

Certainty, Confidence and Credibility.

Securing Growth and Sustainability



BUDGET
STATEMENT
2013

Hon. Harold Lovell
Minister of Finance,
The Economy and
Public Administration
Antigua and Barbuda
Dec 17 2012



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

Acronyms and Abbreviations

Acronym	Description
AAC	Airport Administration Charge
ABEF	Antigua and Barbuda Employers Federation
ABHTI	Antigua and Barbuda Hospitality Training Institute
ABIA	Antigua and Barbuda Investment Authority
ABST	Antigua Barbuda Sales Tax
AOB	Antigua Overseas Bank
APUA	Antigua Public Utilities Authority
ASC	Antigua State College
ASYCUDA	Automated System for Customs Data.
BAICO	British American Insurance Company
BOOT	Build-own-operate-transfer
BMS	Border Management System
CABB	Connect Antigua Barbuda Biz
CARICAD	Caribbean Centre for Administrative Development
CARICOM	Caribbean Community
CAROSAI	Caribbean Organisation of Supreme Audit Institutions
CARREX	CARICOM Rapid Exchange System
CARTAC	Caribbean Regional Technical Assistance Centre
CARTFund	Caribbean Development Bank's Aid for Trade Regional Integration Trust Fund
CASE	Customs Automated Services
CDB	Caribbean Development Bank
CEDA	Caribbean Export Development Agency
CFATF	Caribbean Financial Action Task Force
CGF	Caribbean Growth Forum
CGS	Credit Guarantee Scheme

Acronym	Description
CHAPA	Central Housing and Planning Authority
CIDA	Canadian International Development Agency
CIP	Citizen Investment Programme
CLICO	Colonial Life Insurance Company
COFOG	Classification of Functions of Government
ComSec	Commonwealth Secretariat
COPS	Committee of Permanent Secretaries
CRIP	Caribbean Regional Indicative Programme
CSME	CARICOM Single Market and Economy
CST	Customs Service Tax
CTO	Caribbean Tourism Organization
DAGS	Direct Assistance Grant Scheme
DFID	UK Department for International Development
EACH	Enterprise Achievement Challenge
EC	European Commission
ECCB	Eastern Caribbean Central Bank
ECCU	Eastern Caribbean Currency Union
EDD	Enterprise Development Department
EDF	European Development Fund
eGRIP	Electronic Government Regional Integration Project
EPA	Economic Partnership Agreement
EU	European Union
FATF	Financial Action Task Force
FCCA	Florida Caribbean Cruise Association
FCP	Fiscal Consolidation Programme
FCU	Financial Compliance Unit
FDI	Foreign Direct Investment

Acronym	Description
FSRC	Financial Services Regulatory Commission
GARD	Gilbert Agricultural Rural Development Centre
GATE	Government Assisted Technology Endeavour
GDP	Gross Domestic Product
GOAB	Government of Antigua and Barbuda
ICT	Information Communications Technology
IFC	International Financial Cooperation
IFMS	Integration Financial Management System
IICA	Inter-American Institute for Cooperation on Agriculture
IMF	International Monetary Fund
MDGs	Millennium Development Goals
MICE	Meetings, Incentives, Conferences and Events
MSJMC	Mount St. John Medical Centre
MYB	Mind Your Business
NAO	National Authorising Officer
NEST	National Economic and Social Transformation
NETHE	Network of Excellence in Tourism and Hospitality Education
NSLF	National Student Loan Fund
NSLF	National Student Loan Fund
NYF	National Youth Farm
OAS	Organisation of American States
OECS	Organisation of Eastern Caribbean States
ONDCP	Office of National Drug and Money Laundering Control Policy
PAC	Public Accounts Committee
PAN	Physical Activity and Nutrition Programme
PBL	Policy Based Loan
PBP	Peoples Benefit Programme

Acronym	Description
PFM	Public Financial Management
PRC	People's Republic of China
RRC	Revenue Recovery Charge
SAI	Supreme Audit Institutions
SBA	Stand-By Arrangement
SME	Small and Micro Enterprises
SOP	Standard Operating Procedures
TAPA	Tax Administration Procedures Act
TCC	Tax Compliance Certificate
UPP	United Progressive Party
USE	Universal Secondary Education
UWI	University of the West Indies
WEO	World Economic Outlook
WTO	World Trade Organisation
WTTC	World Travel and Tourism Council

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INTRODUCTION

Madam Speaker, last year when I introduced Budget Statement 2012, we explored briefly the concepts of Hope and Truth within the context of our national and patriotic responsibility to move this country forward. I will now take this opportunity, in presenting Budget 2013, to remind us of the elevated status accorded Faith, particularly as referenced in the New Testament books of Hebrews and James. And what is Faith? According to Hebrews, “Faith is the substance of things hoped for; the evidence of things not seen”. Madam Speaker, I refer not to blind faith, but rather to Belief in an outcome for which the foundation has been laid. In this vein, I am moved to recall the poetic words of Samuel Kiser:

**Faith is not merely praying
Upon your knees at night;
Faith is not merely straying
Through darkness to the light.**

**Faith is not merely waiting
For glory that may be,
Faith is not merely hating
The sinful ecstasy.**

**Faith is the brave endeavor
The splendid enterprise,
The strength to serve, whatever
Conditions may arise.**

Indeed, Madam Speaker, Ladies and Gentlemen, Faith is not passively praying, or timidly waiting. Faith is endeavour; Faith is enterprise; Faith is service – AGGRESSIVE; ASSERTIVE; ASSURED. And as James posits: “*What does it profit, my brethren, if someone says he has faith but does not have works?*”

Accordingly, Madam Speaker, Faith, by nature and by definition, must include ACTION. If, therefore, we truly have faith in our children, we will be active in moulding them; if we truly have faith in our communities, we will be energetic in uplifting them; if we say

we have faith in our Country's future, we will be instrumental in creating that future. We will not be "*merely straying through darkness to the light*" or "*waiting for glory that may be*".

Antigua and Barbuda, whilst being a country, is at its heart a Community of Eighty-six Thousand close knit individuals. We are never unmoved by another's joy or somehow untouched by another's misfortune. We are related by blood; by deep friendships; by common interests, by cross-cutting values; and by Love of Country. But, Madam Speaker, Ladies and Gentlemen, are we related by Faith? Not Blind Faith, but Faith grounded in a vibrant consensus of Country over party; community over insularity; and the greater good over individual interest.

This Budget address follows swiftly upon the heels of our Independence Anniversary. For many of us, Independence is a time of celebration, but also one of stocktaking, reflection and introspection. In taking stock, we can conclude that we are indeed a blessed country and a blessed community with a rich heritage. Upon reflection, we can say that 2012 has been a challenging year, but that we have made it through with the assistance of the Almighty. By way of introspection we might ponder upon our stewardship and upon our contributions toward nation building: were we mindless custodians or careful stewards; booring observers or engaged participants; sneering cynics or faithful nationals? Madam Speaker, we are now into our thirty-second year of nationhood, but have we as yet come of age? Madam Speaker, I wish to submit that an intuitive and coordinated stride of Antiguan and Barbudans toward our common destiny, would evidence our coming of age. I would further suggest that such an advance could only be enabled by a strong and unifying faith, not blind faith, but faith in our destiny, grounded in country-first values and propelled by people-centred policies.

And what is the basis for such faith, Madam Speaker? Under the umbrella of the National Economic and Social Transformation (NEST) Plan we are reclaiming our people's trust in government and its institutions; we are repairing and strengthening our relationships with development partners; and we are rebranding Antigua and Barbuda as a responsible member of the community of nations. In particular, we have embarked upon a far-reaching programme of public sector modernisation; we are strengthening our social safety nets, stimulating economic activity and addressing the concerns of our retirees by undertaking pension reform. These and other initiatives are all necessary enablers for creating a platform for significant and sustained growth in our economy, and growth is returning on the basis of the strong platform that is being constructed. As we, citizens of faith – as individuals, family businesses, corporations, clubs and communities

– reach for the substance of things hoped for, we are therefore called to seek out solutions, not to stymie them; to contain conflicts, not to create them; to build bridges, not to burn them. In solving our problems self-belief swells; in mitigating conflicts unity is enhanced. Where self-belief is cultivated, certainty resides; where unity is present, credibility thrives; and where bridges are constructed, new horizons may confidently be pursued.

Madam Speaker, the bridges that we have built to date have not only given us access to friendly governments, well-wishers and development partners, but these very bridges have permitted them access to us as well; and the traffic in both directions has been ample and growing. In this connection we have welcomed many institutions and organizations to our shores and they in turn have opened their doors to us. I take this opportunity, Madam Speaker, to record our thanks to the Eastern Caribbean Central Bank (ECCB), the OECS Secretariat, the Caribbean Development Bank (CDB), Caribbean Centre for Development Administration (CARICAD), the Caribbean Regional Technical Assistance Centre (CARTAC), the World Bank, the International Monetary Fund (IMF), the European Union, the United Kingdom Department for International Development (DFID), Inter-American Development Bank (IDB), and the Commonwealth Secretariat (ComSec).

A number of sovereign governments have also demonstrated faith in Antigua and Barbuda, even though they themselves have not escaped the travails foisted upon them by the difficult global situation. Accordingly, Antigua and Barbuda is grateful to the Republic of Cuba, the Bolivarian Republic of Venezuela, the People's Republic of China, the Republic of Korea, the United States of America, Japan, the United Kingdom, and Canada for their generous support.

