challenges. The assessment allowed Government to formulate equally realistic responses to create a path away from deprivation, powerlessness and chronic poverty. The NEST Plan provided the strategic compass to secure assistance from the Caribbean Development Bank to formulate a five year National Poverty Reduction Strategy (NPRS) for Antigua and Barbuda.

From 2011 to 2015 clear macroeconomic, structural and social policies and programmes will promote growth and reduce poverty. We will consolidate social safety net measures and perfect mechanisms targeting the neediest. To further the NPRS, the Government will continue its efforts to (1) create growth and wealth, (2) expand employment and income generating activities for the poor, (3) modernise social protection and increase resiliency and (4) sustain good governance and public sector management.

Social safety net measures to reduce poverty are a primary objective and through a new approach will rely less on cash transfers and more on incorporating the poor into the development process. By building their capacity and skills, the poor will be empowered and provided with a means to overcome the conditions of poverty. Social protection delivery systems and social programmes will (1) improve the means to identify and target the vulnerable, (2) revamp how beneficiaries are managed, (3) strengthen how social protection interventions are monitored and evaluated and (4) provide clear, concrete means for beneficiaries to become self-reliant.

In the 2012 fiscal year consolidated and target programmes will reduce duplication and deliver relief to the eligible beneficiaries in our society.

National Security, Labour and Immigration

The Royal Antigua and Barbuda Police Force maintains its essential partnership with all law abiding citizens in the shared quest to reduce crime and guarantee safety and peace. A responsive Crime Fighting Strategic Plan informs the methods used to combat crime. In its own evolution, the police force will continue to build trust with the community as

well as incorporate statistical data, refer to analytical trends and use other intelligence tools to solve crime.

Sophisticated training of the Police Force is essential to keep abreast of changing trends and a clever criminal element. To respond to such challenges, our Criminal Intelligence Unit maintains an essential partnership and shares valuable information with a wide network of enforcement and regulatory agencies including the Defence Force, the ONDCP, Airport Authority, Coast Guard, Port Authority, Customs, Immigration, Prison and the Inland Revenue Department.

The Immigration Department supported continued changes to its legislation in 2011 with a new and robust *Immigration Act*. Administratively, the department will make stronger efforts to penalise corrupt officers and other individuals on the wrong side of the law. As testimony to this, the Government recently passed and has strenuously enforced the *Trafficking in Persons (Prevention) Act, 2010*, demonstrating its resolve to tackle human trafficking.

Consequent to the ministerial review that started in 2010, the revised *Antigua and Barbuda Labour Code* is on track to be passed in Parliament in 2012. Similar advances have been made with important revisions to the *Occupational, Health and Safety Act* and the *Workmen's Compensation Act*. After tripartite discussions and public consultations ended in 2011, the ILO Geneva office is now vetting the HIV Workplace Policy which the Government expects to launch in 2012.

The Cabinet is considering a strategic measure to grant economic citizenship to qualifying applicants. Such a decision, however, carries considerable weight and cannot be concluded without expert input from the Immigration Department. As a member of a Cabinet appointed committee, the Immigration Department has been charged to fully ventilate all associated implications to ensure the best possible outcome favours the economy and citizens of Antigua and Barbuda.

Social Security and Pension Modernisation

Social security remains an important plank of the social safety net. Recognising this, the Government has taken steps to strengthen the organisation, and place it on the path to long-term sustainability. Just over one year ago, the Debt Unit of the Ministry of Finance

reached agreement with the Social Security Board to repay the Government's indebtedness to the Board. I am pleased to report that that Memorandum of Understanding has since been formally approved by Parliament, and we are now moving forward to fully regularise the status with the Social Security Board.

Another important plank of strengthening social security is a new *Social Security Act* that would bring the Board into the 21st century. No major amendments have been made to the Act since it was passed in 1972. We have therefore undertaken a comprehensive review of the principal Act and the Regulations.

In conducting this review, we propose to adopt many of the recommendations made by the Actuary, who cautioned that further delays in instituting reform could negatively impact the operations of the Social Security Board. These changes include (1) increasing the pension age to 65; (2) increasing the ceiling of insurable income from the present level of \$4,500; (3) introducing an employment injury benefit (which is intended to replace the *Workmen's Compensation Act*) and (4) including an independently funded unemployment benefit. The draft new Act will be laid before the House in January 2012.

Pension reform is another key matter we are addressing. At present there are multiple pension arrangements in place for the public sector. This has proved unwieldy and costly to administer. Our intention is to harmonise the various arrangements so that we have a system that is universally understood and comports with international best practices, and above all, a system that is sustainable.

The Pension Commission has representatives from a wide cross-section of stakeholders including several Government ministries and departments, the Social Security Board, Medical Benefits Scheme, the Chamber of Commerce, the Employers Federation and the Trades Union Congress. I wish to publicly thank the members for the work done to date, and I look forward to receiving their report and recommendations within the next six months.

FINANCIAL SECTOR STABILITY

Financial Sector Stability issues continue to receive the undivided attention of this UPP Administration. I was able to report in my last Budget Statement that the Government of

Antigua and Barbuda, assisted by the ECCB and a number of indigenous banks from across the Currency Union, successfully launched the ECAB. The rise of ECAB closed the chapter on the ill-fated Bank of Antigua Ltd. Today, ECAB stands as a tower of excellence and a symbol of the strength of will, and the wealth of resourcefulness of our people and institutions. In retrospect, however, the ECAB episode was a valuable dress rehearsal for the ABI Bank intervention.

On Friday 22nd July 2011 the ECCB assumed control of ABI, pursuant to the ECCB Agreement Act, 1983. The intervention followed extensive discussions between the Government, the ABI Board of Directors, the ECCB Monetary Council, and other stakeholders. We were satisfied that, at the time of intervening, ABI's ability to meet its statutory obligations and to carry out normal banking business had been challenged due to insufficient liquid assets. We are happy to report that the bank has been stabilised and that normal operations insofar as customers and clients of the bank are concerned were never interrupted. At this juncture, I must single out for immense praise the depositors of ABI as well as the staff, who demonstrated the highest levels of loyalty, maturity and understanding at the time of intervention. This was evidenced by the calm way in which they received and reacted to the news of ECCB's intervention.

Let there be no doubt that the primary concern of the Government in such instances is the welfare of depositors. The principle of full protection and security of bank deposits is a fundamental pillar upon which confidence in our financial system rests. Hence, this UPP Government was neither tentative nor timid in stepping up to the plate, as costly as it may be, in order that life savings and business earnings should be kept intact. We are not yet out of the woods, but day by day we are making incremental and significant process.

One major development since the Bank of Antigua rescue has been a strengthening of our institutional arrangements. The Resolution Trust Company Ltd. (RTC) was incorporated on 2nd June 2011 in St. Kitts and Nevis and registered in Antigua and Barbuda on 12th July 2011. According to the statutory instrument filed at incorporation, the RTC was established to:

1. Provide financial assistance to financial institutions to restore liquidity and solvency to distressed institutions;
2. Mobilise and deploy external technical and managerial support to restructure financial institutions; and

3. Act as a conduit through which recapitalisation and restructuring of the financial sector in the Eastern Caribbean Currency Union will take place.

The RTC has already started to make an invaluable contribution to resolving the ABI matter. The company has engaged specialists with the expertise and skills to ensure an acceptable outcome of a restructured and revitalised institution, well positioned to play its part in a strengthened ECCU financial sector. Also worthy of recognition in this effort are the IMF, the World Bank and the CDB, which together with the ECCB and representatives from ECCU Ministries of Finance, comprise a Task Force that is charged with crafting a resolution strategy. Specifically, the Task Force will undertake a diagnostic assessment of the indigenous banking sector in Antigua and Barbuda and the wider currency union. Informed by the results of the assessment, the Task Force will be able to recommend the most effective and sustainable path toward resolving the pressing issues that have emerged within our domestic financial sector. The Governor of the ECCB, Sir K. Dwight Venner, chairs the Task Force.

Concerning the British American Insurance Company (BAICO), I am also happy to report that important progress is being made in what is proving to be a complex and technically challenging exercise. The governments of the ECCU are implementing a comprehensive resolution strategy that will distil the best solution from these unfortunate circumstances. The Government of Antigua and Barbuda, along with those of other ECCU member states, has been apprised by the Monetary Council that a number of proposals in respect of the sale of BAICO'S traditional business have been received. The next steps will include evaluating the proposals and undertaking a due diligence phase to allow applicants to prepare and submit detailed bids. The sale of BAICO's traditional business is expected to be completed by June 2012, once final documentation is agreed with the chosen purchaser and the process of approving transfers in ECCU member states and in the Bahamas is concluded.

Concerning BAICO's non-traditional policy instruments, otherwise referred to as Annuities, the ECCU governments have been working as part of the CARICOM Regional Technical Committee to assist affected policyholders. It is important that a resolution in respect of this category of policyholders be achieved since not only individuals, but critical institutions are holders of Executive Flexible Premium Annuities (EFPA). In this connection, we are encouraged by the latest discussions being held with the Government of the Republic of Trinidad and Tobago to arrive at a mutually acceptable burden sharing arrangement.

With regard to CLICO's International Life Insurance Company (CIL), judicial Managers have been appointed for the Head Office in Barbados and the Branch Offices in ECCU member states. The options identified by the Judicial Managers, in terms of a resolution, are liquidation, or maintaining the operation as a going concern. They have estimated that maintaining CIL as a going concern would be the more beneficial option in terms of recovery. In this regard, the ECCU governments continue to work with the Judicial Managers and the Government of Barbados to arrive at the best possible solution for policyholders, and a CIL Committee has been established.

I turn now to the challenges, developments and key achievements in the areas of money laundering and counter-terrorism financing. The ONDCP leads Antigua and Barbuda's charge in our engagement with the international community.

Through international bodies such as the Financial Action Taskforce (FATF) and its associated regional body, the Caribbean Financial Action Task Force (CFATF), countries have agreed to adopt and implement various counter-measures to detect and deter money laundering and the financing of terrorism.

As a CFATF member, Antigua and Barbuda has agreed to implement common strategies to address these issues and has committed to undergo a process of peer review and mutual evaluation. Our last such review was in 2007, which placed Antigua and Barbuda among a list of jurisdictions requiring adjustments to their anti-money laundering and counter-terrorist financing (AML/CFT) regimes. We have vigorously sought to institute a number of corrective measures, including enacting new legislation and amending current legislation.

New legislation includes:

- The Corporate Management Trust Service Providers Act 2008
- The Cooperatives Societies Act 2010
- The Precursor Chemicals Act 2010
- The Trafficking in Persons (Prevention) Act 2010
- The Migrant Smuggling (Prevention) Act 2010

Amendments have been made to the following:

- The Prevention of Terrorism Act

- The Money Laundering (Prevention) Act
- The International Business Corporations Act
- The ONDCP Act
- The Proceeds of Crime Act

Our ONDCP has also signed memoranda of understanding with the FSRC to enhance cooperation and efficiency between the regulatory and supervisory authorities and to eliminate duplication of our respective roles. Following these proactive approaches, we shall continue to dedicate our resources to full compliance, bearing in mind the importance of the financial services sector to our overall economic advancement.

In this connection, 2011 has been an extremely demanding year for the FSRC. In addition to overseeing nearly 4,300 companies whose activities generated about \$3.5 million in license fees and employed 1,000 persons, the Commission embarked upon an ambitious restructuring exercise. The FSRC's reform agenda was informed by a series of internal evaluations and assessments of its regulatory and supervisory functions and administrative practices. These evaluations took place over the period November 2008 to October 2009, and were conducted with assistance from the CFATF and professionals from the CARTAC. On the basis of ensuing recommendations, the Commission set about strengthening its regulatory and supervisory functions and improving its organizational effectiveness.

The FSRC commenced strategic planning exercises in October 2009, which produced a two-year draft strategic plan. Based on results of the internal evaluations, the Government of Antigua and Barbuda approved the framework for restructuring the Commission, or any successor entity, thereby indicating its commitment to strengthening the jurisdiction's regulatory and supervisory regime in the domestic and international financial services sectors. Given that regulation of the insurance industry in Antigua and Barbuda has only recently been assumed by the FSRC, the Commission has earmarked this department for technical assistance to facilitate its mainstreaming into FSRC's operations. In developing its strategic plan for the sector, the Commission has identified the supervisory and regulatory framework and capacity building as key reform areas.

In 2011 the FSRC was instrumental in the passage of legislation to enhance its oversight function in respect of non-bank financial institutions in Antigua and Barbuda. Among the legislative achievements was the passage of the *Money Services Act, 2011* which replaced

the *Money Services Act, 2007*. This most recent piece of legislation seeks to consolidate provisions in respect of licensing and regulating the business of transmitting money or monetary value, cheque cashing, currency exchange, and other specified dealings in money or monetary value. This initiative is yet another recent measure by the Government designed to ensure that the country's legislative and regulatory regime is in line with, or exceeds, international best practice when it comes to combating money laundering and terrorist financing. Accordingly, the department is now drafting regulations, guidelines, and an *On-site and Off-Site Examination Manual* to enable proper regulation of the sector.

On the matter of Exchange of Information, Antigua and Barbuda was reviewed by the Global Forum peer review group of the Organisation for Economic Co-operation and Development (OECD). This review was to ascertain the robustness of the jurisdiction's legal and regulatory frameworks with respect to exchange of information. Antigua and Barbuda is committed to tax transparency and information exchange, and has been diligently working towards meeting the benchmark standards. To date we have signed 31 Exchange of Information agreements, of which 22 are in force.

In July 2011 Antigua and Barbuda was one of several countries assessed by the peer review group. Their report was published in September 2011 and noted three issues which needed to be addressed: accounting records, access powers and related effectiveness of the exchange mechanisms. Accordingly, the Government and the FSRC are now taking the necessary corrective measures and have commenced the process of amending relevant laws.

Finally, Madam Speaker, despite continued dialogue, we see no realistic prospect that the US will come to the table with proposals that can compensate for the losses that the economy of Antigua and Barbuda has suffered as a result of denial of market access and with regard to the US withdrawal of commitments under the General Agreement on Trades in Services. For these reasons, the Government will put forward new proposals designed to give fresh impetus to the negotiations. We are finalising a set of detailed proposals designed to take the negotiations in a different direction and to produce tangible benefits for the economy of Antigua and Barbuda. These proposals will be rolled out in early 2012.

ASSISTANCE FROM THE WORLD BANK

Madam Speaker

Before I move on to the budget projections for 2012, I would like to apprise this Honourable House of an initiative that this Government has been pursuing over the past several months. We have been engaged in discussions with the World Bank to develop a project to assist Antigua and Barbuda to achieve some of the stated objectives of the NEST Plan. At the center of our many months of discussion with the Bank was the need to develop and implement programmes that would complement the fiscal consolidation exercise and strengthen the social protection system to mitigate the effects of fiscal adjustment and a sluggish economy. In June 2011 a team from the World Bank visited Antigua on a project identification mission as a first step towards reengaging with Antigua and Barbuda. During that mission the Government and the Bank's team identified three areas for possible collaboration. These were strengthening social protection systems, public sector transformation, and active labour market policies, including training and retooling.

Following this mission, the Government continued to engage the World Bank in discussions and, working with the Bank experts, began to develop action plans that would form part of the proposed project. In October 2011 a World Bank Team returned to Antigua on a project preparation mission. During this visit the Bank's team focused on reviewing and refining the proposed project design and concluding discussions on a possible Project Preparation Advance (PPA). Based on the discussions during this second mission, the Bank will identify an appropriate lending facility that combines technical assistance and budget support to achieve the Government's development objectives. It is expected that the Bank would provide up to US\$20 million in funding for this project, which is to be implemented over a 24 to 36 month period.

The public sector transformation element of the project would address issues such as:

- i. An integrated strategic planning framework that incorporates the Government's development priorities;
- ii. Ensuring a fiscally sustainable wage bill;
- iii. Creating a human resource information system that is integrated with Government's payroll system;

- iv. Developing and implementing an E-government plan that helps to improve inter-ministerial communication and enhances interacting between ministries and the public;
- v. Integrating the established and non-established streams of the public sector to create a single civil service.

Aspects of the Social Protection work plan include:

- i. Rationalising social protection programmes to increase service delivery to beneficiaries;
- ii. Strengthening and modernising the Board of Guardians programme;
- iii. Improving family and social support services to vulnerable children;
- iv. Implementing programmes that reduce poverty among single mothers.

With respect to the Active Labour Market Policies (ALMP) work plan, the Labour Department is currently working with an ALMP expert from the World Bank to identify and develop activities that would form part of the project. The outcome of the assessment of labour market conditions that is to be undertaken under the PPA will help to inform the specific activities that would comprise this aspect of the project. Some of the areas for consideration are strengthening the *One Stop Job Center*, implementing a Labour Market Information System, and identifying designs for and cost of contributory and non-contributory unemployment insurance.

In order to accelerate preparation for this project, the World Bank has approved a Project Preparation Advance to be used by the Government to complete some of the preparatory activities and to begin work on a number of the activities that would form part of the project. The amount to be provided under the PPA is \$2.2 million. These resources will be used for activities such as:

- i. Assessing labour market conditions in Antigua and Barbuda and identifying policy interventions;
- ii. Evaluating operations of Board of Guardians and reviewing and amending Board of Guardians legislation;

- iii. Formulating new guidelines and procedures for means testing and beneficiary identification;
- iv. Conducting functional reviews of three of the remaining eight Ministries³
- v. Completing the project document and training Government officials and departments to implement the project.

The administrative arrangements for disbursement of the funds under the PPA are currently being finalised and we expect to begin work on these activities in the first quarter of 2012.

Madam Speaker

The World Bank has been a valued partner over these past few years as it has helped the Government to implement the NEST Plan. The Bank's support began with a US\$300,000 grant in support of public sector transformation activities. As this Administration has focused on improving fiscal management and introducing a series of policies to transform the macroeconomic environment, the World Bank has committed to assist the Government and People of Antigua and Barbuda to achieve their development goals. We are very grateful for the unwavering support of the Bank and look forward to finalising the US\$20 million technical assistance and budget support project. I wish to thank the Caribbean Country Director at the Bank, Francoise Clottes and the members of her team, especially Rolande Pryce, Auguste Kouame and Kathy Lalazarian for their hard work and dedication to this project.

BUDGET PROJECTIONS – 2012

Madam Speaker:

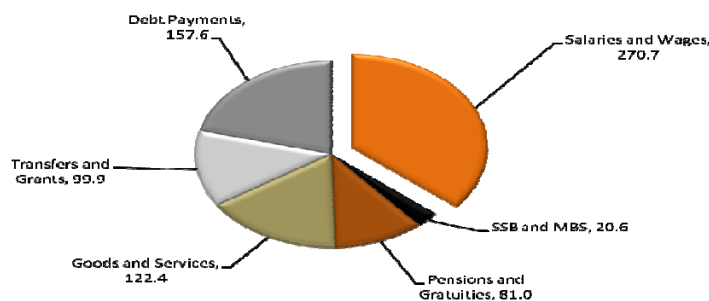
Recurrent expenditure for fiscal year 2012 is estimated at \$752,577,465 while recurrent revenue is estimated at \$706,041,645. Recurrent expenditure excluding principal payments is estimated at \$680,417,188. Accordingly, we expect a current account surplus of \$25,624,457 in 2012.

³ Functional Reviews already completed for Ministry of Works and Transport and the Ministry of Foreign Affairs. These reviews were completed with funding from a World Bank IDF grant that was provided in 2010.

Recurrent Expenditure

Recurrent expenditure of \$752,577,465 in 2012 is projected to be less than revised budgeted expenditure of \$818,166,362 for 2011. The 8 percent reduction in budgeted expenditure for 2012 reflects the Government's dedication to transforming fiscal management and containing expenditure to match revenue outturns.

Chart 18: Categories of Recurrent Expenditure (EC\$M)



Government's Recurrent Expenditure is comprised of the following categories:

- Salaries, Wages and Allowances
- Contributions to Social Security and Medical Benefits
- Pensions and Gratuities
- Goods and Services, including Utilities
- Transfers and Grants
- Debt Service Payments

In 2012 expenditure on salaries and wages is budgeted at \$270,736,890 compared to \$287,900,101 for the revised estimate for 2011.

Government's Social Security and Medical Benefits contributions are budgeted at \$20,621,538 as was done for 2010.

For pensions and gratuities a budgetary allocation of \$81,044,621 is included in Budget 2012. This compares with the revised figure of \$68,844,212 for 2011.

We have budgeted \$122,402,082 for expenditure on goods and services in 2012. This compares to \$136,482,235 in the revised estimates for 2011.

In terms of transfers and grants, we budgeted \$100,123,632 for 2012. This compares to \$116,250,186 in the revised estimates for 2011.

Finally, Debt Service Payments are budgeted at \$157,648,702 for 2012 compared to a revised estimate of \$188,251,360 in 2011.

BUDGETARY ALLOCATIONS

Office of the Prime Minister

The Office of the Prime Minister, which has been allocated \$38,364,820 in Budget 2012, coordinates programmes and projects that cover a wide range of services in the twin Island State of Antigua and Barbuda. Public Utilities, Foreign Relations, Public Information, and Barbuda Affairs are among the portfolios held by the Prime Minister.

Delivering dependable and high quality public utilities remains a priority of the Office of the Prime Minister, which has ministerial oversight of Antigua Public Utilities Authority. This objective was underscored by the recently announced campaign to rebrand APUA in a more positive light. It is anticipated that the investment in customer service and delivery systems would bear tangible fruit in improved service to consumers of public utilities. The recently commissioned 30 megawatt plant at Crabbes Peninsula and the 700 kilowatt unit in Barbuda will ensure that we have an adequate supply of electricity for years to come. In commissioning the new plant, the Government was responding to growth projections for electricity as the number of homes and businesses increase. Similar spikes in demand for water and telephone services are also likely to result from these increases. To meet this demand, water mains have been upgraded, new water tanks built and the capacity of the Ffryes Desalination Plant enhanced. The telephone system is constantly upgraded to improve the quality and consistency of service for land line and cell phone customers.

The Office of the Prime Minister is also charged with implementing the National Energy Policy for Antigua and Barbuda. Our objective of meeting the energy needs of the population in the most environmentally-friendly and sustainable manner will be facilitated by the work of the Energy Desk. In 2012 the Energy Desk will increase activities geared towards reducing energy costs, securing greater reliability of electricity, and providing incentives for investment in renewable energy.

Through the Prime Minister's Office, the Government maintains its foreign relations with a number of countries and groupings. The Ministry of Foreign Affairs leads the way in ensuring that the interests of Antigua and Barbuda are promoted in the Organisation of Eastern Caribbean States and the Caribbean Community, especially in matters of regional integration. At the OECS level, where the integration process is advancing apace, Antigua and Barbuda was selected as the home of the OECS Assembly. Also close to home, we continue to sustain friendly relations and to benefit from our alliances with Bolivarian Republic of Venezuela and the Republic of Cuba. Further afield we maintain our strong ties with the People's Republic of China, as well as with Japan, the United Kingdom, the United States of America and other friendly countries.

Investing in the Development of Barbuda

The Office of the Prime Minister works closely with the Barbuda Council to ensure that the interests of the Sister Isle are canvassed and addressed. I am pleased to announce that the Cabinet has approved a seaport of entry at the River Landing site in Barbuda. The Ministries of Finance and National Security and the Barbuda Council are working to have the port of entry operational by end of first quarter 2012. This will bring significant benefits to the residents of Barbuda by lowering shipping and travel costs, which are a significant component of the cost of goods and services. Other projects of note to be started or completed in Barbuda in 2012 include the Barbuda Justice Complex, the Artisanal Fishing Port, and upgrades to the road network.

Information and Communication Technology (ICT) and Public Information

Over the last seven years we have implemented an ICT development plan, including a coordinated nationwide approach to broadband Internet deployment and the heavily market-driven roll-out of mobile cellular technology. Internet penetration rates in

Antigua climbed from a mere 8 per cent in 2004 to a Caribbean high of 75 per cent in 2011.

Under the **Connect Antigua and Barbuda Initiative**, high-speed computers and broadband Internet are now available in 30 Community Computer Access Centres across the Nation. We have developed a Public-Private-People's Partnership model with telecommunication companies that has significantly propelled our nation's ICT sector. This partnership is currently resulting in the allocation of high-speed laptops to 1,600 teachers in private and public, primary and secondary schools.

In 2012 we will accelerate our efforts to develop sustainable E-Government initiatives. We will use new technologies to modernise key areas of Government's operations, particularly those that have a direct and continuous interaction with the public. E-Government Expansion will be advanced through:

- 4G broadband Internet (super fast Internet) to be deployed in the top 150 locations where Government is providing services to the public; this expansion will take place across all of central Government's operations. Up to six different divisions in each location will benefit.
- Expanded use of computerised technology in the processing of citizenship and passport applications as well as requests for birth, death and marriage certificates

An ICT Cadet Program will be undertaken in 2012 where:

- 75 persons will be enrolled in an intense one year "on the job" ICT training program that would be tailored to assist persons to move to a path of self-entrepreneurship.
- The four part training program will include modules in computer diagnostics and repairs, networking, new media and community technology

In 2012, detailed planning for an ICT Centre of Excellence for Special Needs Individuals, both young and old, will commence. Ministry of Information will partner with private

sector entities to build and operate this centre that will cater to physically, visually and otherwise challenged individuals

Under its public information portfolio, the Office of the Prime Minister will ensure that public broadcasting continues to be informative, educational and entertaining through radio and television. In meeting these standards, the government will promote those values that foster national unity, peace and development and create awareness among citizens and residents of the government's development policies and strategies. Through public media, listeners and viewers will become more knowledgeable about issues that affect their lives and livelihoods, as government implements a more effective approach to the use of radio and television as tools for national development. In order to advance these various public information initiatives, we established a **New Media Unit** within the Ministry of Information.

Ministry of Health, Social Transformation and Consumer Affairs

Madam Speaker

We have all heard the saying, "A nation's health is its wealth." The Ministry of Health, Social Transformation and Consumer Affairs **has been allocated \$95,290,772** to execute its mandate in 2012.

This mandate includes impressing upon our citizens and residents the importance of living healthy lifestyles today, in order to avoid costly, preventable illnesses tomorrow. The Ministry will accelerate its outreach activities on chronic non-communicable diseases in the coming year.

The Ministry will complete a National Strategic Plan for Health and a National Health Policy in the first half of 2012. The Ministry will also, in fulfilling its steering role, formulate policies to guide the provision of services within the health sector. These include policies to regulate private medical facilities and alternative medical practitioners. Among the specific tasks to be executed and or completed under the Health portfolio in 2012 are:

- i. Refurbishing the male ward at Clarevue Hospital.