Finally, a team of talented and committed technicians has 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. John Edwards, 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, Strategic Development Coordinator and her team
Dr. Gale Archibald, Project Coordinator, Project Management Unit
Mr. Ted Lewis and Ms. Denise Knight, Senior Economists
Mrs. Gail Imhoff-Gordon - Economist

With your indulgence, Madam Speaker, I will now present an abbreviated version of the Budget Statement for 2013. The full statement will be available on the Government Web Site immediately following.

ECONOMIC DEVELOPMENTS 2012

Madam Speaker

Notwithstanding signs of recovery and growth, the global economic climate remains characterised by uncertainty. Although the area of concentration has shifted from North America to the Euro area, the challenges confronting the global economy remain largely the same since the onset of this crisis and are yet to be fully contained. These include a weak financial system, fiscal consolidation pressures, stresses in the sovereign debt market and volatile capital flows.

Global economic recovery for 2012 has been slower than initially projected. The *World Economic Outlook (WEO)*, published by the IMF in October 2012, estimates global growth of 3.3 percent for 2012, which is less than the 3.8 percent recorded in 2011. Recovery in major advanced economies was not as robust as desired and as a result emerging market and developing economies are expected to experience lower rates of growth in 2012 than in 2011.

Country	GDP Growth (%) 2011	GDP Growth (%) 2012 ^e
World Output	3.8	3.3
United States	1.8	2.2
Canada	2.4	1.9
China	9.2	7.8
France	1.7	0.1
Germany	3.1	0.9
Greece	(6.9)	(6.0)
Japan	(0.7)	2.2
Spain	0.4	(1.5)
United Kingdom	0.7	(0.4)
ECCU Region**	(0.4)	0.2

Source: IMF World Economic Outlook, October 2012

^e - Estimate

** - Data from Eastern Caribbean Central Bank

Improving economic performance and accelerating recovery will depend on the ability of the US and the Euro area countries to effectively deal with their short-term macroeconomic difficulties. In addition, emerging market and developing economies must find new ways to maintain economic expansion in the face of growth-tightening challenges such as falling demand from advanced economies, limited fiscal space, domestic capacity constraints and other country specific factors.

For the major advanced economies, the rate of growth is projected to remain flat in 2012 at 1.4 percent. The US is estimated to grow by 2.2 percent in 2012 compared with growth of 1.8 percent in 2011. Economic activity in Japan is estimated to increase by 2.2 percent in contrast to a decrease of 0.7 percent in 2011. The rate of growth in Canada is projected to decline by about half of a percent to 1.9 percent in 2012 while the slight growth realised in the UK in 2011 was reversed in 2012. Overall, a number of advanced economies are benefitting from some improvement in liquidity, increases in employment levels, and improved stability in the financial sector. To achieve more robust growth, the major advanced economies will need to continue to implement appropriate and supportive monetary and fiscal policies and structural reforms.

The Euro area crisis represents the single largest and most obvious threat to a global recovery. Failure to introduce immediate and far-reaching structural and financial policies has resulted in significant slippage in 2012 as output in the region declined by 0.4 percent in contrast to growth of 1.4 percent in 2011. At the moment, movement towards crisis resolution generally and the restructuring of weak financial institutions is progressing slowly with constant ebbs and flows. Essentially a new paradigm and a new architecture are needed to mitigate and to prevent further and deeper economic contraction.

Economic fundamentals remain strong in many emerging market economies that have not been severely affected by the global crisis. High employment, growth, and increasing consumption are expected to continue to fuel demand but appropriate macroeconomic policies to support investment and growth must also be pursued. This notwithstanding, low growth and uncertainty in advanced economies are adversely affecting emerging market and developing economies, through both trade and financial channels. The impact of these difficulties is becoming more evident as growth in emerging market and developing economies is expected to slow from 6.1 percent in 2011 to 5.3 percent in 2012.

Growth in China remains strong though the rate of increase has slowed compared to 2011. China's economy is estimated to grow by 7.8 percent in 2012 compared with growth of 9.2 percent recorded in 2011. Also, output in India is estimated to increase by 4.9 percent in 2012 compared with growth of 6.8 percent 2011. For Brazil and Russia, growth in 2012 is estimated at 1.5 percent and 3.7 percent respectively, a slower rate of growth than in 2011.

The IMF WEO estimates that a number of countries in the Caribbean region will experience an increase in the rate of growth of output in 2012 compared to 2011. Barbados and Trinidad and Tobago are both estimated to grow by 0.7 percent in 2012. Expansion in output is also estimated for the Bahamas (2.5 percent), Belize (2.3 percent) and Venezuela (5.7 percent). A slower rate of expansion is estimated for the economies of the Dominican Republic, Guyana, Haiti, and Jamaica in 2012 compared to the growth recorded 2011.

Economic Growth in Selected Caribbean Countries

Country	GDP Growth (%) 2011	GDP Growth (%) 2012 ^e
The Bahamas	1.63	.50
Barbados	0.56	0.70
Belize	1.96	2.29
Dominican Republic	.48	4.04
Guyana	5.44	3.66
Haiti	5.59	4.50
Jamaica	1.27	0.89
Trinidad and Tobago	(1.48)	0.74
Venezuela	4.18	5.75

Source: IMF World Economic Outlook, October 2012

^e - Estimate

The latest GDP estimates from the ECCB, which are based on data available as of end June 2012, show that output in the Eastern Caribbean Currency Union (ECCU) is expected to expand by 0.5 percent in 2012. Dominica is projected to record the highest growth rate at 1.6 percent, followed by St. Vincent and the Grenadines at 1.5 percent. St. Lucia is expected to grow by about 1 percent and Grenada by 0.2 percent. Economic

output in Antigua and Barbuda is projected to grow by about 1 percent in 2012. Economic activity in Anguilla and St. Kitts and Nevis is projected to contract by 3.1 percent and 0.8 percent respectively.

Data available as of September 2012 indicate that projections for the ECCU region may be revised downwards from anticipated growth of 0.5 percent to a contraction of 0.2 percent; however, Antigua and Barbuda is expected to improve from estimated growth of 1.0 percent to 1.2 percent.

Improved economic performance in 2012 reflects expansion in some key sectors such as construction, transportation, and hotels and restaurants, which is the proxy for the tourism sector. The hotels and restaurants sector, which contributes 15.6 percent to GDP, is expected to grow by about 2.0 percent in 2012 as a result of an almost 3.0 percent increase in stay-over arrivals. Activity in the construction sector is projected to increase by 1.6 percent in 2012. One factor that has helped to improve performance in this sector is the Construct Antigua Barbuda Initiative, which offers concessions and incentives for residential construction.

Growth in transport and storage is estimated at 2.2 percent as road, air and sea transportation all increased due to rising activity in construction and to more passengers arriving in and departing from Antigua and Barbuda. Activity in the communications industry is expected to increase by 1.5 percent reflecting growth in demand for services from LIME, Digicel and APUA. Consistent with developments in tourism and construction, activity in the wholesale and retail trade sector grew by 1.7 percent in 2012 in contrast to a contraction of 9.0 percent in 2011.

Madam Speaker:

The improved performance in 2012 is indicative of the success of our home-grown policies and the slight recovery in the global economy on a whole and, specifically in the United States, our main trading partner. Having made the right macroeconomic policy choices to stabilise the domestic economy, this Government is confident that we will continue to build on the slight recovery in economic performance in 2012. This turnaround indicates that we are set to start reaping the results of sound macroeconomic management. I am certain that as the global economy rebounds the rate of recovery in Antigua and Barbuda will escalate and our country will again experience high levels of economic growth.

THE EUROPEAN UNION AND THE ECONOMIC PARTNERSHIP AGREEMENT (EPA)

Regional Integration – Enhancing Bilateral Cooperation

As a small island state and a developing nation, it is important for Antigua and Barbuda to enter into stronger partnerships with its neighbours. In this regard, a Memorandum of Understanding (MOU) is an important instrument through which the public and private sectors can benefit from existing expertise in each jurisdiction. The Prime Minister has signed a MOU focusing on bilateral cooperation with Martinique and in September 2012 Cabinet agreed to enter into enhanced bilateral relations by signing MOUs with Haiti and the Dominican Republic. It is expected that by the end of the first quarter of 2013 both MOUs will be signed.

Technical Assistance to the Financial Services Regulatory Commission (FSRC)

The EU has provided the Financial Services Regulatory Commission (FSRC) with technical assistance in the form of an Insurance Consultant who will strengthen the FSRC's technical capacity, legislative, regulatory and insurance supervisory framework and ensure compatibility with international standards adopted by the International Association of Insurance Supervisors (IAIS). The Consultant commenced work in August 2012 and will be contracted until February 2013.

To this end a full review of Antigua and Barbuda's current framework for insurance supervision was conducted and the results are being used as a baseline for capacity building.

EPA Regulatory Framework

As Antigua and Barbuda seeks to improve its exports to the EU market, the Office of the NAO and EPA Implementation Unit along with appropriate government entities, including the Bureau of Standards, and the Ministries of Agriculture and Legal Affairs, will, during the course of this Budget cycle, work towards enacting the legislative and administrative framework to facilitate the export of goods. This is a requirement for the entry of goods into the EU market.