- ii. Setting up a halfway house and upscale service to Rehabilitation Institutions locally, regionally and internationally. A suitable building on the compound of the Holberton Hospital will be used for this purpose.
- iii. Improving the physical condition of clinics which have fallen into disrepair.
- iv. Extending the opening hours to midnight at five community clinics. This will commence with the Grays Farm and All Saints clinics in the first quarter of 2012.
- v. Opening two additional Dental Clinics in All Saints and Johnsons Point.

This Ministry is also charged with caring for our most vulnerable. The priorities for 2012 in this regard are as follows:

1. Implement the NPRS. This will involve improving the living conditions for the vulnerable, in particular the poor and indigent population, by strengthening social assistance programmes.
2. Formulate a Social Protection Action Plan. The Ministry will improve its means testing mechanisms to ensure that social protection programmes reach the most vulnerable targets.
3. Establish a Central Beneficiary Registry. This priority speaks to developing a database on beneficiaries of public assistance by implementing a system to identify and register the recipients.
4. Strengthen the Social Policy Unit. The Unit will be upgraded to the Social Policy and Planning Department in order to more effectively discharge its duties.

Madam Speaker

It is the Government's responsibility to do its utmost to protect consumers from unfair trade practices. In Antigua and Barbuda this mandate lies with the Prices and Consumer Affairs Division in the Ministry of Social Transformation.

In 2011 the Division ably fulfilled this mandate by handling individual complaints as well as engaging in widespread public information initiatives. The Division continued to

produce its thrice yearly publication, Consumer Impact, which was launched in December 2010 to address topical issues and to keep consumers informed about their rights and responsibilities.

In 2012 the Prices and Consumer Affairs Division will become the contact point for a CARICOM'S Rapid Exchange System (CARREX), which is being funded by the European Commission. CARREX is designed to provide timely information on the presence or impending presence of dangerous goods on the market. This information will be sent to a Caricom database by consumer protection agencies in member countries, and distributed throughout the region.

Ministry of Agriculture, Lands, Housing and the Environment

Madam Speaker

Food and shelter are two of the most basic needs of humankind. The Ministry of Agriculture, Lands, Housing and the Environment oversees the Government's programmes and policies with regard to these needs.

This Ministry's budget for 2012 is \$16,379,516.

In 2011 the International Institute for Cooperation in Agriculture (IICA) conducted an institutional review of the Agriculture portfolio. Based on IICA's recommendations, the Ministry's strategic priorities for 2012 are to develop its human resources and improve its financial management capabilities. The ultimate aim, Madam Speaker, is to increase agriculture's contribution to gross domestic product, and to food security in Antigua and Barbuda.

Among the specific activities to be undertaken in 2012, the Department of Agriculture (DOA) will assist farmers to prepare three hundred acres of land for crop production. The Green Castle and Dunbars stations will continue to produce seedlings for backyard gardeners and farmers. It is anticipated in 2012 that over 100,000 seedlings will be produced. Madam Speaker the Giant African Snail has emerged as the most significant invasion with the potential for crop damage in recent times. Efforts to control and eradicate the spreading pest remain high on the agenda of the Department of Agriculture.

In 2012 the Fisheries Division will focus on increasing the level of sea food processing, while adding new value added products for the local and export markets.

The Lands Division of the Ministry of Agriculture is an integral part of the overall management of crown lands in Antigua and Barbuda. For the period 2012 to 2013 the main priority of the Lands Division will be to implement a fully functional Management Information System. This will increase efficiency and productivity, as information will be more readily accessible.

The Sustainable Island Resource Management Zoning Plan (or the Land Use Plan), has been completed and will be presented in Parliament in early 2012. The Land Use Plan presents a strategic development framework that addresses current development issues and provides a platform for feasible private and public sector development initiatives.

Madam Speaker, shelter is a basic need. This Administration would like to make owning an affordable home a reality for all Antiguan and Barbudans. The North Sound Housing Development is a small step in that direction. Seventy-nine houses are being built in this project, with financing from the Venezuelan Government. To date 19 houses have been completed, and another 30 are in varying stages of construction. In 2012 we expect to finalise the cost, and the criteria for owning one of these homes.

Ministry of Tourism, Civil Aviation and Culture

An allocation of \$42,558,671 is made in Budget 2012 for this Ministry.

An important aspect of the Ministry of Tourism's 2012 tourism strategy will include:

- i. Aligning responsibilities, functions and relationships between the Antigua and Barbuda Festival Office, the Department of Culture and the Carnival Development Committee;
- ii. Transferring all marketing officers to the Antigua and Barbuda Tourism Authority rationalising their functions and responsibilities;
- iii. Reorganising the Ministry of Tourism and establishing a social media unit.

The overall objective of this strategy is to enhance the effectiveness and efficiency of the Ministry's human resource capacity, while we seek to optimise the use of the nation's scarce financial resources and improve tourism revenue.

Other specific work programmes of the Ministry of Tourism, Civil Aviation and Culture will include:

- i. Exploring opportunities to improve linkages between tourism and other relevant sectors (e.g. food, drink, agriculture, crafts and sports) by initiating research into a cluster-based tourism sector development programme;
- ii. Simplifying and standardising marine clearance procedures by implementing the *eSeaClear* system for visiting yachts;
- iii. Strengthening technical capacity within the Ministry for tourism satellite accounting;
- iv. Establishing a format for publishing quarterly and annual tourism statistics;
- v. Participating in the 2012 FCCA Cruise Tourism Economic Impact Assessment Study;
- vi. Engaging with airlines to increase the number of direct flights to Antigua and Barbuda.
- vii. Embarking on a new joint marketing programme with the Antigua Hotel and Tourist Association and the Tourism Authority;
- viii. Implementing our tourism signage programme;
- ix. Working jointly with the Archaeological and Historical Society and T. Gameson & Sons Ltd. out of the UK to see the locomotives restoration project to its completion.

The Ministry will also engage in a series of regional initiatives to include:

- i. Assessing the possible introduction of a common tourism quality scheme across the OECS;
- ii. A regional benchmarking initiative, such as the Caribbean Tourism Organisation's Total Visitor Satisfaction Programme;

- iii. Working with the CTO and the ECCB to adapt an existing statistical model as the basis for measuring the real economic impact of tourism on our national economy.

Finally, the Ministry will also embark on selected site development including Betty's Hope, Fort Barrington, Ffrye's Beach and Devil's Bridge.

Ministry of National Security and Labour

The Ministry of National Security and Labour has oversight of the Antigua and Barbuda Royal Police Force, the Police Training School, the Fire Brigade, the Prison, the Military, Immigration Department, Passport Office and the Labour Department.

This Ministry receives an allocation of \$76,144,586 for 2012. With this allocation, the respective departments are expected to build on the commendable achievements attained in 2011. On very tight budgets, the Police Force, inclusive of the Fire Department, and the Military continue to demonstrate an impressive level of effectiveness in containing crime and maintaining law, order and safety in Antigua and Barbuda.

There has been an increase in the rate of crime detection and crime solving, underpinned by investments in training and equipment and in the reintroduction and revitalisation of the K-9 Unit. Consequently, law abiding citizens continue to feel safe, whilst criminal elements feel the weight of a zero tolerance approach to crime management. Citizens and residents may also be assured of the improved capability of our fire fighters, who in the current fiscal year have acquired fire-fighting apparatus. The Department has also been engaged in widening fire safety awareness by training target groups, including government agencies, schools and hotels.

Special mention must also be made of the Officers at Her Majesty's Prison who despite challenging conditions were able to provide and deliver quality service and care to the inmates who are fed three meals daily and receive regular medical checkups. The complement of officers has been boosted this year with seventeen additional. This has alleviated a number of administrative challenges and can be directly linked to there being no attempted prison breaks in 2011. We are resolved that the prison farm should become fully operational in 2012, and the clearing, ploughing and fencing of the designated area will be completed imminently. The Government views this initiative as a potential

avenue for rehabilitating and re-training inmates and ultimately as a net contributor to the consolidated fund.

The arm of the Ministry that addresses labour matters continues to function in an increasingly charged industrial climate. Employers are adapting to difficult economic circumstances and employees are becoming ever more anxious about job security. The fact that the industrial climate remains relatively stable is due in no small way to the role played by the Labour Department in collaborating and mediating with trade unions and employers. The Department also functions as the centre for registering and placing job seekers and houses the Work Experience Programme, whilst facilitating the application for skilled national certificates by means of the Free Movement Committee.

With respect to the Immigration Department, there is continued vigilance to protect our borders. However, we recognise that ways and means must be found to ensure timely and accurate processing at our ports of entry. The Immigration Department will therefore assess the length of time taken to process visitors who disembark from carriers such as British Airways, Virgin Atlantic and Caribbean Airlines. The anticipated outcome is expedited flows at all ports of entry, particularly the V.C. Bird International Airport, thereby lessening the time spent by visitors in immigration queues and maximising the period spent by them enjoying our country's delights.

Ministry of Education, Sports, Youth and Gender Affairs

An allocation of \$76,337,364 is made in Budget 2012 to implement the programmes and activities of this Ministry.

The Ministry of Education, Sports, Youth and Gender Affairs is charged with providing quality education and training for the development of all persons in Antigua and Barbuda. The Ministry continues to play its role in promoting life-long learning and educating Antiguan and Barbudans to access and evaluate knowledge in preparation for work in a dynamic national, regional and global economy. In fulfilment of the goals of its Five-Year Plan 2009-2014, outlined in previous budgets, the Ministry has set a number of strategic priorities for the next year.

Delivering on a promise of Universal Secondary Education (USE) for all children by the year 2013, the Government of Antigua and Barbuda, through the Ministry of Education,

plans to expand the school plant by starting construction of a new secondary school in Five Islands. This project is being funded by the People's Republic of China and will provide enough school spaces for students who are in Grade 6 to move to the next phase of schooling at the secondary level.

The Government has made the Antigua and Barbuda International Institute of Technology (ABIIT) a department of the Ministry of Education. This move is part of the plan to create the University College of Antigua and Barbuda. Also part of this plan is the acquisition of the Antigua and Barbuda Hospitality Training Institute ABHTI, and the amalgamation of ABIIT and the Antigua State College (ASC), which is expected to produce the best skill set among staff to enhance student performance.

Recognising that all students will not be inclined toward academics, the Antigua and Barbuda Institute of Continuing Education (ABICE) will continue to train students in the technical and vocational fields to enable them to create their own employment.

The infant Pedagogic Centre and the Early Childhood Unit will play a large role in monitoring the teaching/learning process and the general well-being of students in pre-schools.

Two primary and two secondary schools will begin to accept students with special needs from January 2012. The Ministry of Education will employ graduates trained in the area of special needs to assist in this process. In addition, a Diagnostic Centre will be opened in 2012 to screen students for existing disabilities.

The Sports Department envisages a community development programme to enhance the quality of performance of athletes who wish to compete on the local, regional and international fields of sport. The Sports Department will continue to recognise those athletes who do the nation proud and encourage young athletes to take advantage of the numerous opportunities that superior performance in sports now offers. The Sports Department will also work closely with the Ministry of Tourism to promote sporting initiatives that bring visitors to our country.

The Department of Youth Affairs continues to work towards ensuring that the youth of the nation recognise their awesome responsibility to prepare for future leadership.

The Directorate of Gender Affairs continues its work to eradicate gender inequalities and to tackle nagging problems such as domestic violence and other forms of abuse.

The Local Government Department plans to step up its work with schools and communities to ensure that parents are more involved in Parent/Teacher Associations, and that streets are named so that there is more order in every community.

Since 1974 the country has been without a good library. Plans are nearing completion for the new public library being constructed to open its doors in 2012.

Ministry of Finance, the Economy and Public Administration

The Ministry of Finance, the Economy and Public Administration is the nucleus of the Government.

We are the chief implementers of the four pillars that make up the National Economic and Social Transformation (NEST) Plan: The Fiscal Consolidation Programme; The Economic Action Plan; The Social Protection Programme; and Financial Sector Stability.

We collect the revenue that is so vital to the functioning of our economy, and disburse this revenue to pensioners, employees, creditors and suppliers.

It is this Ministry that guides our trading arrangements with the rest of the world, and oversees the standards that are so vital to consumer safety.

In this Ministry we gather and disseminate the data that inform our policies, and we manage the receipt and dispatch of mailed items, locally and around the world.

The Ministry of Finance, the Economy and Public Administration develops and deploys the human resources that make up the Antigua and Barbuda Public Service.

Our allocation for 2012 is \$107,561,154.

We have identified thirteen strategic priorities for the coming financial year. We will continue to build on the gains of 2011 in revenue and expenditure control and debt restructuring. These nuts and bolts issues are central to our commitment to implement a system of public financial management that can hold its own with best practices the world over. As part of this process a Government Wide Area Network managed by the IT Centre and the IT Unit within the Ministry of Finance will be functional in 2012.

In the coming financial year we intend to complete the accounts from 2007 to 2011. We are slowly catching up with the backlog in this regard, and I am confident that barring unforeseen developments, I will be able to come before this Honourable House before the end of 2012 and report that our accounts are current.

Another of our strategic priorities for 2012 is to develop and promote national manufacturing and production standards. In 2011 Antigua and Barbuda adopted eight CARICOM standards. Madam Speaker, standards are vital to processes related to manufacturing, production and trade. They have taken on greater significance in the context of our trade agreements with Canada and the European Union. If we are to benefit from the opportunities for export made possible by these agreements, our goods must meet acceptable standards of production, packaging and labeling. The move to convert fully to the Metric System by the first quarter of 2015 is another step in that direction. In the coming year the Antigua and Barbuda Bureau of Standards will lead the charge in this regard.