REGIONAL INTEGRATION

CARICOM Single Market and Economy (CSME)

Madam Speaker

The Caribbean Community is faced with little or no economic growth coupled with anaemic development and the urgent need to respond to the changes in the global economic and financial landscapes. Through the CSME, local private sector entities have an opportunity to expand and establish business operations in 11 other member states. Therefore, the Community's major focus at this time is on growth and development. To achieve this new thrust commitments were made to:

1. Re-examine policy approaches to growth and development;
2. Review fiscal policy with a view to achieving a balance between taxation and expenditure to more adequately support economic growth and development;
3. Focus on tourism, agriculture and construction as economic sectors that offer prospects for early resuscitation of economic growth;
4. Re-commit to the regional integration process with particular attention to Caribbean convergence in our development strategy; and
5. Develop a Caribbean Investment Programme to support the efforts at stabilisation and growth as well as competitive production.

In the midst of challenges in the local, regional and external environments, the CSME continues to consolidate the gains of the integration regime and to reformulate its approach to the single market and economy.

OECS Economic Union

The Revised Treaty of Basseterre is the vehicle being used to transform the economies of the OECS member states and to empower the private sector in the face of global economic challenges. The Treaty receives meaningful support from the 8-point Stabilisation and Growth Plan adopted by the Monetary Council of the ECCU and the OECS Heads of Government.

The creation of a single economic and financial space in the OECS region is designed to facilitate regional decision-making to manage the regional economic space, and to remove the costly administrative bottlenecks that hamper intra-OECS trade and investment. One of the most important aspects of the Economic Union is the free circulation of goods, where all internal barriers to trade between OECS members will be removed and a full customs union established.

The implementation of this ambitious project is due to begin in June 2013 and at its end, goods will circulate freely between member states with limited customs intervention or payment of duties. The main implications for the ECCU member states are:

1. The realignment of the Revenue Recovery Charge to create harmonized tariffs at an agreed Economic Union rate;
2. The creation of similar or identical rates across the Economic Union for VAT and excise taxes, and for import duties; and
3. The universal application of derogations under Article 164 of the Revised Treaty of Chaguaramas.

Allied with these reforms are measures to facilitate business expansion in the Economic Union, including removing restrictions to the establishment of businesses by OECS nationals, especially small service suppliers. Preparatory work is being undertaken by the OECS Secretariat to establish a system of single registration of pan-OECS companies. The initial work involves consulting with relevant stakeholders to significantly reduce the administrative hurdles in establishing companies in multiple OECS countries.

At its heart, OECS Economic Union involves reforming a number of administrative and business processes. The Electronic Government Regional Integration Project (EGRIP) is designed to enhance the efficiency, quality and transparency of public services by delivering regionally integrated e-government solutions that take advantage of economies of scale. The EGRIP project is already being implemented, and the Government of Antigua and Barbuda will participate in the following sub-components:

1. Legal and regulatory framework implementation;
2. Automated registries, multiple-purpose ID systems, and automated processes to support:
 - (a) public financial management;
 - (b) tax administration

- (c) customs; and
- (d) health and social productive sectors, including software for a regional health information system.

CARICOM-Canada Trade and Development Agreement

Madam Speaker:

Since the start of the negotiations on a CARICOM/Canada Trade and Development Agreement in 2009, representatives have engaged in four rounds of discussions. A tremendous amount of technical work in market access for goods and services, investment priority areas and technical cooperation issues continues both at the national and regional levels to ensure that the concerns and priorities of the region are articulated in the negotiations.

The agreement offers opportunities in many areas including cultural co-operation and development co-operation and will create market openings in the ICT and E-commerce sectors.

We implore the private sector to look beyond the borders of our twin-island nation. Exploiting these types of agreements will equip local firms with the opportunity to establish joint ventures and receive capital investments from Canadian firms into targeted local industries.

BILATERAL RELATIONS AND SOCIAL AND ECONOMIC COOPERATION

The Ministry of Foreign Affairs, as the arm of Government with the primary responsibility of maintaining good relations between Antigua and Barbuda and its regional and international counterparts, continues to employ diplomacy as a tool for national development.

To date, Antigua and Barbuda has diplomatic relations with over eighty countries. The work of the Ministry is guided by fundamental principles, which include support for economic and social policies that promote poverty reduction, good governance and the protection of our environment and use of our resources in a sustainable manner.

Japan

Antigua and Barbuda developed diplomatic relations with the Government and people of Japan in 1982, and has since maintained good relations with that nation.

Our nation continues to benefit from Japan in the areas of the environment and waste management, fisheries, education and training, and cooperation in multilateral organizations.

In 2012 the Japan Grass-roots Human Security Programme, which is designed to support projects proposed by non-governmental organisations and local government authorities, provided grant funding totalling approximately \$455,000. This includes \$216,000 given to the Antigua and Barbuda Waste Recycling Co-operation to recycle waste materials, and the Gilbert Agricultural Rural Development (GARD) Centre to build classrooms for its vulnerable youth vocational and entrepreneurial training programme.

In the area of fisheries, in 2012, Antigua and Barbuda continued to benefit from technical support to a value of over \$330,000 for development and resource management.

The Government would like to express appreciation to Mr. Mitsuhiro Ishida, Special Fisheries Development Advisor attached to the Fisheries Department, for invaluable contribution over the past two years, in the area of technical and quality control for the export of lobsters.

In the area of education and training, ten Antiguan and Barbudans have benefited from short term training in the areas of tourism, coastal fishing, mathematics education, and solid waste management at an approximate value of \$406,500.

It is anticipated that for 2013 one young Antiguan and Barbudan will be selected to teach English in Japan through the Japan Exchange and Teaching Programme.

Republic of Cuba

Since the establishment of diplomatic relations 17 years ago, Antigua and Barbuda and the Republic of Cuba continue to find ways of enhancing mutually beneficial co-operation. Over the years, we have had approximately 160 students studying at the tertiary level in Cuba in a wide range of subject areas. Additionally, we have welcomed medical teams to support our health care system and technical support for infrastructure development projects.

Notwithstanding the challenging global financial outlook and the difficult economic conditions that affect us both, Antigua and Barbuda still stands to benefit from co-operation with and support from the Republic of Cuba in 2013.

In the area of health, specialised training will be offered to young medical doctors, and technical support rendered to improve our community health care capacity.

Discussions will continue on the establishment of improved air services from Cuba to the Eastern Caribbean.

The Ministry of Works and Transport will receive additional technical support from visiting hydraulic, quarry and road engineers.

Antigua and Barbuda will also offer assistance to Cuba to develop the game of cricket in that country, and to expose Cuban students to tourism training at the Antigua and Barbuda Hospitality Training Institute (ABHTI).

An agreement has been reached in principle for Antigua and Barbuda and Cuba to begin exploring mechanisms that would facilitate bilateral trade in products that can be more competitively sourced from Cuba.

The Republic of Korea

The Government of Antigua and Barbuda continues to enjoy good relations with the Republic of Korea since the inception of diplomatic relations in 1981.

In 2012 the Republic of Korea supported Antigua and Barbuda's participation in the Yeosu Exposition to the tune of \$675,000. The Exposition was held under the theme "Living Ocean and Coast, Diversity of Resources and Sustainable Activities". It provided an opportunity for Antigua and Barbuda to promote its tourism product and, at the same time, to learn innovative techniques on how to preserve and use the resources of the ocean.

In 2013 Antigua and Barbuda will receive grant support to upgrade the information communication capacity in the Office of the Prime Minister to the tune of \$270,000.

The Bolivarian Republic of Venezuela – PetroCaribe Agreement

Under the Petrocaribe Agreement, Antigua and Barbuda has purchased fuel valued at more than \$535 million. Approximately 40 percent of this is in the form of concessional loans to be repaid over a 25-year period at an interest rate of 2 percent per annum.

Social Programmes:

The Peoples Benefit Programme (PBP) was launched in 2009. Currently there are 1,800 beneficiaries. To date, over 2,500 persons have received special debit cards valued at \$215 monthly, which they use to purchase food and selected personal items from designated outlets. This year two additional outlets in rural areas were accredited to the programme to decentralise the process. This programme has been realising its aim to assist the most vulnerable in Antigua and Barbuda. Approximately 40 beneficiaries are approved per month to the programme. The main applicants are single mothers, senior citizens who do not receive a pension, and persons with disabilities. A total of \$12,154,718.84 has been spent on this programme since its inception.

The Senior Citizens Utility Subsidy Programme (SCUSP) started in 2008 and provides pensioners in Antigua and Barbuda with \$100 monthly towards their utility services. At present, there are 4,714 beneficiaries, and, to date, a total of \$18,944,237.11 has been expended on this programme.

LPG subsidy for Barbudans

In August 2009, a decision was taken to subsidise the cost of transporting LPG cylinders from Antigua to Barbuda. This was done to reduce the retail price of propane gas in the sister island. The sum of \$106,592 has been spent on this programme.

Repayment of financed portion of shipments

The PetroCaribe Agreement contains a debt compensation component that offers member countries the option of paying for fuel with local goods and services. This option reduces the need to purchase foreign exchange to pay for petroleum and allows for increased production of locally grown and manufactured produce for export. Discussions are ongoing about how Antigua and Barbuda's tourism and educational products may be traded to Venezuela and/or other PetroCaribe member countries as payment on our invoices.

Madam Speaker, we take this opportunity to thank the President Hugo Chavez, the Government, and People of the Bolivarian Republic of Venezuela for the invaluable support provided to Antigua and Barbuda over the years.

People's Republic of China:

The Government and people of Antigua and Barbuda continue to benefit from long-standing diplomatic relations with The People's Republic of China. During 2012, we hosted official visits for a number of Chinese dignitaries . Our Non-Resident Ambassador to The People's Republic of China, Ambassador David Shoul, also visited China for further discussions, which mainly centered on two grant projects being funded by the People's Republic of China.

In 2012, the first phase of the restoration of the Gray's Green Gutter, including the mechanical aspects, was completed. As a result, flooding of the area during heavy rains has been minimized. This project has an estimated value of \$3.46 million.

The design contract for the Five Islands Secondary School has been signed by the Ministry of Works and Transport and the China Northeast Architectural Design and Research Institute. The ground-breaking ceremony is scheduled for the first quarter of 2013.

The new V. C. Bird International Airport Terminal is under construction, and is expected to be completed in 2013. This project is being financed by the Export-Import Bank of China. The total cost of the airport expansion project is estimated to be \$256 million.

For the fiscal year 2013, discussions are being held for possible Chinese-funded projects which include an indoor basketball-and-netball complex in the Gray's Farm Community, upgrading King George V playing field, and building an Olympic-sized swimming pool in the Langfords/Cedar Grove area.

MONEY AND CREDIT IN ANTIGUA AND BARBUDA

Madam Speaker

The outturn in the financial sector to some extent mirrored developments in the real sector. Notwithstanding movements in some monetary aggregates the sector remained

relatively robust, providing the platform for the recovery in the real sector. Data for the twelve month period ending September 2012 show that the money supply increased marginally by 0.7 percent to \$2.7 billion. During the period private sector savings deposits grew by 7.7 percent to \$1.1 billion. This increase in savings deposits was partly offset by declines in foreign currency deposits (17.3 percent), time deposits (1.2 percent) and demand deposits (1.1 percent). It is expected that the money supply will continue to expand in the fourth quarter as a result of increases in foreign currency deposits and currency in circulation associated with the start of the new tourist season.

During the period under review domestic credit declined by 2.5 percent to \$2.7 billion. Credit to businesses declined by 8.7 percent, while lending to households increased by 1.1 percent. The allocation of credit by economic activity was mixed but there was an overall decline of 2.3 percent. The increases in credit for transport (15.9 percent), financial institutions (10.0 percent), acquisition of property (6.0 percent) and distributive trades (2.9 percent) were offset by decreases in lending for tourism (10.0 percent) and public administration (2.9 percent). Government's activity during the period resulted in an 11.9 percent increase in its net credit position with the banking system. This was primarily associated with a decline in government's central bank deposits, reflecting multilateral inflows as well as the activity on the Regional Government Securities Market (RGSM).

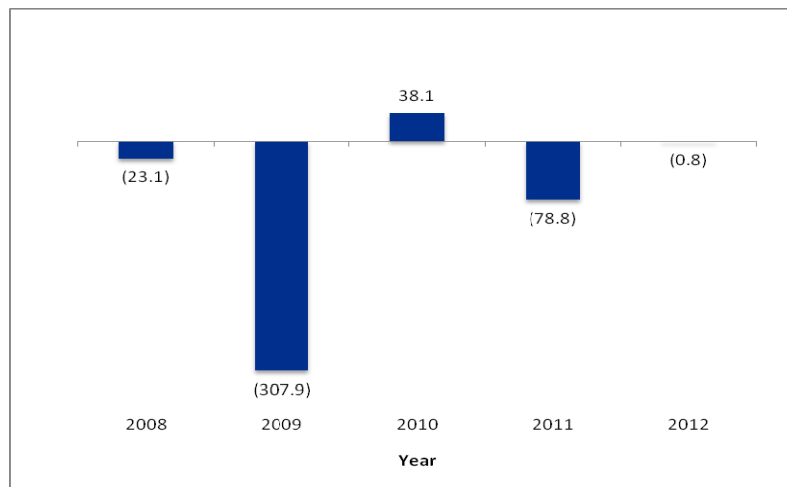
The net foreign assets of the banking system contracted by 1.5 percent to \$398.8 million during the period. Commercial bank activity resulted in a decrease in their net external assets position as well as their net asset position with banks and financial institutions within the ECCU. At the end of September 2012 Antigua and Barbuda's imputed share of the ECCB's reserves stood at \$459.8 million.

FISCAL PERFORMANCE 2012

The current account deficit is expected to improve by 99 percent from \$78.8 million in 2011 to about \$1 million in 2012. This performance is anticipated despite a \$45 million shortfall in current revenue, which is expected to amount to \$660 million for 2012. The projected outturn for current revenue in 2012 is about 6 percent below the \$705 million that was budgeted for the year. The main contributing factor to lower than forecasted revenue is the slower pace of economic recovery than was originally estimated for 2012.

Chart 1 presents the current account balance from 2008 to 2012. 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, rents, office supplies, and travel; payments to Mount St. John Medical Centre; and interest payments on debt.

Chart 1: Current Account Balance (EC\$M): 2008 to 2012



One of the key objectives of the Fiscal Consolidation Programme is ensuring that the Government is at least in a position 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 2009¹ to a surplus of \$38.1 million or 1.2 percent 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.

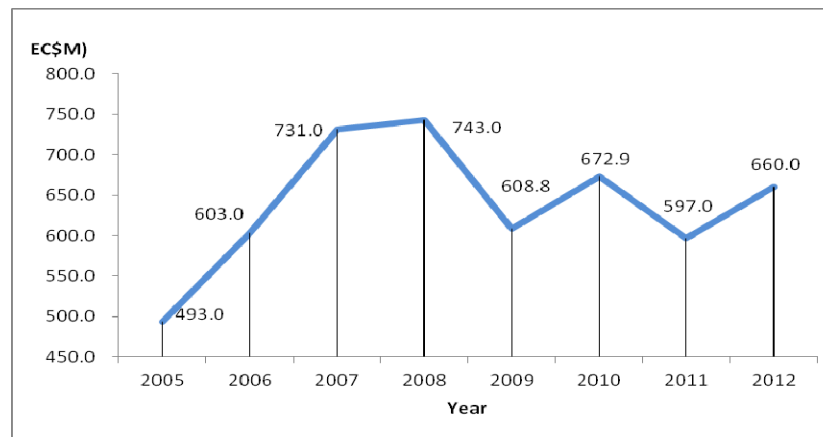
¹ A significant contributor to the deficit in 2009 was approximately \$234 million in interest payments on the debt, which includes large penalties on arrears and past due interest.

Current expenditure for 2012 is projected to be \$660.9 million. This is about 2 percent less than actual current expenditure of \$676.1 million recorded for 2011, and \$19.6 million less than the \$680.5 million estimated in Budget 2012. The Government's ability to maintain expenditure below budgeted levels is the result of ongoing efforts to curtail spending, especially given the lower revenue outturn.

Revenue Performance

As seen in Chart 2, current revenue grew steadily between 2005 and 2008, as a result of strong economic growth and a number of tax reform initiatives that were implemented over that period. Current revenue declined sharply in 2009 due to the fallout from the global economic and financial crisis. 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 and \$20 million in tax arrears. Current revenue in 2011 was less than in 2010 as there were no current grants and the magnitude of tax arrears collected was not as significant. In light of this, current revenue amounted to \$597 million for 2011. For 2012, current revenue is expected to amount to \$660 million. This is about 10 percent greater than current revenue collected in 2011.

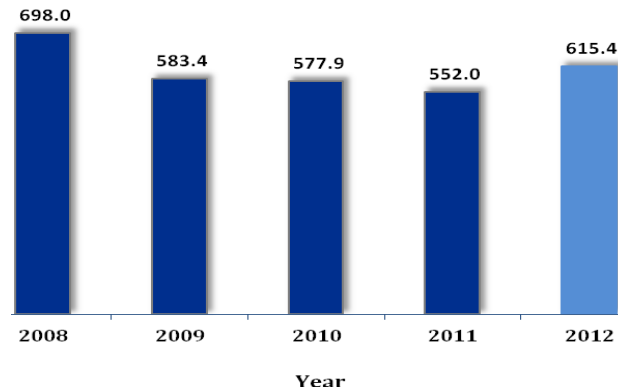
Chart 2: Current Revenue (EC\$M): 2005 to 2012



Tax revenue is presented in Chart 3. In the 2012 Budget Statement, tax revenue was projected at \$656.2 million. Actual outturn for 2012 is estimated to be about 6 percent

less, at \$615.4 million. Tax revenue outturn for 2012 is estimated to be about 11 percent above the \$552 million collected in 2011.

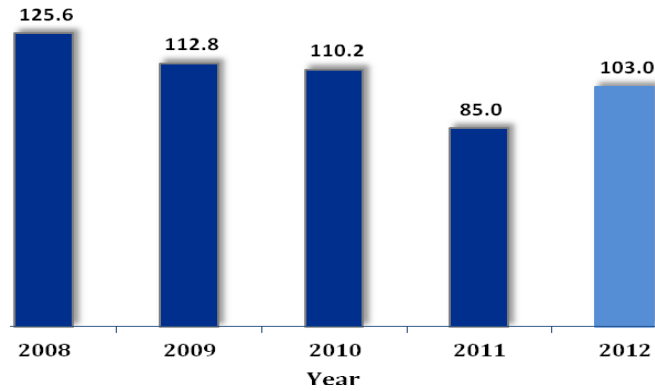
Chart 3: Tax Revenue (EC\$M): 2008 to 2012



Direct taxes, which should yield \$103 million in revenue, accounted for about 17 percent of tax revenue in 2012. This is about 21 percent more than the \$85.0 million in direct tax revenue generated in 2011. The increased yield from direct taxes in 2012 is due to growth in collections from the corporation, personal income, and property taxes. Revenue collected from direct taxes between 2008 and 2012 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.