Madam Speaker, our postal service has not been without its challenges in recent years. Like similar services the world over, earnings have declined in the face of increasing use of the Internet and package delivery services for both personal and commercial communications and deliveries. Nonetheless, we believe the Post Office can improve its relevance and viability by taking note of the changing times. In 2012 we will:

1. Forge partnerships with courier services to enable packages and parcels to arrive at their intended destination in a specified time period;
2. Offer advertising services to businesses;
3. Improve accountability for the postal institution; and
4. Enhance the transport capability and delivery coverage of the Antigua and Barbuda postal Service.

Madam Speaker, in 2011 we undertook the National Population and Housing Census, spearheaded by the Statistics Division within the Ministry of Finance. We expect to complete the Census in 2012. A census is important because it provides a basis for planning pension, healthcare, housing and employment programmes, thereby demonstrating a country's commitment to infrastructural development. The Census provided short-term jobs for 385 enumerators, liaison officers and supervisors, many of

whom are still employed in the mop-up phase of the exercise. Approximately \$2.8 million dollars was earmarked for the Census Project. We have spent \$1.16 million to date.

We must register our gratitude to the United Nations Population Fund and the CARICOM Secretariat for their financial and technical assistance to this project. We wish also to thank the Rotary Club of Antigua and Barbuda for their significant contribution to the Census publicity campaign, and to commend Her Majesty's Loyal Opposition for lending their voices to our efforts to garner widespread participation among citizens and residents. Madam Speaker, I must at this time register our disappointment that a number of persons, including members of our business and professional communities, who should know better, refused to be enumerated.

We are now in the post-census phase, which includes preparing the administrative, technical and statistical reports. Some 30 persons are involved in the initial checks of the questionnaires, visitation records and maps, manual editing, scanning and verification (electronic editing) of the census documents. A preliminary report will be published by 31st December, while the National Census Report is scheduled to be completed by August 2012. These findings will be presented in a public forum in September 2012, when the Census Project will expire.

Also included in the allocation for the Ministry of Finance is a grant of \$500,000 to be contributed to the restoration of the St. John's Cathedral. In addition to being among the oldest standing edifices in Antigua and Barbuda, the Cathedral is a major landmark and historical site and a major attraction for visitors. We therefore have decided that in addition to the concessions provided to the Cathedral Restoration activity the Government should make some contribution to preserve this treasured and historic structure.

In addition to pursuing these strategic goals, the resources allocated to the Ministry of Finance, the Economy and Public Administration for 2012 will be used to execute the 'bread and butter' tasks that form part of our extensive mandate.

Finally, Madam Speaker, the Ministry of Finance, which has responsibility for Public Administration, will launch Leadership through Excellence Award Programme in 2012, in an effort to engage young people in the operations of the public sector. Through this programme students or graduates aged 18 to 25 years will have an opportunity to win a

\$5,000 award and three-month attachment in the public sector, where they will gain insight into how Government functions. Each year the Government will issue 10-15 awards to students who have excelled academically, demonstrated an affinity for service, and are passionate about participating in the development of our nation. Students and unemployed graduates aged 18 to 25 years will be invited to apply for the annual award in the area of Government of their choice.

Awardees will be assigned to specific Ministries according to the field of study in which they have excelled. The best and brightest awardees will ultimately have the opportunity to be employed in the public sector where they will be prepared for service and leadership through on-the-job and specialised training. The UPP Administration firmly believes it has a responsibility to start training tomorrow's leaders today. This LEA Programme will begin to groom a cadre of service-oriented and hardworking young people to assume a leadership role in the public sector and contribute to nation building.

Ministry of Works and Transport

In 2011 the Ministry of Works and Transport continued to work within severe budget constraints to improve and maintain our road and transportation network. With a budgetary **allocation of \$62,831,634** in 2012 and an amount of **\$74,514,429 for capital expenditure**, the Government intends to use most of the additional 13 percent in revenue projected for the upcoming year for capital projects, including road works and refurbishing buildings, and to implement capital projects in a number of Ministries and in Barbuda.

In an effort to function as a well-organised professional enterprise providing greater satisfaction for management and staff and the public which they serve, the Ministry of Works and Transport has set goals and priorities for 2012 and going forward. At the top of its list is the development of a Three-Year Strategic Plan. The Ministry will also focus on training and acquiring skilled personnel. At least 100 persons will benefit from short term job specific training by December 2012.

Significant improvements will also be undertaken in the Information Technology infrastructure in the Ministry to computerise its procurement and inventory management systems, and bring it up-to-date with modern trends and strategies.

2012 will see the start of major maintenance works on some main roads and arteries into St. John's city, and the upgrading of designated major village access roads. Almost \$20 million has been allocated for the road works programme in Antigua and Barbuda. This project will improve the safety, strength and general condition of the road network, increase its longevity, provide greater comfort to motorists, and improve the control and disposal of runoff water.

In addition, approximately two miles of asphalt and concrete roads will be paved in several locations, including McKinnon's and Cooks Estate.

Drainage on two major roads, the Sir George Walter Highway and Friars Hill Road, will also see much needed improvement in 2012.

Operations at the Government Mechanical Workshop will be reviewed and enhanced, in order to provide proper repair and maintenance services for all types of government vehicles and equipment.

The Ministry will refurbish buildings occupied by government departments, and renovate select government buildings through private/public sector partnerships. An amount of \$4 million has been allocated for this purpose.

The Cabinet of Antigua and Barbuda reviewed the findings of the Report and the recommendations proposed by the Special Committee. Accordingly, at its meeting held on 26th July 2011, Cabinet considered and adopted the measures as proposed by the Committee, in relation to:

1. Compliance with the Tenders Board Act, CAP 424A:

Until the Procurement Act is enacted, there should be strict compliance with the Tenders Board Act. Furthermore, the Committee recommended the full involvement of the Ministry of Public Works and the Public Sector Investment Programme (PSIP) Unit in the procurement process of all programmes and projects. In this regard, the Development Committee (DC), under the Chairmanship of the Financial Secretary has been given heightened responsibility for ensuring strict adherence to the Act. The other members of the DC are the

PSIP Coordinator, the Director of Works, the Budget Director, the Chief Town and Country Planner and the Accountant General.

2. Management of Petty Contracts

Under advisement of the Ministry of Legal Affairs, and until the Procurement Act is enacted, all contracts valued at twenty thousand Eastern Caribbean dollars (EC\$20,000) or less will be subject to a temporary authorization process managed by the Office of the Financial Secretary and the Treasury Department.

3. Infrastructural Projects

All infrastructural projects should be submitted to the Ministry of Public Works for approval and implementation. Any work that cannot be undertaken by the Ministry of Public Works should be executed by a private contractor based on the recommendation of the Ministry of Public Works.

4. Incomplete Projects for which payment is outstanding

The Director of Public Works should provide to the Cabinet, a comprehensive assessment of these projects, including cost, the proportion that could be undertaken by the Ministry of Public Works and the estimated time for completion. Any work that is not undertaken by the Ministry of Public Works would be rendered in strict compliance with the Tenders Board Act.

5. Project Completion Monitoring Committee (PCMC)

Completion of the projects undertaken by the Ministry of Sports would be supervised by a committee comprising Dr. Lucine Hanley, Director of Public Works, Mr. Eustace Peters, former Accountant General and member of the Audit Committee and Ms. Beverly Airall, Assistant Financial Secretary.

6. Incomplete Projects for which full payment has been made

All Contractors in these circumstances would be required to complete these projects at their own expense. These projects would be monitored and continuously evaluated by the PCMC.

The Cabinet of Antigua and Barbuda took into account the conclusions of the Audit Committee and, in particular, the fact that the rationale which informed the projects was a good one, whilst noting the capacity constraints of the Ministry of Sports.

Lastly, this administration is committed to continuing the work started to beautify St. John's. Our city, with all its history, architecture and heritage, will see upgrading works carried out by the Ministry of Works, which would once more showcase the freshness, vibrancy and aesthetic appeal of St John's.

Other Budgetary Allocations

Expenditure for Democracy and Governance

The Budget 2012 allocation for the Governor General's Office is \$1,032,644.

For the Legislature, the allocation is \$2,278,255.

The allocation for the Cabinet Office is \$2,864,822.

Expenditure for the Justice System

The allocation for The Judiciary is \$1,742,688.

For the Office of the Attorney General and Ministry of Legal Affairs, an allocation of \$10,733,644 will enable the Government to continue the implementing its legislative agenda in 2012.

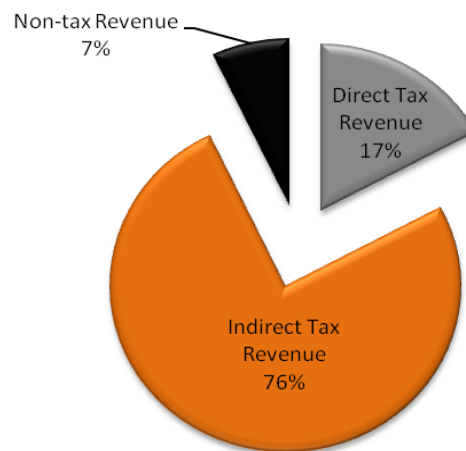
Allocations for the Service Commissions, Audit Department, Pensions and Gratuities, Charges on the Account of the Public Debt, Electoral Commission, Office of the Ombudsman

- The 2012 Budgetary allocation for the Services Commissions is \$655,421.
- The provision for the Audit Department is \$1,051,330.
- For Pensions and Gratuities, we have allocated \$55,298,500.
- The provision for Charges on the Account of the Public Debt is \$157,648,702.
- The 2012 provision for the Electoral Commission is \$3,328,182 and \$478,708 has been allocated for the Office of the Ombudsman.

RECURRENT REVENUE

Recurrent revenue for Fiscal Year 2012 is budgeted at \$706,041,645. This anticipated 13 percent increase in revenue over the amount estimated for 2011 will be made possible through continued reforms in the tax administration system, to include revising and modernising key tax legislation. The three major sources of this revenue will be direct taxes, which make up 17 percent of recurrent revenue, indirect taxes, which make up 76 percent, and non-tax revenue, which comprises 7 percent. Tax revenue accounts for about 93 percent of total recurrent revenue and is budgeted at \$656,898,484. Non-tax revenue makes up the remaining 7 percent of recurrent revenue and is budgeted at \$49,143,161.

Chart 19: Distribution of Recurrent Revenue



Direct Taxes

Madam Speaker

In 2012 direct taxes are projected to yield \$123,907,832. Of this total, \$103,519,111 represents revenue from taxes on income while \$20,388,721 represents revenue from taxes on property.

The main sources of the projected revenue from taxes on income will be the corporate income tax and the personal income tax. The corporate income tax is expected to yield \$49.39 million in 2012, while the personal income tax is projected to generate \$54.12 million. This significant enhancement in revenue from the personal income tax and, to some extent, the corporate income tax, will be a direct result of implementing the provision of the Personal Income Tax Act that stipulates allowances and benefits are subject to tax. As indicated earlier in my discussion of the Revenue Reform Project, we will start to include certain allowances and benefits in the definition of income or emoluments, as required by law.

Allowances and benefits that will be exempt include:

- iv. tips and service charges received by employees in the hospitality industry
- v. gratuities paid at the end of a fixed term contract calculated at a rate of 12.5 percent
- vi. disability related employment benefits
- vii. health service plan premiums paid by the employer for all employees
- viii. moving expenses and relocation benefits
- ix. overtime meal allowances
- x. scholarships and bursaries
- xi. uniforms and special clothing
- xii. interest on savings, capital gains and dividends

Allowances and benefits that would be subject to tax include:

- i. director's fees
- ii. entertainment allowance
- iii. housing allowance
- iv. honoraria or ex-gratia payments
- v. payment of an employee's membership dues to recreational clubs
- vi. equity and share options

Madam Speaker

The purpose of taking this step is to close a number of loopholes that are being used by some individuals and businesses to avoid paying their fair share of taxes. Over the past six years the many employees who do not have the ability to restructure their remuneration package have been paying their taxes as required. For those who have greater flexibility, we have seen a gradual reduction in basic salary levels and an increase in allowances and benefits. We have seen submissions of annual tax returns where the salary is about \$100,000 while housing or duty allowance is as high as \$400,000. This initiative will also enhance our ability to effectively administer the corporate income tax, since business and individuals will no longer be able to claim as a business expense a benefit or allowance paid to an employee that is not subject to the personal income tax.

Let me make it clear, Madam Speaker, the aim of this intervention is solely to eliminate activities where a business may pay the school fees for the children of its executives or pay for housing for its executives and claim these as legitimate business expenses. If the executives do not pay personal income tax on these benefits, which have significant cash value, and the business is allowed to deduct these payments from its taxable income, then this becomes tax free income for the executives and for the business. At the same time, the public servant who is paying his fair share of taxes must pay his own rent or mortgage from his taxable income. This is neither equitable nor fair and this Administration is intent on eliminating this inequity.

Over the next two weeks the Inland Revenue Department will hold consultations with various private sector groups, trade unions and employee bargaining representatives to discuss in detail the implementation of this aspect of the *Personal Income Tax Act*. The Department will take into account the feedback from these stakeholder groups when finalising the procedures for implementation, which will begin January 1, 2012. The IRD will prepare and issue to the public a user-friendly guide to the allowances and benefits that will be impacted. The Department will also assign officers to respond to and guide employees and employers in the application of this policy.

Madam Speaker

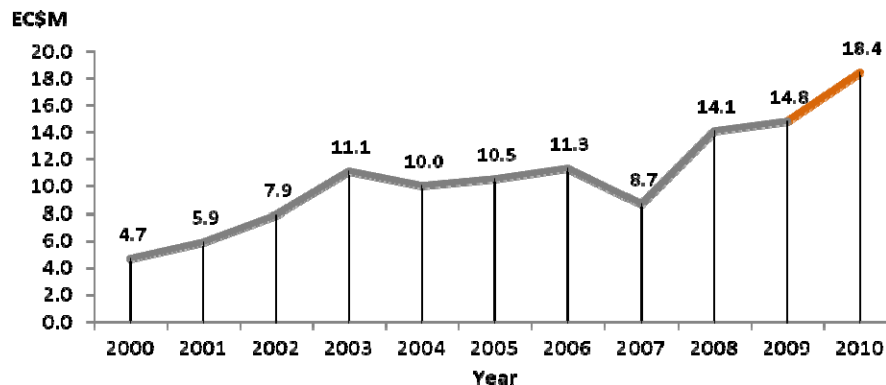
About 99 percent of revenue from taxes on property is generated by the property tax, which is expected to amount to \$20.1 million in 2012. The reforms undertaken by this Government over the past few years have helped to significantly improve the yield from

the property tax. Chart 20 tracks the revenue generated by the property tax from 2000 to 2011.

The steady growth in property tax revenue between 2007 and 2011 is indicative of the change in the base of assessment from replacement cost to market value, increasing the number of properties on the tax register by more than 20,000 properties, and enhancing the level of compliance.

The Property Valuation Department continues to work with the Antigua Public Utilities Authority to distribute property tax citations. It has also maintained the approach of assigning officers to specific property zones to ensure all taxpayers are adequately reviewed and assessed.

Chart 20: Property Tax (EC\$M)



Madam Speaker, I wish to thank Mr. Lesroy Samuel, Chief Valuation Officer and all the staff of the Property Valuation Department for their hard work over the past year. It is their dedication to excellence that has allowed this Department to realise 95 percent collection of budgeted revenue. I am also pleased that the collaboration between the APUA and the Property Valuation Department has continued and is yielding positive results.

Let me again remind corporation and property tax payers of the provisions in the legislation that afford them the opportunity to challenge a tax assessment or to seek relief from payment of the tax. Individuals and companies can challenge their assessed income tax liability through the Income Tax Appeal Board while the Valuation Appeal Board

allows property owners to contest their property valuation. For owner-occupied properties, there is also a Property Tax Relief Committee which has the power to suspend payment of the property tax for up to a year.

Indirect Taxes

Indirect taxes are budgeted to yield revenue of \$532,292,707, which is about 81 percent of tax revenue. Of this, taxes on domestic production and consumption are expected to yield \$263,960,639, while taxes on international trade and transactions are projected to yield \$268,332,068.

A total of \$221,925,076 or 42 percent of the revenue from indirect taxes will be generated from the ABST. This is an expected increase of about 13 percent above the yield projected for 2011. The improved performance in the ABST will be driven by an uptick in economic activity in 2012 and by the intensified reforms in the Customs Division and the Inland Revenue Department. We will maintain the Tax Compliance Certificate (TCC), which must be presented by all large and frequent importers to the Comptroller of Customs in order to clear their goods. With the TCC in place these importers must ensure they are either current or have a payment arrangement with the IRD in order to complete their transactions with the Division.

Our efforts to increase ABST compliance by concentrating on the top 215 largest taxpayers have increased the compliance rate to as high as 90 percent. We expect to achieve a similar result once we focus on medium sized taxpayers, who include lawyers, doctors, real estate agents and accountants. For those who have been compliant and cooperative with the Inland Revenue Department, the special and intensified attention paid to this group will not be a problem. Those who have been in breach of the legislation are encouraged to make arrangements with the Department to regularise their position.

Madam Speaker

As I have indicated before, ABST funds collected by businesses are trust funds that must be remitted to the Government in accordance with the law. So too, any funds deducted from an employee's income in accordance with the *Personal Income Tax Act* are trust funds and must be remitted to the Government as stipulated by law. It is therefore illegal

for any business to use these funds rather than remit ABST and PAYE revenue into the Consolidated Fund. The garnishment provision contained in the *Inland Revenue Administration (Amendment) Act, 2000* will be applied to ensure that these businesses can no longer collect ABST from customers or make deductions from employees' income and not pass on the revenue to the Government. This provision will allow the Government to seize any ABST or PAYE revenue held in trust by those who fail to pay the funds into the Consolidated Fund.

Madam Speaker, this garnishment provision is a tax administration tool that is used in many jurisdictions, including Dominica, Jamaica and Barbados. It is by no means an effort to infringe on the right of property of businesses and individuals. In fact, a business or individual who abides by the ABST and PIT legislation will not be impacted by this garnishment provision.

As indicated before, revenue from taxes on international trade and transactions is estimated to amount to about \$268 million in 2012. These taxes include the import duty, the revenue recovery charge, the passenger facility charge (PFC) and the consumption tax.

Revenue from the import duty is budgeted to amount to \$86,568,806 in 2012, while the Revenue Recovery Charge is projected to yield \$74,205,663. The anticipated improvement in the yield from these revenue sources will be a result of enhanced economic performance in 2012 compared to 2011. We expect too, that as the reform initiatives within the Customs Division begin to have an even greater effect, these taxes should generate higher levels of revenue. The reforms at the Division will include enacting new and modern customs legislation and regulations to eliminate ambiguities in the law and close any loopholes that can result in revenue leakage.

The PFC is payable by each airline carrier in respect of each passenger arriving in Antigua and Barbuda. Revenue generated by this charge is intended for improving, upgrading, and maintaining the airport. The PFC is projected to yield \$19 million in 2012. This is a 6 percent improvement over revenue generated in 2011 and will be made possible as a result of the new and additional flights out of the US and Europe.

The consumption tax, which is applied to fuel only, is projected to yield \$39.4 million in 2012. This level of revenue will be possible by maintaining the pass through mechanism for fuel. Under this mechanism changes in the international price of oil will be passed on

to the consumer. This means that when the price of oil increases, the price of diesel and gasoline will increase and when the price of oil declines, the price of fuel at the pump will also decline.

While we focus on collecting the estimated revenue from the consumption tax, we have established a mechanism that will allow the Government to maintain relief and support for the segments of society that may be most adversely affected by a change in fuel prices. Specifically, the Government has entered into a subsidy agreement with the Bus Association to maintain the price of public transportation at current levels. The subsidy, which was introduced in May 2011, is based on the cost of parts and supplies for the buses and on any increase in the price of fuel above \$12 per gallon. A bus operator must be registered with the Bus Association and the Transport Board, and must be current with all statutory payments in order to benefit from the subsidy.

As at October 2011 a total subsidy of \$13,750.00 had been paid to eligible bus drivers under this arrangement. I wish to thank the members of the Bus Association for their continued cooperation and support and for working with the Government to keep the price of public transportation stable.

Another source of recurrent revenue is non-tax revenue. This includes dividends from the ECCB and the West Indies Oil Company, income from postal services, revenue from leases, and surplus funds from merchant shipping. Non-tax revenue is projected to yield \$49.7 million in 2012.

Madam Speaker, we will move ahead in 2012 to execute the policy of suspending duty and tax concessions to businesses that are regularly delinquent in filing tax returns. The Government will suspend the concessions until the business becomes compliant. As indicated earlier, the value of the concessions granted to businesses through the investment authority has amounted to about 25 percent of the value of projects approved over the past four years. We must therefore ensure that having given up this revenue, the businesses that have benefitted are creating the jobs, investing the level of capital, and undertaking the economic activity that formed the basis for our decision to grant the duty and tax concessions.

This is yet another step in our campaign to transform the way we administer the finances of the people of this nation. Again, for the majority of businesses and taxpayers who operate within the confines of the law, there is no cause for concern. These interventions

are aimed at those who refuse to contribute to funding our nation's development, yet seek to benefit from the fruits made possible by compliant, law abiding citizens and residents.

Finally Madam Speaker, I wish to thank the Acting Comptroller of Customs, Mr. Philmore Williams; Acting Commissioner of Inland Revenue, Mr. Ralph Warner; Revenue Reform Manager, Mr. Everett Christian; Director of ABST Implementation, Mr. Doug McLaren; and all other management and staff of the Customs Division and Inland Revenue Department for their continued commitment to transforming tax administration and service delivery in Antigua and Barbuda.

REVIEW OF GOVERNMENT TRAVEL PROCEDURES

Madam Speaker

Government expenditure on travel has been a matter of great debate and public contention. There are claims that too much is spent on travel, especially by Ministers, and that significant savings and value for money would be realised if there were greater limitations on Ministers' travel. Madam Speaker, this Government has always been committed to reviewing programmes and procedures in the public sector to ensure the most efficient use of scarce resources. The Ministry of Finance has established a Government Travel Review Committee to examine the administrative procedures and cost of Government travel and to propose a new and comprehensive travel policy for the public sector. The Committee is chaired by the Director of Public Sector Transformation and comprises the Permanent Secretary in the Office of the Prime Minister along with representatives from the Establishment Department, Office of the Financial Secretary, and the Budget Office.

As part of the review process, the Committee examined international best practices for administering Government travel and assessed the travel policies and procedures of national and regional organisations such as the ECCB, CDB and OECS Secretariat. The Committee also evaluated the travel policies of a number of countries in the region. They considered the administrative procedures for approving travel, size of the per diem rates, and how they should be applied to different categories of public sector employees. Preliminary findings of the group point to a need for:

- i. A single and streamlined set of administrative procedures for approving travel by established and non-established staff;
- ii. Accountability for travel advances by submitting travel expense reports;
- iii. Unambiguous guidelines and rules that reduce the discretionary powers of Permanent Secretaries to approve travel;
- iv. Mechanisms that ensure overseas meetings, conferences and workshops are integral to the officer's and department's annual work plan;
- v. Updated and formalised requirements for back-to-office reports and transfer of knowledge and skills acquired as a result of travel on Government business.

Based on these preliminary findings, the Committee has begun to draft a policy that will establish new rules and procedures to govern travel in the public sector. This travel policy will focus on balancing the Government's goal of minimising the cost of and maximising benefits from travel with the need to cover all reasonable expenses incurred by an officer travelling on Government business. The intention is to develop a travel expenditure management and administration system based on principles such as professionalism, economy, probity, ethics and prudence. Issues to be addressed in the travel policy include:

- i. Administrative requirements and procedures for authorising travel;
- ii. The composition of and rules for per diem which will include expenses to be covered by the Government, per diem rates, and other allowances associated with business travel, and how the rates are to be applied;
- iii. Accountability and responsibilities in the travel approval process;
- iv. The types and purposes of event (meetings, conferences, workshops, seminars) to be paid for by the Government;
- v. Consequences for breaching the rules and requirements of the Government's travel policy.

Madam Speaker, it is expected that the draft Policy on Government Travel will soon be presented to the Cabinet. The intent is to complete and implement the policy in the first quarter of 2012.

Before I move on, Madam Speaker, I wish to remind this Honourable House and the people of Antigua and Barbuda that expenditure on travel represents a very small proportion of total Government expenditure. Government spending on travel is less than 0.5 percent of tax revenue. Travel expenditure amounted to \$3.3 million in 2010 and is projected to amount to \$2.7 million in 2011. Contrary to statements that limiting travel by Ministers of Government would result in a significant reduction in travel expenditure, the majority spent on travel is for public servants and not ministers. In fact, of the \$2.7 million estimated to be spent in 2011, less than 25 percent or \$639,000 represents the amount spent on travel by Ministers of Government, Parliamentarians and Ambassadors. The remaining \$2,061,000 represents travel by public servants. We expect that with the introduction of the travel policy, the Government will be able to rationalise spending in this regard and ensure that Antigua and Barbuda receives maximum benefit from the resources spent on travel by public servants as well as Ministers of Government.

VEHICLE USE AND MANAGEMENT POLICY

Madam Speaker

Over the past year, we have continued to work on reducing the number and improving arrangements for use and management of Government vehicles. This process commenced by reducing the weekly allocation of fuel for non-essential vehicles from ten to five gallons. This policy applies to all vehicles except ambulances, police and other vehicles that provide essential services. We have made exceptions where a department demonstrates a need for additional fuel in order to execute its activities. There have not been any grave consequences for Government's operation and we have managed to reduce the amount spent on fuel. In fact, since we introduced this policy in 2009, expenditure on fuel has fallen by more than 70 percent or more than \$5 million.

In 2010 we started to reduce the fleet of Government vehicles by selling some of them to officers who had opted for exclusive possession of a Government-owned vehicle in lieu of their travelling allowances. To date, we have identified seventeen vehicles that fall within this category and have already completed sales agreements with ten officers. We have already begun the process of selling the remaining seven vehicles and expect to complete this phase of the vehicle disposal policy within the next eight weeks.

The next phase of the vehicle disposal process is selling to public servants and the general public by way of auction. This stage began with the auction of sixteen vehicles to public servants in early November. The Permanent Secretary in the Ministry of Works, with the assistance of the Transport Board, is responsible for managing the disposal process. The first step in this process was the completion of two independent valuations for each vehicle. These valuations established the minimum sale price for the vehicles. An auctioneer was commissioned to undertake the sale in accordance with the Auctioneers Act and fourteen of the sixteen vehicles were sold to public servants at a total cost of \$120,000.00. Another auction for public servants will be held in early 2012, and the general public will soon have an opportunity to purchase vehicles. Once this process is complete, the Government would have disposed of over 100 vehicles.