In 2012 revenue from taxes on income amounted to \$82.8 million, which is about \$14 million more than the amount collected in 2011. Corporation Tax and Personal Income Tax, which make up taxes on income, are expected to yield \$39.2 million and \$43.6 million in revenue respectively. As a result of the Inland Revenue Department's efforts to boost compliance and collect outstanding arrears, the yield from the Corporation Tax is estimated to be 14 percent higher in 2012 compared to 2011. Revenue collection from Personal Income Tax grew by about 27 percent in 2012 compared to 2011. This is mainly a result of the implementation of the provision to include allowances and benefits in the definition of taxable income in April 2012. This broadening of the definition of taxable income has closed a number of loopholes that had impeded the administration of the tax.

Chart 4: Direct Taxes (EC\$M): 2008 to 2012



Property tax, the main component of taxes on property, generated \$16 million in revenue in 2011. This is expected to increase by about 8 percent in 2012 to \$17.3 million. The collaboration between the Property Valuation Department and APUA to distribute citations to property owners continues to contribute to the improved performance of this revenue source. The staff of the Property Valuation Department must be commended for their efforts to increase revenue collected from the property tax.

Chart 5: Taxes on Income (EC\$M): 2008 to 2012

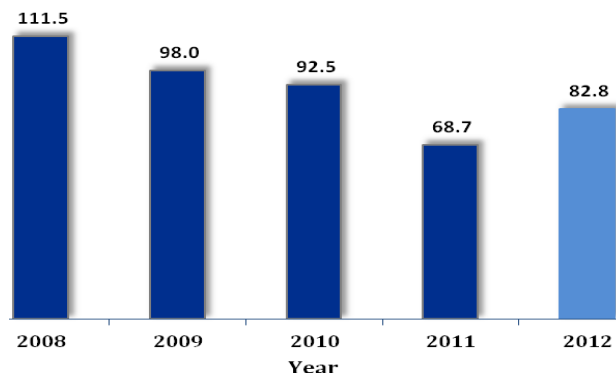
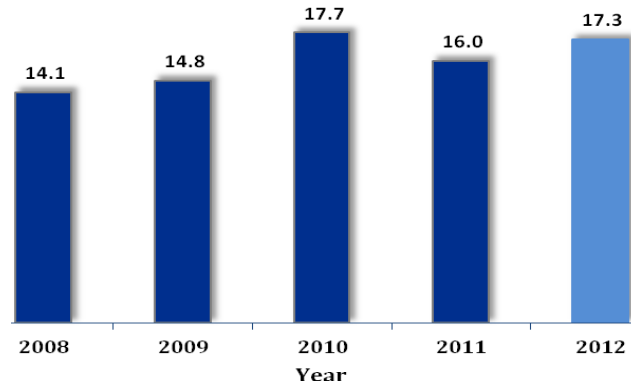
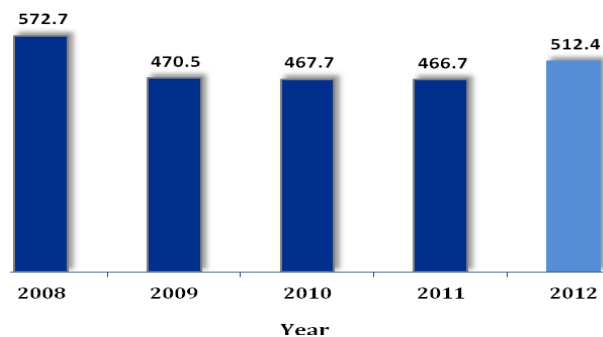


Chart 6: Property Tax Revenue (EC\$M): 2008 to 2012



Indirect taxes are projected to account for 83 percent of tax revenue in 2012 and are expected to generate \$512.4 million, which is about 10 percent above the amount generated in 2011. Though the slight pickup in economic activity in 2012 has resulted in improved revenue performance from indirect taxes, revenue from indirect taxes still lags behind pre-crisis levels (see Chart 7).

Chart 7: Indirect Taxes (EC\$M): 2008 to 2012



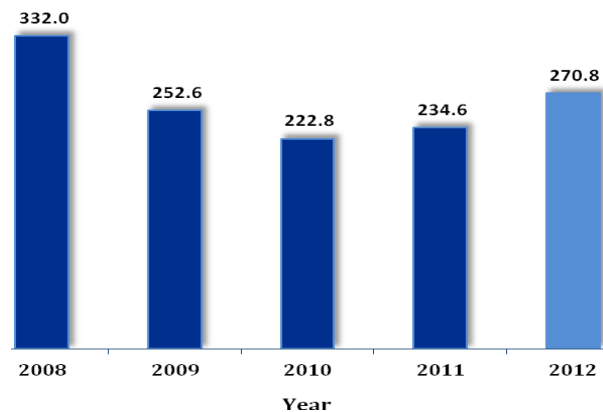
Indirect tax revenue is generated by taxes on domestic production and consumption and by taxes on international trade and transactions. Taxes on domestic production and

consumption include stamp duties and the ABST, and are expected to yield revenue of \$270.8 million in 2012. This is about 15 percent greater than the \$234.6 million collected in 2011. Chart 8 presents revenue collections from this category of indirect taxes.

Chart 9 presents revenue collected from stamp duties and the ABST between 2010 and 2012. Stamp duties are projected to grow by about 41 percent in 2012 compared to 2011. Revenue from this source is expected to amount to \$40.9 million in 2012. This strong performance reflects increased activity with respect to transfers of property, particularly in relation to the expansion work at Jumby Bay Resort, and growth in credit for residential construction.

The ABST is the main source of revenue from taxes on domestic production and consumption and is expected to yield \$221.3 million in 2012. This represents a 12 percent increase over the \$197 million generated in 2011 and is indicative of improved compliance as well as some economic recovery in 2012.

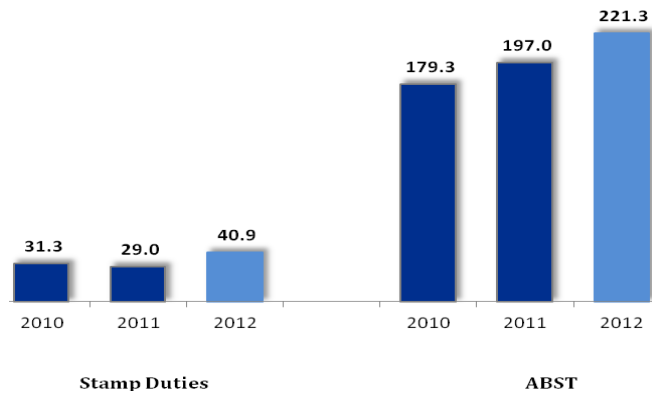
Chart 8: Taxes on Domestic Production and Consumption (EC\$M):2008 to 2012



Madam Speaker, despite the challenges we have faced, this data irrefutably proves that revenue is trending upwards. This was not achieved by wishful thinking or luck. It was achieved through the circumspect, meticulous, studied approach of this government. It was achieved by the confidence reflected in those from the investor community – corporate Antigua and Barbuda, small business owners like the many family businesses,

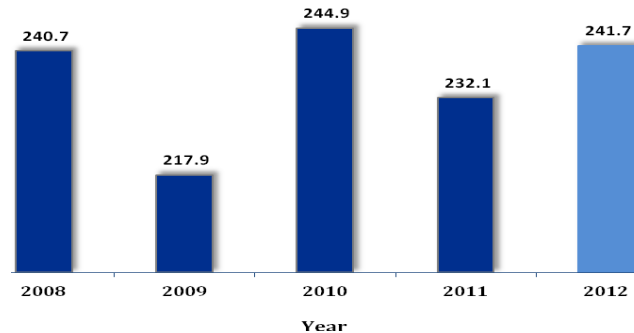
those embarking on the construction of new homes, individuals investing in home repairs, our food producers and manufacturers. They have invested in this economy.

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



As seen in Chart 10, revenue from taxes on international trade and transactions is projected to be \$241.7 million in 2012, which is a 4 percent improvement over the amount collected in 2011. Included in this group of taxes are the embarkation tax, the Passenger Facility Charge (PFC), the Revenue Recovery Charge (RRC) and Import Duty.

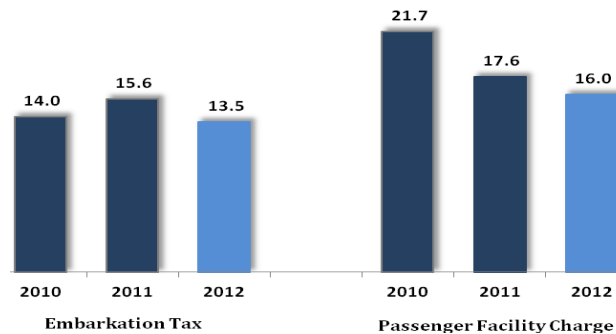
Chart 10: Taxes on International Trade and Transactions (EC\$M):2008 to 2012



Revenue from the Embarkation Tax is expected to amount to \$13.5 million in 2012, which is about 13 percent less than the \$15.6 million collected from this revenue source in 2011. In 2012 revenue generated by the Passenger Facility Charge is expected to decline by 9 percent from \$17.6 million in 2011 to about \$16 million in 2012. The decline in revenue from these two sources is a result of the introduction of the Airport

Administration Charge (AAC) in November 2012. Both the Passenger Facility Charge and the Embarkation Tax were eliminated with the introduction of the AAC, so the yield from these taxes would only be for 10 months in 2012. Chart 11 shows the revenue yield from the Embarkation Tax and Passenger Facility Charge.