Finally, the draft *Government Vehicle Use and Management Policy* will be presented to the Cabinet later this month and will take effect in January 2012. This policy presents a comprehensive set of rules and procedures to optimise the management and use of Government vehicles. Among the issues addressed in the policy are:

- i. Monitoring and reporting requirements in respect of the use of Government vehicles;
- ii. Procedures for the care and security of vehicles and for reporting accidents;
- iii. Guidelines for procuring and disposing of Government vehicles;
- iv. Driver Education and Training requirements;
- v. Responsibilities of the Antigua Barbuda Transport Board, Heads of Departments and drivers; and
- vi. Consequences and penalties for failing to comply with the provisions of the policy.

Ultimately, this policy will improve management of Government's fleet of vehicles and enhance accountability for expenditure on acquiring, servicing and maintaining vehicles.

Madam Speaker, we promised to address what has been a matter of great concern for taxpayers and I am pleased to indicate that this Government has started to deliver on this promise. Not only have we started to reduce the number of Government vehicles but we have also reduced the amount spent on fuel. In addition, we have seen a decline in the

amounts spent to repair and maintain of vehicles. Once the new Government vehicle policy has been implemented, we expect to see further reductions in expenditure, increased accountability by drivers and departments, and the enforcement of penalties for abuse of vehicles.

Since our citizens and residents have a legitimate interest in seeing the proper use of Government vehicles, we will announce an email address to which members of the public can submit reports on abuse of these vehicles.

UTILITIES POLICY

Madam Speaker:

In my Budget Presentation a year ago, I indicated that a key area of focus for this Government would be to implement a revamped utilities policy. This policy limits the value and volume of Government-paid utility services to eligible individuals and is a part of our ongoing efforts to transform expenditure management. Over the past year, the Ministry of Finance has worked with the Antigua Public Utilities Authority to review and rationalise the list of accounts that receive Government-paid utilities. This process has revealed a number of anomalies and instances of abuse. These are being addressed, and with the tighter controls that form part of this policy, we are confident that any opportunity for abuse will be significantly reduced.

The utilities policy takes effect this month and will apply to civil servants, public officials, and senior citizens. Among the senior civil servants and public officials eligible for one or more Government-paid utility services are school principals and deputy principals, air traffic controllers, consultant physicians, district nurses and midwives, and senior police officers. An estimated 500 senior citizens over the age of 80 years are also eligible for Government-paid electricity and water services.

The caps that will apply to the services received by public servants and senior citizens are as follows:

- \$250.00 per month for electricity services;
- \$50.00 per month for telephone services (this applies to the number of units used and excludes the line rental charge); and

- Three thousand (3,000) gallons per month for water services.

It should be noted that the monthly consumption of the majority of the senior citizens who receive Government-paid electricity and water services falls within the proposed monthly caps. As a result, approximately 60 percent or 300 of the beneficiaries will not be adversely affected by the introduction of the caps. The average monthly consumption of electricity for the remaining 40 percent of the beneficiaries is \$450, with the maximum consumption in one month amounting to \$1500.00. If these consumption patterns remain the same, then the APUA would receive average annual payments of \$480,000 from these 200 beneficiaries. Madam Speaker, let me make it clear that our intention is not to remove this benefit from our senior citizens. This Administration will always be a People First Government. However, we believe it imperative to strike a balance between our desire to offer support to the vulnerable and the need for financial prudence. Our focus in applying this policy is therefore to ensure that the quality of life for most of the senior citizens who receive this assistance is not diminished.

In fact, the Government is considering reducing the threshold for the senior citizens beneficiaries to 70 years. We will work with the Pensioners Association over the next few months to iron out the details of this proposed arrangement so that senior citizens between 70 and 80 years can start benefitting from this programme.

Madam Speaker

We have also established a set of caps for applying Government-paid utility services to past and present Parliamentarians and to certain categories of public officials that will take effect from 1st January 2012. The first category of public officials will be eligible for fully paid electricity, water and telephone services. This would apply to:

- The Governor General
- Persons appointed to the Most Exalted Order of National Hero
- Judges of the High Court

The second category will be eligible for Government-paid electricity up to \$1,500, three thousand gallons of water per month and fully paid local telephone service. This would apply to:

- Ministers

- Ministers of State
- Parliamentary Secretaries

The third category will be eligible for Government-paid electricity up to \$1,000, three thousand gallons of water per month, and fully paid local telephone service. This would apply to:

- Other Current Parliamentarians and those who have served previously for at least two (2) full terms in the House of Representatives and the Senate
- Magistrates
- Director of Public Prosecutions
- The Ombudsman
- Non-Resident Ambassadors
- Persons appointed to the Most Distinguished Order of the Nation

The overall impact of introducing the caps on Government-paid utility benefits for civil servants, public officials, and senior citizens will be to reduce the financial impact on APUA. At present more than 700 civil servants, senior citizens and public officials receive Government-paid utilities. The estimated annual cost of these services (water and electricity) without the caps is \$5.2 million. Of this, \$1.1 million represents the estimated annual cost of water and electricity services consumed by parliamentarians and other public officials. The remaining \$4.1 million represents the cost of water and electricity services consumed by public servants and senior citizens. With the caps in place there would be an approximate 45 percent reduction or annual savings of about \$2.4 million on electricity and water consumed by parliamentarians, other public officials, civil servants and senior citizens.

Madam Speaker

The cost of Government-paid utility services to taxpayers has been a matter of discussion at several of our consultations and meetings with the public and various private sector, civil society and labour unions. Having considered their arguments and suggestions, we resolved to change the manner in which this benefit is administered. While there has been some delay in completing this exercise, the Government remained determined to

deliver on its commitment to develop and implement a utilities policy. Though we are pleased to have progressed on this initiative, we will keep the policy under review to ensure it is as efficient and cost effective as possible. In this regard, the Ministry of Finance will continue to work with APUA to verify the list of individuals who receive Government-paid utilities. Any account that does not reconcile with the Ministry's records will be removed from the Government listing and may be subject to disconnection by the APUA.

POLICY ON DUTY AND TAX CONCESSIONS

Madam Speaker

In May 2009 this Government announced a moratorium on discretionary duty concessions, particularly in respect of motor vehicles. Though this policy has been in place for more than two and a half years, we continue to receive requests for duty free concessions on vehicles. While we can understand an individual's desire to minimise the amount spent when purchasing a vehicle, it is important to balance this forgoing of revenue with the services Government must provide and the obligations it must honour. Each time a request is made for concessionary waiver of duties and taxes, the decision must be whether the direct benefit to the individual is worth the wider social cost of forgoing the revenue needed to provide the hospital with resources or to pay wages and salaries. Now each individual would say that a ten, fifteen or twenty thousand dollar waiver will not make a difference in the wider scheme of things. However, we are not talking about one or a handful of individuals. If all the requests are granted, it will cost the Government millions in lost revenue each year.

In making the argument for lifting the moratorium on duty concessions, many have stated that when an individual receives the duty concession to purchase a car, there are spill-over effects for insurance, fuel purchase and so on. Madam Speaker, whilst I agree that purchasing a vehicle will have a positive impact on other sectors in the economy, I do not accept that this outcome cannot be achieved without a duty free concession. In assessing this issue, I have reviewed the duties and taxes applicable to motor vehicles in a number of Caribbean countries. These countries have very limited exemptions where, in most cases, duty and tax concessions on a motor vehicle are granted only when the vehicle is purchased by a diplomat or a returning national.

Madam Speaker

Here are some examples to demonstrate how duties and taxes in Antigua and Barbuda differ from those in the OECS and Barbados.

If a \$45,000, 2500cc motor car, running on gas, is imported in any of these countries the landed cost before mark up is as follows (values are rounded):

- In St. Kitts and Nevis (with total duties and taxes at 68%), the motor car will have a landed cost of \$82,000.
- In St. Vincent and the Grenadines (with total duties and taxes at 94%), the motor car will have a landed cost of \$93,000.
- In St. Lucia (with total duties and taxes at 115%), the motor car will have a landed cost of \$97,000.
- In Barbados (with total duties and taxes at 136%), the motor car will have a landed cost of \$132,000 (more than 3 times the CIF value!)

Madam Speaker, the landed cost in Antigua and Barbuda is just over \$76,000 (with total duties and taxes at 60%)

Note also, the calculations differ among the countries. Some compound the duties and taxes, while others do not. Some include Environmental Levy, while others do not; and some have excise tax while others do not.

Now, Madam Speaker, I am not suggesting that we increase our duties and taxes on vehicles. What we need to recognise, however, is that it is possible to buy a vehicle without having the duties and taxes waived. In this scenario, insurance companies will still receive business and the demand for fuel will not plummet. The issue here is the cost of the vehicle being purchased. What we find is that an individual may have the funds to purchase a Suzuki Vitara duty paid but determines that if he receives a duty free concession he will be able to purchase a Nissan Pathfinder instead.

The Government does not wish to tell persons what kind of car they should or should not drive. However, when an individual's determination of what he or she can afford relies intrinsically on the Government forgoing tax revenue, this cannot be acceptable. Treating duty free concessions as an entitlement is tantamount to my being able to afford a *Citizen*

watch but I get to the store, determine I would prefer a Rolex and therefore want the storeowner to give me a discount so that my Citizen watch money can buy a Rolex. This is another indication of the malaise of spending more than we earn that has plagued our nation for too long.

With immediate effect, therefore, the Government is moving beyond a simple moratorium on duty concessions for vehicles to a clear policy position that such concessions can only be accessed if legislative arrangements or collective bargaining agreements with the Government provide for such exemptions. This means that the moratorium on discretionary duty concessions is being made permanent. All duty and tax concessions provided by law or by agreement with various segments of the public sector will be granted in accordance with the relevant legislation or agreement.

Persons eligible for concessions by way of legislation such as the Antigua Barbuda Investment Authority Act and the Small Business Development Act; fishermen; farmers and specific categories of civil servants, will continue to receive such concessions. We have completed an inventory of and guidelines for groups or individuals who are eligible for duty and tax concessions. This document, entitled *A Guide to Duty, Tax and Utility Concessions for Individuals, Businesses, Institutions and Public Officers*, is intended as a handbook of the categories of persons and institutions eligible for concessions on taxes and levies, and other Government financial concessions. It will be published on the Government website in January 2012 and will be made available to the general public through the Government Printery.

As the Government implements the policy of no discretionary duty concessions on vehicles, we will consider an across the board reduction in the rate of duty on vehicles. This will however, have to be done in a fiscally responsible manner to ensure the impact is not deleterious to Government revenues. Further, where the application of the duty concession is solely based on legislative provision, we will work with the Customs Division to eliminate the need for ministerial authorisation of the warrant. If the law and legally binding agreements provide for the exemption, there should be no need for a Minister's approval. This additional layer of bureaucracy is not necessary in a maturing and responsible Antigua and Barbuda.

WAR ON WASTE

Madam Speaker

Over the past week I have been approached by several persons about today's presentation. Some of them have encouraged me, and expressed confidence that we're doing the right thing. Many more have issued a caution, that I 'better come good'.

I have been frank about our challenges and what we're doing to address them.

Two years ago, when we were preparing for this process of fiscal consolidation, we went before the people of Antigua and Barbuda and we laid our cards on the table.

Cut Waste! We were told, over and over again.

Madam Speaker, we have done just that. We have declared war on waste.

We have cut expenditure on fuel and vehicle maintenance, we have reduced spending on utilities, we have curbed overtime payments and lowered our wage bill. Madam Speaker: we have slashed what we pay for goods and services by \$80 to \$100 million between 2009 and 2011.

We have heard your call. Our purpose, without any doubt, has been to instil in those who control our valuable resources, prudent financial management. Anything else cannot be without consequence.

To heed your call, we enacted specific measures, some of which are evident with savings earned by new approaches to vehicles, utilities, overtime and wages.

In pursuit of good governance we are filling the gap in the chain of accountability. Officers are beholden to supervisors; supervisors must account to managers; and managers have to report to heads.

We consider the private sector an essential partner in this war on waste. Any business operating in an open, competitive environment must learn, adapt and refine methods to be successful. Businesses cannot be complacent, procedures cannot be lax, and human resources cannot be unresponsive or bloated. Navigating the global economy, where the big consistently impacts the small, requires ingenuity, tenacity and a will to be different.

Government can glean valuable lessons for being more resourceful, efficient, transparent and accountable.

To sustain our effectiveness, we depend on you, our partners, the voices that have repeatedly told us to cut waste, to help keep our institutions in line. We want you to be our eyes and ears, to reject abuse and be vigilant by insisting the right thing be done to safeguard our valuable, but limited resources. This is the collective responsibility shared between institution and community that is imperative for our joint success and very survival.

Together, we are bound to be responsible stewards of our communal assets.

We will win the **war on waste**.

DEBT MANAGEMENT

Madam Speaker, in the 2010 budget presentation I spoke about the devastating impact of the financial crisis on Antigua and Barbuda's public sector debt position. Ours was not a unique problem.

As I speak to you about debt in 2011, advanced economy debt levels continue to grow drastically. The World Bank estimates that the debt levels for advanced G20 countries will grow by 52 per cent in 2014. It projects that the impact on developing countries will take the form of lower capital inflows, reduced availability of financing, higher cost borrowing, reduced availability of short-term credit, and declines in tourism inflows.

In the area of debt management we will continue to pursue a debt strategy that effectively re-profiles our debt and improves our relationship with creditors, both domestic and external.

The Debt Management Strategy

The main objectives of our debt strategy are to normalise outstanding arrears; minimise debt service cash outflows over the short and medium term; place the public sector debt position on a sustainable footing; enhance the Public Sector's credit standing; regulate the borrowing practices of public sector entities; and introduce dynamic debt management practices.

This administration continues to make these objectives a priority with the goal of charting a sustainable debt path for Antigua and Barbuda.

Implementation of the Debt Strategy

Debts owed to the CDB and the IMF, as well as securities issued under the Regional Government Securities Market (RGSM) have been excluded from any form of debt restructuring as these remain critical sources of financing for the Government.

External Creditors

On the external side, the Government's strategy was anchored by our approach in 2010 to the Paris Club creditor countries to restructure all outstanding arrears and short-term maturities.

I am pleased to report to this Honourable House that bilateral agreements have already been signed with each creditor country, with the exception of Brazil, which is awaiting domestic senate ratification of the negotiated agreement. All the bilateral agreements secured very favourable interest rates for the Government of Antigua and Barbuda.

Discussions are ongoing with the governments of Kuwait and Trinidad and Tobago to restructure outstanding liabilities. The Government of China has already agreed to restructure all matured gratuitous loans over 15 years on an interest-free basis.

Plans are currently being finalised to resolve all outstanding arrears with the remaining external creditors - Andrade Gutierrez and Stanford Financial Group (SFG).

Other Multilateral Creditors

To date, all arrears owed to the European Investment Bank (EIB) and the European Commission as well as the OPEC Fund for International Development (OFID) have been normalised and all rescheduled debt payments have been made on time. Discussions have also begun on plans to resume future borrowing for project development, which could be extremely beneficial to the economic development of Antigua and Barbuda.

Domestic Creditors

Domestic creditors are extremely important given their role in the economy of Antigua and Barbuda and given the fact that many face short-term liquidity challenges, as well as more structural vulnerabilities. We have tried to carefully balance their financial needs with our payment capacity.

Loans and arrears owed to all domestic financial institutions have been restructured on the basis of maturity extensions over an average of twenty years and a reduction of coupon payments. The average interest rate is now 8.5 per cent. Due to our cash flow constraints, this has helped to reduce the monthly payments expended by the Treasury.

In 2011 we successfully returned to the Regional Government Securities Market, issuing over EC\$25 million in five- and ten-year funds and over EC\$27 million in a 15-year bond via a private placement. A portion of this was used to refinance maturing RGSM securities, and the remaining was used to repay expensive public sector liabilities and to fund aspects of the Fiscal Consolidation Programme.

Finally, plans are already being finalised to restructure outstanding Government debenture securities issued in the early 1980s, which will allow for resolution of all outstanding domestic arrears.

Progress of Debt Restructuring

To get a better understanding of what has been achieved thus far, it is necessary to review the Government's starting point. At the end of 2009, the Public Sector's debt stock stood at EC\$3.3 billion, or 110 per cent of GDP. By December 2010 the debt stock had fallen by EC\$500 million to EC\$2.8 billion, the equivalent of 94 per cent of GDP. By June of 2011 the overall stock of debt decreased further and stood at approximately EC\$2.75 billion. This means that the ratio has declined to less than 90 per cent of GDP. The overall debt ratio is expected to remain just below 90 per cent at the end of 2011.

During the first half of the year the percentage of debt in arrears declined to a level below 13 per cent of total debt. Our goal by the end of 2011 was to eliminate all arrears and to remain current thereafter. However, as some negotiations are still ongoing, we hope to achieve this goal in the first half of 2012.

Debt sustainability ratios have begun to improve. The interest burden, that is the interest paid as a percentage of revenues, was close to 12 per cent in 2010. For 2011 it is expected to increase slightly to 14 per cent. This ratio incorporates more than EC\$1 billion in normalised arrears, upon which interest must now be contractually paid.

Institutional Arrangements and the Medium Term Debt Strategy (MTDS)

The Debt Management Unit continues to capitalise on various training missions with our development partners. In July 2011 the ECCB conducted a workshop on the Medium Term Debt Management Strategy. The MTDS is a document which will be eventually presented to this Honourable House.

We need such a strategy in order to take advantage of more borrowing opportunities and mitigate new risks. Naturally, with more choices comes greater complexity. Good debt management creates more room to manoeuvre at a time of crisis, given that debt structures can dampen or amplify the magnitude of external and domestic shocks. Experience shows that the absence of a formal strategy can lead to poor choices and aggravate risks.

Institutional Arrangements

A number of measures to ensure the long-term viability of debt management operations have been steadily introduced and mentioned already in this Honourable House. These have focused on centralising, streamlining and improving debt management operations on the basis of international best practices. The Debt Management Unit, created in 2009, is staffed to ensure that debt management remains a priority function at the Ministry of Finance, the Economy and Public Administration. The Debt Manager is empowered to execute the role, reporting directly to the Minister and the Financial Secretary. New procedures have been introduced to improve transparency, reporting and data recording. These efforts have been complemented with comprehensive training and skill building activities for the staff. The Unit continues to strengthen its Institutional Framework and the development of a middle office is to begin shortly. The function of this office will be to support the formulation of appropriate debt strategies.

Government Guarantee Policy

As part of the broader debt management strategy, the government intends to ensure that all government entities adhere to prudent borrowing guidelines. Given the significant amount of debt contracted by Statutory Bodies, it is imperative that the risk associated with these loans be thoroughly assessed.

The Debt Management Unit (DMU) will be given an enhanced role in developing policies with regard to the borrowings of Statutory Bodies, whether by on-lending or guarantee. These policies would include guidelines on the choice of creditor and the project or amount to be financed. This would mean that in addition to requesting permission from the Minister of Finance to borrow, in keeping with the Finance Administration Act, statutory bodies will be required to submit relevant financial information to the Debt Management Unit, which will assess their ability to service the debt.

FINANCING THE FISCAL DEFICIT

Madam Speaker, the overall deficit for 2012 is projected at \$19.9 million. Principal payments amount to \$72.1 million, of which \$35.3 million is external and \$36.8 million domestic. An amount of \$30.3 million is required to repay arrears to local merchants and contractors, or reduce the floating debt, in 2012. In order to finance this deficit and to cover principal payments and arrears to local merchants and suppliers, the Government will rely on planned financing.

The total planned financing for 2012 is \$122.4 million, representing disbursements of \$95.4 million from the IMF Stand-By Arrangement and \$27 million from the CDB Policy Based Loan.

SOCIAL PROGRAMMES/RELIEF MEASURES

The wealth of a country lies not in the land, or in its possessions, but in its people. The UPP Government recognises that the population of Antigua and Barbuda is its most important asset, and this has driven its social policy since it took over the reins of this beloved country in 2004.

The unofficial census taken earlier this year has moved us from the tourism brochure listing of around 80,000 to about the 100,000 mark. If the latter figure is correct and the increase continues, it means this surge in population would put some pressure on Government's ability to maintain the current social services, achieve adequate social transformation and as a result, sustainable development.

It is against this background that this Government has implemented a number of programmes and social policy measures, as part of an ongoing effort to support and uplift the citizens of our country; more so, the vulnerable, and the youth who are the future. Since 2004, our administration has introduced an agenda with measures mainly designed to curb educational disadvantage among the youth, assist our elderly citizens and the more needy among us, and generally, attend to the needs and welfare of our people. In other words, Madam Speaker, we have been walking the walk with our People First philosophy.

I shall briefly highlight some of these programmes.

National School Meals Programme

The National School Meals Programme began in 2008 with the provision of daily hot nutritionally-balanced lunches for children in fifteen participating primary schools.

The 15 schools that started in the Programme were:

| | | |
|--------------|----------------|--------------|
| Golden Grove | New Winthropes | Freetown |
| J.T. Ambrose | Seaview Farm | Willikies |
| T. N. Kirnon | Freemansville | Cedar Grove |
| Parham | Pares | Green Bay |
| Villa | Newfield | Five Islands |

In 2009 three more schools were added – Jennings, Piggotts, and Liberta; bringing the total to 18, which is the current participating number of schools.

Data received from the Chief Executive Officer of the Programme show that between 2008 and 2010, about 872,443 meals were served at a cost of \$15.03 million.

Madam Speaker, 2,855 primary school children will benefit from the National School Meals Programme in 2011. Up to August 2011, some \$2 million had been spent on the meals provided to the children. We estimate that by the end of the year our precious children will receive over 400,000 meals through the school meals programme. Madame Speaker, times are tougher, but we have not cut the School Meals Programme. We love our children too much to adopt this austerity measure. The School Meals Programme is a strong testimonial of our People First philosophy.

Not only do we invest in the nourishment and well-being of our future citizens, but we continue to follow our policy of supporting local farmers and providers, in spite of some of the challenges they experience from time to time to meet our requirements.

The National School Meals Programme is therefore making a significant contribution to the local economy. It is maintained during all three school terms and has never once failed to deliver to its beneficiaries.

Madam Speaker, this is a Programme where those who are jealous of its success claim that it is competing with local food vendors. They criticise us for asking for the weekly contribution of \$5 which the parents make to the Programme. Madame Speaker, this is not about money. With a staff complement of close to 170, this Government must find significantly more financial resources to maintain the Programme, and we have been covering the cost of salaries and wages of workers. But we do recognise that we have to explore other reasonable mechanisms for revenue generation to cover small operational costs. To date, over \$19.4 million has been expended on this Programme.

But to count the cost would be counter-productive. This programme is about our nation and the quality of our people, their lifestyle, and their health. While we recognize the fiscal challenges that we face, we remain committed to serving the major beneficiaries of this Programme – our children. We also remain committed to maintaining the livelihoods

of not only staff employed in the programme but also the many farmers, wholesalers and service providers who benefit from it. Yes, Madame Speaker, People First.

Madam Speaker, I join with my colleagues on this side of the House, and even those on the other side who are honest enough to admit it, in saying that the School Meals Programme has been an inspired benefit to the people, undertaken by this Government. The Programme continues to receive the support and praise of parents, students and teachers alike. They know what it was like before, and now the end result is happier, brighter and better-fed children.

The meals served have received rave reviews for their excellent quality and this has given birth to the concept of offering meals for sale to public sector departments from time to time. This move has served as a mechanism to generate income to assist in offsetting operational costs which have been negatively impacted by a fiscally contracted public sector. It has generated employment for staff members who are underutilised during school vacations, and has provided income from further sales for local farmers and butchers.

School Uniform Grant Programme

Madam Speaker, the effect of the economic hardships being experienced has led this Government to downsize the School Uniform Grant Programme for want of adequate financing. This, Madame Speaker, was a very hard decision to make. This year, unlike previous years when eligible students were given two regular school uniforms, only one uniform was issued per child.

Rather than totally eliminate the School Uniform Grant Programme, we decided to scale back, keeping in mind that one uniform would still bring some relief to parents, especially those who were experiencing serious financial hardships.

Between 2004 and 2010 this Government paid out an estimated \$18 million to meet the cost of providing uniforms for primary and secondary school children in Antigua and Barbuda. For the reasons given earlier, the figures for 2011 showed a steep decline in the number of parents participating and students receiving uniforms. A total of 36,411 vouchers were issued at a cost of \$3.08 million.

Madam Speaker, this fledgling Government in 2004 hit the ground running with the School Uniform Grant Programme, at a time when we found our Treasury as arid as the Sahara Desert. We later followed this up with the School Meals Programme. And even though these were two non-revenue generating social programmes, we saw them as filling an immediate need to improve the health and lifting the morale of our young citizens. The School Meals Programme was initiated at a time when this world was teetering on the brink of the most severe economic downturn since early in the last century. But, Madame Speaker, we took that bold step, and the nation is all the better for it. That being said, we have been working diligently to protect these two programmes from the effects of the economic crunch, and so far both continue to progress, with just one change to the School Uniform Grants Programme. We will continue to review the School Meals Programme to maximise the resources and minimise costs and wastage, and maintain quality. Seeing the smiling faces and the neat appearance of our youngsters on their way to and from school says it was a job well done.

This Administration has spent over \$21 million to provide school meals and uniforms for our school children. There were no such programmes before we took office in 2004. We will continue to support these two programmes financially and to ensure that they benefit the children of Antigua and Barbuda. In the words of our venerable Leader, “the School Uniform Grants for children in primary and secondary schools as well as the National School Meals programme will never be sacrificed.”

Madame Speaker, everyone is benefitting – the children, the workers, the farmers, butchers – everybody. These programmes have created a multiplier effect with a lot of benefits to many. I proudly claim, Madame Speaker, it is the **people** who are the **first** beneficiaries.

Vulnerable Citizens

Madame Speaker, I now turn to other social programmes designed to assist the most vulnerable among our citizens. The Board of Guardians provides financial support for the less fortunate and the most vulnerable in the society, including the elderly, indigent, children, mentally challenged, visually impaired, and other groups of individuals. The Board serves 415 clients who receive a stipend every fortnight to help cover the costs of their basic necessities. The expenditure for 2011 so far is \$1.3 million. The Board of

Guardians continues to provide this support and is having a positive impact on our citizens.

The Board of Guardians also provides occasional support to households and families by way of a \$2,500 Home Improvement Grant to assist with essential home repairs. The government will continue to strengthen this initiative to ensure that eligible elderly clients are appropriately targeted and receive the support.