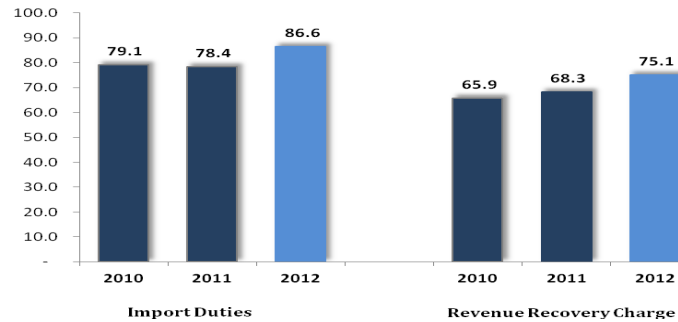
Chart 11: Revenue from Embarkation Tax and Passenger Facility Charge: (EC\$M)



Since its introduction in January 2010, the yield from the RRC has grown steadily (See Chart 12). In 2010, the RRC generated \$65.9 million and this increased to \$68.3 million in 2011. Revenue from the RRC is expected to increase by about 10 percent in 2012 to \$75.1 million. The RRC replaced the Customs Service Tax and is applied at a rate of 10 percent on all non-oil imports. Import Duties generated \$78.4 million in 2011. Revenue from this source is also projected to increase by 10 percent to \$86.6 million in 2012.

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 2012 non-tax revenue is expected to amount to \$45.1 million, which is about 2 percent below the \$46 million collected in 2011. While dividends paid to the Government from State Insurance Corporation increased in 2012, profits from other statutory corporations and from the ECCB were less than in 2011, resulting in the slight decline in performance for this area of revenue.

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



Expenditure Performance

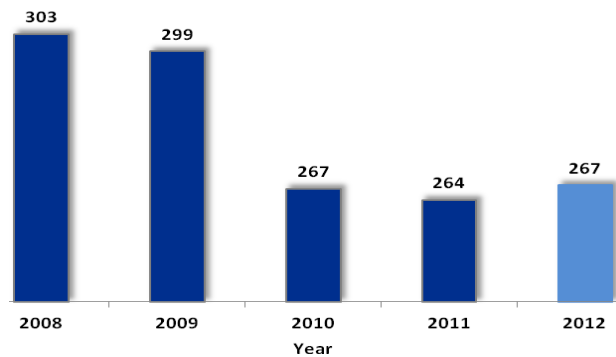
The Government continued to implement a number of policies in 2012 that helped to improve expenditure control and management. These policies include a procurement policy that requires ministries and departments to secure approval from the Office of the Financial Secretary before executing a transaction with a merchant or contractor. This procurement policy was introduced in 2012 and has afforded the Government sufficient flexibility to adjust expenditure within the fiscal year to keep spending in line with revenues. In addition to the procurement policy, the Government 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 \$660.9 million in 2012, which is 3 percent less than the \$680.5 million forecasted in Budget 2012. 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 are expected to amount to \$267 million in 2012, accounting for about 40 percent of recurrent expenditure. This is about 1 percent less than the \$271 million estimated in Budget 2012 and 1 percent more than the \$264 million spent on wages and salaries in 2011. The increase in wages and salaries in 2012 compared to 2011 is mainly a result of recruitment of new teachers, upgrades in salaries for some Government

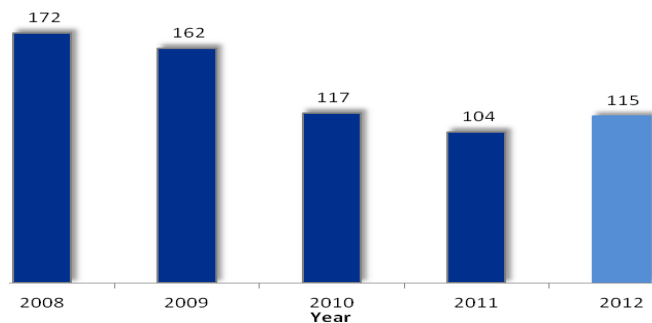
departments and payment of contractual allowances. Chart 13 presents the changes in expenditure on wages and salaries between 2008 and 2012.

Chart 13: Wages and Salaries (EC\$M): 2008 to 2012



In Budget 2012, expenditure on goods and services was estimated at \$123.4 million. Actual expenditure on goods and services is projected to be about \$115 million, which is about 7 percent below the amount budgeted for 2012 and about 11 percent more than expenditure on goods and services in 2011. 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 2008 and 2012.

Chart 14: Goods and Services (EC\$M): 2008 to 2012

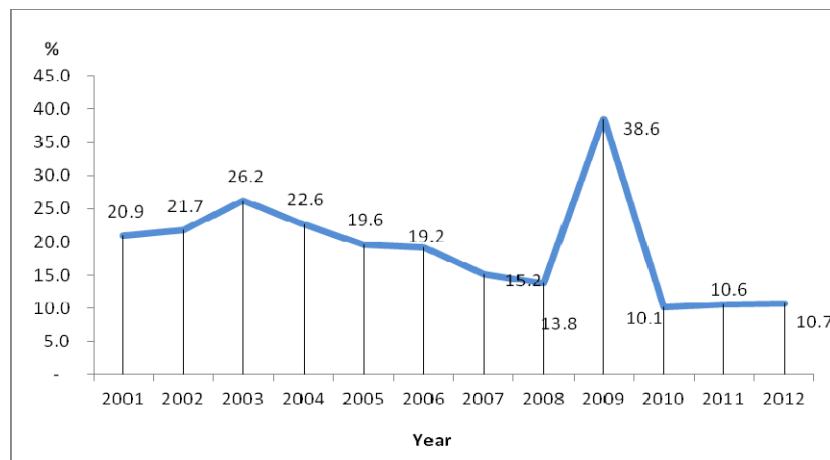


Transfer payments are expected to amount to about \$185 million in 2012, which is about 3 percent above the \$180.2 million estimated in Budget 2012 and about 18 percent below the amount spent in 2011. Transfer payments include expenditure on pensions and gratuities, and transfers to state-owned corporations 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 \$70 million in 2012 and is about 9 percent more than the amount spent in 2011. The additional spending on pensions and gratuities is indicative of the number of officers leaving the public sector through attrition.

Expenditure on other transfers is projected to be \$115 million for 2012 and is 29 percent less than the \$162 million spent in 2011. The increase in expenditure on other transfers in 2011 was a result of the Government's financial assistance to ABI Bank. Since this level of transfers to ABI Bank was not required in 2012, this expenditure item in the fiscal accounts returned to traditional levels.

In 2012 interest payments are expected to amount to \$70 million, which is 18 percent less than the \$85.5 million estimated in Budget 2012. 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 Management Unit and the impact of the debt strategy on the public debt. Chart 15 tracks interest obligations as a percentage of current revenue between 2001 and 2012.

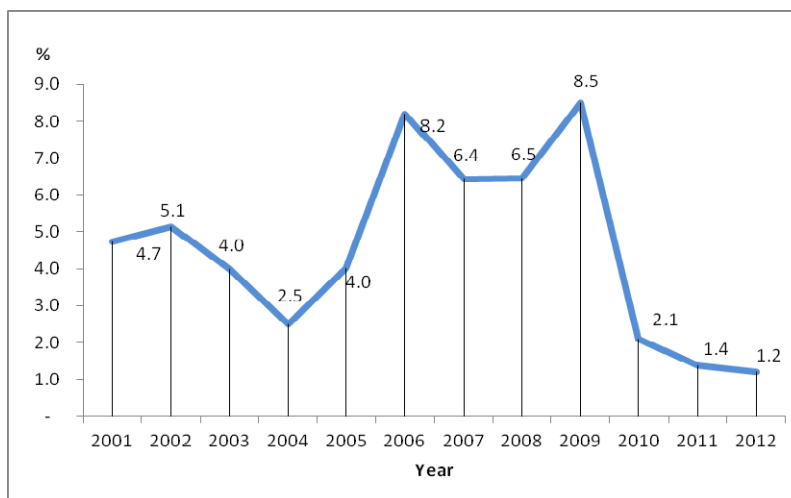
Chart 15: Ratio of Interest to Current Revenue (EC\$M)



Of the \$60.3 million in interest payments made between January and October 2012, more than \$6.2 million was paid to investors in treasury bills and bonds that were issued before 2004. For the same period, \$4.9 million was paid to investors in bonds issued on the RGSM. Also, \$38.1 million was paid to domestic banks between January and October 2012. In addition to these interest payments, the Government made \$85.1 million in principal repayments to domestic and external creditors. Of this amount \$69.6 million represents payments to domestic creditors, while \$15.5 million was paid to external creditors.

In Budget 2012 we projected capital expenditure would be \$74.5 million, with \$24.1 million of this expenditure to be funded with grant resources. Actual capital expenditure for 2012 is estimated to be \$37 million or about 1.2 percent of GDP. The grant resources that were included in the budget for 2012 were related to the airport terminal expansion project. However, these funds were reprogrammed for use in 2013, closer to the end of the project. This, along with the lower than budgeted revenues, resulted in only about 50 percent of forecasted capital expenditure being realised in 2012. This level of capital expenditure remains below the level of investment required to maintain the capital stock and fund new infrastructural development projects. At a minimum, capital spending in Antigua and Barbuda should be 5 percent of GDP. Chart 16 tracks capital expenditure as a percentage of GDP from 2001 to 2012.