Families of clients who receive Board of Guardians' support will continue to receive a funeral grant of \$1,200 upon their passing. Fifteen families have so far been assisted by this grant to cover the costs of final arrangements for their loved ones. In 2011 the government expended approximately \$18,700.00 in funeral grants.

The Citizens' Welfare Division continues to provide social support services through an arrangement of programmes, namely child protection, family social welfare, elderly care and protection. So far in 2011 Government has spent in excess of \$350,000 on the Foster Care and Fire Victims Programmes, and counselling and probation services that target the youth. There are currently 65 children under the Foster Care Programme - 33 males and 32 females ranging from ages 12-16. Foster parents receive a stipend for each child every fortnight.

During 2011 a total of 10 fire victim families were given financial assistance.

The Probation Unit within the Citizens' Welfare Division continues to provide probation services and counselling to clients and their families. The work of the Probation Unit will be strengthened through collaborative efforts with the Community Development Division to incorporate family interventions and through programmes targeted for parent involvement, young offenders and probationers.

In 2007 Government also introduced a Vagrancy Feeding Programme which provides meals to transients within St John's. This programme is ongoing, and on average, feeds 85 persons on a weekly basis.

Madam Speaker, let me at this point pay homage to our senior citizens, the ones who have paved the way in the development of our beloved Antigua and Barbuda, and have made it possible for us to be here today with all the rights and freedoms of a developing nation. The elderly of Antigua and Barbuda worked hard to build a better country for future generations. Now that they are in the twilight of their years, they deserve a secure

and dignified life that reflects the contributions they have made; and for this reason, all social programmes proposed by this Government will always highlight measures to ensure that they continue to have a good quality of life.

My Government acknowledges that these proud elderly citizens are not looking for a handout from the state. We are resolute that it is our duty to ensure that they live the rest of their lives with dignity and in comfort. Madam Speaker, this Administration has taken steps to protect the elderly and intends to continue to honour the commitments made to them.

One of the major steps is the Government Residential and Assistance Care for the Elderly and Eligible (GRACE) programme which continues to provide home care assistance to the elderly. The GRACE programme offers non-medical home care to eligible seniors who wish to live in their own home, while receiving the care necessary to allow them to continue enjoying their normal lifestyle. The GRACE Programme now has 104 clients who are elderly, disabled and shut-in individuals. They are served by a complementary staff of 67 Elder Care Assistants, 8 Supervisors, one Chief Welfare Aid, one Assistant Chief Welfare Aid and one Programme Manager.

National Student Loan Fund

Each year, this UPP Government gives renewed focus to our youth and creates bold new opportunities for their economic empowerment and social protection. We continue to provide vocational training, student loans, and scholarships for young Antiguan and Barbudans to study at home and abroad, and to equip them educationally to contribute meaningfully to the development of their country. Madame Speaker, the National Student Loan Fund (NSLF) which this UPP Government started in 2008, and other ancillary spending on education, continue to give our young people opportunities to receive a higher quality education.

Madame Speaker, since 2008, this Programme has taken off by leaps and bounds, and I am happy to relate that our nation will soon inherit a new wave of technicians who have been schooled all over the world, and even here at home, in all types of disciplines designed to keep Antigua & Barbuda competitive in this globalized environment. Thanks to the foresight of this Administration, the National Student Loan Fund is achieving its goal of creating a more educated, informed and skilled citizenry. That was our vision

when we set out to provide financing to students 18 years or older who would otherwise find it difficult to access the resources needed to pursue their educational goals. Loans of up to \$50,000 are offered at an interest rate of 3 percent, repayable in ten years. Payments can be made while studying, or deferred until after all studies are completed, or payment on the interest alone could be made while studying. Madame Speaker, this Administration has no intention to raise the rate of interest, despite the tough economic times.

Madam Speaker, in 2011 this Administration granted 87 student loans to Antiguan and Barbudan students to pursue a wide range of studies. Three of the approved applicants are currently studying in local institutions, 43 in regional institutions, 14 in international institutions, and 22 are pursuing distance learning programmes. Fifty-six students will pursue their First Degree in 28 areas of study, and 23 students will pursue their Masters Degree in 18 areas of study. The remaining 13 approved applicants will be pursuing diplomas and professional certification studies.

Madam Speaker, this Administration holds the view that the heights to which our nation can soar depend on our people's freedom to seek out knowledge in whatever field that inspires them. The areas of study include early childhood education, banking and finance, computer science, hospitality management, human resource management, coastal zone management, nursing, police leadership and management, project management and evaluation, information systems, economics, and radiology science. With this wide range of knowledge and skills, the young people who have benefitted from this programme will be well equipped to make a meaningful contribution to the socio-economic transformation of Antigua and Barbuda. Since its inception in 2008, the NSLF has helped 365 Antiguan and Barbudans pursue their dreams of higher education.

Madam Speaker, **this is People First! In Spanish, La Gente Primero! In French, Le Peuple Premier! In Mandarin Chinese, Ren Min Wei Xian!** And I could go on, and on.

These students will be exposed to new cultures, languages and areas of study which would redound to the benefit of Antigua and Barbuda. For that, the UPP Government, with not one hint of modesty, takes the credit. Thanks to modern technology, we can chart their progress and monitor their wellbeing. Through the NSLF, lives have been changed for the better, something we facilitated with a relatively small investment and plenty of love for and hope in our people, and the desire to see our country progress. Our

intention is to build the human capacity of our nation while preparing our people for prosperity.

Since the programme started in 2008 a total 138 students would have completed their studies and graduated with a first degree, masters or professional diploma. As with all of our social programmes, this Sunshine Government will continue to review and rationalise the NSLF to ensure its efficiency in delivering service and support to young Antiguan and Barbudans. In 2012 we will again allocate \$2 million for the National student Loan Fund.

Other Relief Measures

Madam Speaker, this UPP Government is helping the people of Antigua and Barbuda to rise above the challenges of the times by providing various subsidies and relief measures.

There are those who use the very generous relief measures with regard to tax legislation that this Government has offered as an opportunity for political posturing and partisanship. They have chosen to view this Government's efforts to transform our tax system as draconian and unnecessary. In his seminal work "The Wealth of Nations", Adam Smith, sometimes called the father of economics and modern capitalism, identifies three duties of the sovereign or the government. These duties are providing a military force to protect the nation from external aggressors, establishing a sound mechanism to administer justice within the society, and establishing and maintaining public institutions and public works.

In addressing the matter of paying for the public institutions and public works, Smith makes the point that these costs may be met by the contribution of the whole society. This is essentially the basis for a system of taxation through which a government generates the revenue it needs to execute its duties to the society. Paying taxes therefore represents each individual's contribution to the development of the society and protection of the rights and freedoms of its members. Those who pay their taxes and abide by the rule of law have a positive impact on society, while those who avoid and evade do not.

While we have significantly transformed the system of tax administration and, yes, introduced new tax measures, we have included in each of these measures, provisions that provide relief to taxpayers. When these relief measures are examined for what they

offer, the middle class is quick to agree that they are not the draconian doomsday measures as propagated by the naysayers as they enchant their misguided followers from platforms and in their daily radio sound-offs. The Opposition would have Antiguan and Barbudans believe that they are overtaxed. This is an out-and-out fallacy since at about 20 percent of GDP; Antigua and Barbuda is the lowest taxed in the ECCU region.

Now, Madam Speaker, instead of focusing solely on the level of taxation, we also need to consider the services that are to be provided by the Government.

In our context, where critical developmental services such as healthcare and education are heavily subsidised from primary to tertiary levels, the Government must have adequate resources to maintain high quality service delivery. As our society grows and more and more individuals seek to access these services, the Government will require additional resources to maintain the level of subsidy. The same can be said for other institutions - garbage collection, public safety and security services, and Works - that the Government is expected to provide.

To the extent that our citizens and residents wish to restructure our approach to public finance such that a low or no taxation policy is viewed as the core public policy in support of growth and development, we would then have to revisit the expenditure side of the equation. Essentially, the pursuit of lower taxes requires frank consideration of the public paying directly for the services that are currently heavily subsidised. This would mean school fees, significantly higher fees for healthcare services, direct payments for garbage disposal and even increased costs for accessing the justice system. Of course, there would need to be systems and programmes in place to ensure that the most vulnerable and economically disadvantaged in the society will retain subsidised access. Madam Speaker, as a people, we can make a collective determination on how we wish to proceed on the matter of taxation.

Madam Speaker

When I listen to statements made by our critics and the members across the floor, I am amazed that the discourse never acknowledges the existence of a wide range of relief measure enshrined in the tax laws.

We instituted personal income tax deductions for the interest that is paid on residential mortgages, contributions paid into approved pension schemes, health insurance premiums, and tuition payments on behalf of children pursuing university studies.

Madam Speaker, the property tax legislation includes an owner occupied residential allowance of \$150,000. Qualifying pensioners' property tax liability may be further reduced by 50 percent.

We have reduced the stamp duty on mortgages from \$6 per thousand to \$4 per thousand; we have reduced mortgage interest rates by reducing the corporate income tax payable by banks offering interest rates of 8 percent or less. A further reduction is provided in the legislation for banks that offer a mortgage rate of 7 percent.

But we are not finished, Madame Speaker. All persons purchasing contractor-supplied materials for first-time residential construction will not have to pay the ABST on those materials.

And last but not least, Madam Speaker, we come to our revered senior citizens whom we have learnt to cherish more and more as we watch the plight of their contemporaries in the outside world. The Senior Citizens Utility Subsidy Programme and the People's Benefit Programme, which are implemented through PDV Caribe Antigua Ltd, are providing benefits to pensioners, persons with disabilities and the disadvantaged. These are just some of the support and relief measures that this Administration has implemented and continues to maintain.

Madam Speaker, we have covered every single citizen with these measures designed to bring them relief in a fiscally unfavourable climate, as ours is at present.

We have been hearing a lot of talk from the other side of this Honourable House about this Government's failure to pay unemployment benefits. Like some other plans and programmes, we have had to review and withhold their implementation because of the downturn in our economy. Plans are afoot to institute employment reform as part of our overall social security reform, under which a long-term unemployment insurance programme will be developed.

Although we have an outstanding record in offering social programmes and relief measures to our citizens, this UPP Government continues to identify priority social areas and address urgent deficiencies in our social development programmes. We have had to

face down our detractors who do their best to spin stories aimed at undermining the successful efforts of this UPP Government. They are often quick to condemn our actions and to forecast doom and gloom for our day-to-day undertakings of the people's business. Through all the negativity, the walkouts and the use of acid tongues and pens against us, our Sunshine Government has stayed the course. We have been constrained by a fiscal environment which dictates prudence. Our diminished resources have impelled us to seek institutional reform and carefully crafted policies and regulations to improve the social programmes which target the vulnerable within the population, and citizens who are struggling to cope with the current hard economic times.

This UPP Government will not be derailed by false utterances and banal actions.

We knew we were on the right track moving in the right direction when our partners in development affirmed to us that this Government's efforts at social transformation were in line with international standards. In this regard, we have the support of other social development partners such as the OECS, the United Nations Economic Commission for Latin America and the Eastern Caribbean (UN-ECLAC) and United Nations Development Fund (UNDP).

It is this Government's intention to forge ahead by setting up a clear mechanism to monitor and evaluate strategies which would ensure the long term success of these programmes.

North Sound Housing Project

The North Sound Housing Project, financed by the Bolivarian Republic of Venezuela aims to provide affordable homes for civil servants inclusive of police, nurses, teachers and other government employees. The Government has been working with the Central Housing and Planning Authority (CHAPA) to ensure that the houses can be afforded by the target groups.

An agreement has been reached with the Eastern Caribbean Amalgamated Bank (ECAB) to offer financing for the homes. The loans are being offered at a concessional interest rate of 7.5 percent in keeping with the loan agreement signed with the Venezuelan financiers. To further alleviate costs, the Ministry of Legal Affairs will assist with the legal documentation required to complete the sale.

There are four model homes under the project: the Cuyagua, Choroní A, Choroní B and Aroa.

The houses are situated on 5,412 square feet of land and we will begin selling houses in December 2011.

Along with selling the houses in North Sound Housing Project, CHAPA will also continue to sell houses in the Foleys Development.

CONCLUSION

Madam Speaker, 8:17 P.M. on July 20th, 1969 will be forever etched in the tablets of history as the moment when the first men landed on the moon. The challenge delivered on 25th May 1961, some eight years earlier, had finally been attained. But between the moment of the challenge and the moment of the Landing, there were a number of notable and necessary occurrences. Budgetary allocations were radically re-aligned; human resources were deployed and redeployed; new business systems and methods were fashioned; and the role and application of technology was expanded. There were some failures, but these were eclipsed by the successes. Many who started the journey were not around to celebrate the historic milestone, including the spark, JFK himself. The United States of America of 1969 was a vastly different country from that of 1961. It was a prouder country; more self-assured; richer for its innovativeness; and well respected for its accomplishments.

Madam Speaker, as the saying goes, “nothing worth having comes easy”. The United Progressive Party Government has a vision for Antigua and Barbuda: a country noted for its advancements in economic management, human development, law and order and innovation. Such a progressive agenda comes with a price tag. However, we can be assured by the many examples found in history and by the one specifically cited, that at the end of the day any investment made to ensure a future that is worth living, in an Antigua and Barbuda that is worth living in, would be well made.

I thank you, Madam Speaker, and I commend Budget 2012 to the Honourable Members and ask that they endorse the proposals presented therein.

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