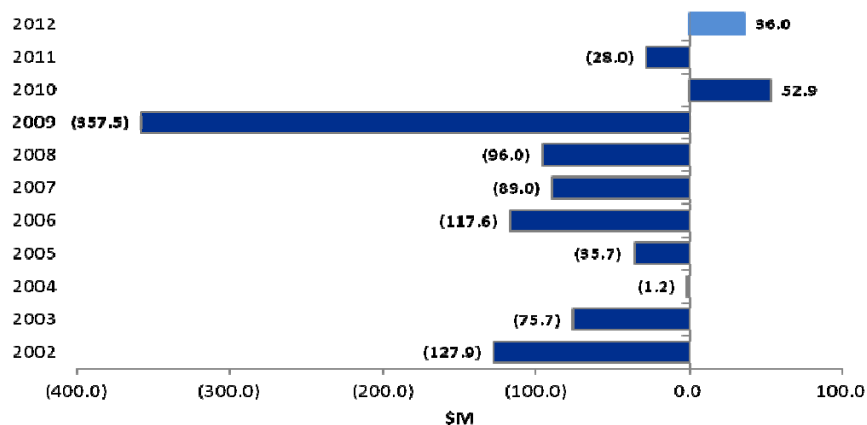
Chart 16: Capital Expenditure in Percent of GDP



Over the past three years, average spending on capital projects amounted to about 1.5 percent of GDP. This is significantly below average capital expenditure of over 7 percent of GDP between 2006 and 2009. Capital spending was restricted between 2010 and 2012 because of revenue constraints and the Government’s policy decision to safeguard public sector employment and key social programmes in the face of the global economic crisis. The focus over the past few years has been on maintaining the capital stock through a targeted road repair and maintenance programme. Between January and November 2012, approximately \$14 million was spent on road works to avoid irreversible damage to the road network.

Madam Speaker, while opportunities to undertake new investment in infrastructure were limited, the Government has made payment of outstanding amounts to local contractors and merchants a priority. Between January and October 2012 we made \$30 million in payments to contractors and local merchants and suppliers. Since June 2010 the Government has paid \$270.8 million to contractors and local merchants and suppliers.

Chart 17: Primary Balance (EC\$M): 2002 to 2012



Total primary expenditure, which is capital expenditure, plus recurrent expenditure, less interest payments, represents the Government’s total spending in the fiscal year. A Government that pursues sound fiscal management will seek to ensure that its primary or non-debt expenditure can be paid for with the revenues it generates in a fiscal year. Over the last ten years (Chart 17), Antigua and Barbuda first generated the revenues required

to cover its non-debt expenditure in the year 2010, when the Government's Fiscal Consolidation Programme began to take root.

After realising a primary surplus of about \$53 million in 2010, the primary balance deteriorated to a deficit of \$28 million in 2011. This was mainly a result of the Government's unplanned but necessary \$40 million financial support to ABI Bank in 2011. If the Government did not have to provide this assistance, the outturn for 2011 would have been a primary surplus of \$13 million. Despite this setback, the Government remained committed to its Fiscal Consolidation Programme and focused on remaining on a path of prudent fiscal management. This focus on sound fiscal management is expected to yield a primary surplus of \$36 million in 2012. This represents a more than doubling of the primary balance between 2011 and 2012. Table 1 presents a summary of expenditure and revenue for 2010 and 2011, the amounts estimated in Budget 2012, and the projected outcome for 2012.

Table 1 – Fiscal Summary

	Actual 2010	Actual 2011	Budgeted 2012	Prelim Estimate 2012
Total Revenue and Grants	688.9	623.2	734.0	664.0
Current revenue	672.9	597.4	705.9	660.0
<i>of which: Tax revenue</i>	577.9	552.4	656.2	615.0
Capital revenue	3.0	3.0	4.0	3.0
Capital grants	13.0	23.0	24.1	1.0
Total Expenditure	700.6	715.0	755.0	698.0
Current expenditure	634.8	676.1	680.5	660.9
Wages and salaries	266.6	263.9	270.7	267.0
Contribution to SSB, MBS,BOE	17.7	19.8	20.6	24.0
Goods and services	117.0	103.8	123.4	115.0
Interest payments	64.6	63.3	85.5	70.0
Pensions, other transfers	168.9	225.3	180.2	185.3
Capital Expenditure & Net Lending	65.7	38.7	74.5	37.0
Current Account Balance	38.1	(78.7)	25.4	(0.9)
Primary Balance	52.9	(28.5)	64.5	36.0
Overall balance	(11.7)	(91.8)	(21.0)	(34.0)

For most of our thirty one years as an independent nation, Antigua and Barbuda failed to manage its fiscal affairs in a judicious manner. Instead, obligations to creditors were not honoured, there was an accumulation of arrears to local contractors and suppliers, agreements for increases in wages and salaries were breached, and responsibilities to statutory corporations were neglected. In developing and implementing the Fiscal Consolidation Programme, this Administration was very determined to end this unsustainable approach to managing the country's finances. By aligning revenues with expenditure and pursuing primary surpluses, the Government can cover non-debt expenditure with revenues and grants received in a fiscal year and will have surplus funds to service its debt, including arrears to local contractors and suppliers.

Madam Speaker, the path of fiscal consolidation has been tough and was made even more difficult because of Antigua and Barbuda's former legacy of broken promises and irresponsible behaviour. However, this Administration is certain that this is the right course of action to restore our nation's honour and to secure our long term stability. Let us not forget the words of the seventh chapter of Matthew's gospel: *"....wide is the gate and broad is the way that leads to destruction.....narrow is the gate and difficult is the way that leads to life"*. It is easy to ignore sound fiscal practices and it takes little effort to enter into agreements with local and external creditors with no real intention of honouring them. While this harm was being done to our fair Antigua and Barbuda, there were some who claimed and continue to claim that those were golden days for our people. Instead of golden days, Madam Speaker, we have had to grapple with the consequences of crippling debt, ballooning arrears, loss of access to traditional sources of funding, and the fallout from questionable relationships with various "investors" that have ultimately tarnished the reputation of our beloved nation.

This Administration refuses to be seduced by the so-called easy road. We will remain on the path that demands hard work: A path that eschews the quick fix and focuses on a deliberate and consistent effort to bring about a desired outcome. There have been some difficulties along the road to fiscal responsibility, particularly as the Government has been sometimes late in meeting its obligations to public servants, creditors and local merchants and suppliers. Though this journey has been challenging, we are confident that our persistence will be rewarded abundantly.

Madam Speaker, our certainty and confidence have been reinforced by the significant support Antigua and Barbuda has received from regional and international institutions such as the ECCB, CDB, CARTAC, European Union, World Bank, and IMF. These

institutions have provided substantial technical and financial assistance to the Government and people of Antigua and Barbuda. Contributions from our regional and international partners were possible because of this Government's commitment to changing the way we do business and re-establishing our nation's credibility. Because they considered this Government's Fiscal Consolidation Programme to be credible, the IMF and CDB have, between June 2010 and November 2012, provided \$233 million to the Government by way of a Stand-By Arrangement and a Policy Based Loan.

These resources have allowed the Government to meet its obligations to domestic and external creditors, reduce arrears to local contractors and merchants and retain critical social programmes that have proven invaluable to many citizens and residents. Madam Speaker, you are no doubt aware that in the face of the global economic crisis, many nations have had to cut back expenditure in all areas in order to balance their budgets. Such spending cuts resulted in the closure of schools and hospitals; elimination of social programmes; cuts in wages and salaries and retrenchment of workers. With the help of our regional and international partners, this Government was able to pursue fiscal consolidation while retaining essential programmes and avoiding further social and economic fallout from the retrenchment of public servants.

Improving the fiscal operations in Antigua and Barbuda remains a work in progress. However, the most tumultuous part of this journey is behind us. With our continued commitment to good financial management, this Government will secure fiscal stability and debt sustainability for this nation. This will be achieved through an ongoing process of strengthening the institutions responsible for revenue administration and expenditure management. Madam Speaker, this Administration has put a solid foundation in place and we can expect that as Antigua and Barbuda emerges from this period in our economic history, the improved mechanisms for fiscal management will yield tremendous benefits for our people.

ECONOMIC OUTLOOK 2013

Madam Speaker

The October 2012 publication of the *IMF World Economic Outlook* predicts global output will grow by 3.6 percent in 2013. Output in emerging and developing economies is projected to grow by 5.6 percent in 2013 with the highest level of growth expected for China at 8.2 percent and India at 6.0 percent. Though economic performance in the

emerging and developing economies remains somewhat robust, there has been a slowdown in the pace of growth due to fiscal tightening in these economies in the face of domestic challenges and weaker economic performance in advanced economies. Alternatively, growth in the ‘advanced economies’ is projected at just 1.5 percent for 2013. A resolution of the economic and financial turmoil in the Euro area will be essential to alleviate uncertainty and improve economic performance in this very strategic area. It is expected that 2013 will bring some modest improvement in performance in both “core” (e.g. Germany and France) and “peripheral” (e.g. Greece and Portugal) economies of the Euro area as further budget cuts and Euro area-wide and domestic policies take root. Overall, the Euro area is expected to grow by 0.2 percent in 2013. This outlook is based on assumptions that policy makers will successfully implement measures and mechanisms that will enhance confidence, lower costs of capital, and stem capital flight.

Prospects for 2013 in the United States will depend on whether President Obama and US congressional leaders come to some agreement to avoid the impending ‘fiscal cliff’. The ‘fiscal cliff’ refers to the expiration of Bush-era tax cuts and automatic spending cuts to defence and domestic programs which are expected to begin the daunting process of reducing the budget deficit, which is estimated to reach \$1.1 trillion or 7 percent of GDP at the end of 2012. This potential fiscal tightening in the US economy comes against the backdrop of an already fragile recovery and elevated, though falling, unemployment levels. In the absence of some compromise, the US economy could be thrust back into recession.

As these issues in Europe and the US remain unresolved, resurgence in the global economy is expected to be slow and bumpy in 2013. For our major trading partners, growth is projected at 2.1 percent for the United States and 1.1 percent for the United Kingdom. Other factors that serve as downside risks for global economic performance in 2013 are possible spikes in oil prices as a result of ongoing geopolitical issues in key oil producing regions and rising food prices due to droughts in major grain producing countries. The use of grain and other key agriculture produce in the production of alternative fuel is also a contributing factor to the upward pressure on food prices.

Using data as at June 2012 the ECCB forecasts economic growth of 1.8 percent in 2013. Based on data available at June 2012, growth in the individual ECCU countries is projected as follows:

- Anguilla: 1 percent
- Antigua and Barbuda: 2.4 percent
- Dominica: 1.7 percent
- Grenada: 1.2 percent
- St. Kitts and Nevis: 1.8 percent
- St. Lucia: 1.9 percent
- St. Vincent and the Grenadines: 1.5 percent

These numbers are expected to be revised as projections based on data available in September 2012 are made available shortly. Based on the new information, growth in the ECCU area for 2013 is expected to be slightly lower at 1.6 percent compared to the earlier forecast of 1.8 percent. Indications are that the 2013 growth rate for Antigua and Barbuda, based on data from September 2012, will be 1.7 percent instead of the previous forecast of 2.4 percent. This growth in 2013 will be due mainly to expansion in the hotels and restaurants, construction, manufacturing, wholesale and retail trade, and real estate sectors.

Overall, growth in the ECCU region will depend largely on economic developments in the major advanced economies, especially the Euro area and the United States. The IMF's *Global Financial Stability Report* of October 2012 puts it simply: *"In the face of fragile financial conditions, failure to decisively resolve the economic instability in the Euro area and to forestall sudden and deep fiscal tightening in the US will result in further depression of growth rates in 2013"*.

Though the uncertainty in the global economy has implications for Antigua and Barbuda's economic prospects in 2013, this Government is confident that the fiscal and economic policies that we continue to pursue will secure growth and stability for our people.

STRATEGY FOR 2010 TO 2014 - THE NEST PLAN

Over the past few years the Government has focused on implementing the policies and programmes outlined in the National Economic and Social Transformation (NEST) Plan to deal with the impact of global economic developments on Antigua and Barbuda. The NEST Plan's purpose is to stabilise the macroeconomic environment in Antigua and

Barbuda following the fallout from the global economic and financial crises, the failure of British American and CLICO, the dismantling of the online gaming industry, and the collapse of the Stanford Financial Group. Essentially, the NEST Plan is our crisis management strategy. Through the Fiscal Consolidation and Financial Sector Stability pillars of the Plan, we have been able to stabilise and strengthen the fiscal position and protect our financial sector.

The interventions in relation to the Economic Action Plan and the Social Transformation Programme have helped to generate some economic activity and maintained the social safety nets that provide crucial relief to the vulnerable in society. The NEST Plan has played a critical role in guiding this nation through one of the worst periods in the economic history of the world. Guided by the gentle yet sturdy hand of our Honourable Prime Minister, we have emerged from the storm. Though not unscathed, our nation is stronger for having endured this trial. Our much touted resilience has been tested and we can say unequivocally that we are poised to not just persevere but to thrive.

The recovery in economic output in 2012 validates what this Administration has stated at every turn. Antigua and Barbuda can realise economic growth through the concentrated effort of our people to do what is right and responsible with respect to fiscal management and how we treat our creditors. We can stimulate growth by empowering and encouraging our nationals in entrepreneurial pursuits. However, as a small, open economy, Antigua and Barbuda will still require foreign direct investment to secure and sustain the high levels of economic growth that can secure prosperity for our people.

This entrepreneurial drive and investment for economic transformation will not just happen. There must be deliberate interventions that can attract investment and create an environment that enables growth. Such interventions must be determined by policies articulated in an overall development strategy. In this regard, the Government established a Strategic Development Committee in March 2012 to update the National Strategic Development Plan (NSDP) that was approved by Cabinet in May 2011 and prepare a Medium-Term Strategic Development Plan (MTSDP). The MTSDP will be underpinned by the following strategic objectives:

- Fiscal Balance
- Education for All
- Enhancing our Social Development Agenda

- Preserving our environment and building a stronger physical infrastructure
- Economic sustainability
- Antigua and Barbuda – the Best Brand

The first draft MTSDP will be completed by January 2013, following which the Caribbean Development Bank will provide technical assistance to complete the Plan. The CDB will also assist the Government to improve the institutional arrangements for development planning by providing training and other support to the Development Planning Unit in the Ministry of Finance. Before it is finalised, the MTSDP will be presented to all stakeholders and the public of Antigua and Barbuda in a series of consultations and public education events to ensure that all citizens and residents have an opportunity to influence the content of the development plan for this nation.

Once it is completed, the MTSDP will succeed the NEST Plan as the Government's blueprint for growth and development over the short to medium term. It should be noted however, that fiscal and debt sustainability, financial sector stability, social protection along with promoting economic growth will remain the underlying principles of this Administration's development strategies.

FISCAL STABILITY

Madam Speaker

Since assuming office in 2004, the UPP Administration has focused on transforming fiscal operations in Antigua and Barbuda. This Government was acutely aware that sound fiscal management is essential for sustained growth. Therefore we immediately began a process of fiscal reform that included streamlining the tax system and rationalising expenditure. Our intention was to implement the fiscal reforms in a phased manner to gradually consolidate the fiscal position in Antigua and Barbuda. We started to realise the benefits of our early interventions as revenues increased significantly between 2004 and 2007 and expenditure was managed more effectively. Also, due to our success at restructuring and renegotiating a number of long outstanding debts, we were able to reduce the debt to GDP ratio from over 140 percent in 2004 to 115 percent in 2009.

In the wake of the global economic and financial crisis, the Government needed to intensify the reform process to accelerate the pace of fiscal consolidation. This was necessary in order to stabilise a situation where revenues had fallen by more than 20 percent. The Fiscal Consolidation Programme includes a set of policies to align revenue with expenditure and reduce the debt to a more manageable level.

Madam Speaker

Antigua and Barbuda's policy interventions over the past few years were not unlike policies pursued by other countries as they sought to respond to what has been termed "the great recession". In almost every circumstance the response has been the same, consolidate the fiscal, manage the debt, stabilise the financial sector, protect the most vulnerable. This has been our approach and this has been the approach taken by a number of countries in the Caribbean, in North America, South America, Europe and Asia. In fact we recognised very early that we would not be able to borrow or spend our way out of this recession. Thus, we sought the support of our development partners including the CDB, EU, World Bank and the IMF as we began the process of designing and implementing a comprehensive recovery programme.

I will hasten to add however, that the impact of the global crisis on the economy could have been mitigated if years of fiscal mismanagement did not limit our ability to use fiscal policy more actively to respond to this crisis.

Having stabilised our fiscal position and advanced our debt management objectives, the Government will emphasize strengthening capacity and institutional arrangements to secure fiscal stability. Though our SBA programme with the IMF comes to an end in June 2013, we are confident that through our ongoing engagement with regional and international partners, we will successfully maintain and build on the fiscal discipline that has been engendered through our fiscal and debt management strategies.

Madam Speaker

The ECCU Monetary Council's Debt to GDP benchmark of 60 percent by 2020 has anchored the Government's fiscal consolidation programme. Debt is incurred due to a combination of factors including declining transfers, overly ambitious investment programmes, persistent public sector deficits, natural disasters and so on. As a small state, high debt inordinately increases the country's vulnerability to exogenous shocks.

Pursuing policies aimed at reducing debt is therefore critical in creating the conditions for sustained growth and development in Antigua and Barbuda.

As a result of the Government's fiscal consolidation programme, our debt sustainability analysis now indicates that Antigua and Barbuda will reach the ECCU's benchmark in the prescribed time frame. Based on our data as well as statistics cited in the IMF's World Economic Outlook, our debt to GDP ratio has stabilized for the first time in 13 years. Our focus now is on continuing to strengthen our institutional framework and implementing our public financial management action plan.

Public Financial Management (PFM)

Madam Speaker

The Government is engaged in a comprehensive Public Financial Management project which is designed to significantly enhance the quality of service delivered by the public sector. The PFM Project will ensure that we receive the necessary capacity and will implement policies and procedures to achieve clearly defined objectives. The focus will be on transparency and accountability in the use of public funds, compliance and oversight and improved financial and operational management. This project will set the foundation for a fundamentally transformed and better performing public sector in which the public will have greater trust and from which the public will receive more efficient service.

Implementation of the PFM Action Plan commenced in the third quarter of 2010 with a \$10.9 million grant from the European Union. A PFM Manager has been appointed to directly oversee the implementation of the Action Plan; the primary beneficiaries include the Treasury Department, Customs and Excise Department, Inland Revenue Department, the Audit Department, and the Budget Office.

Treasury Department:

The PFM Project has addressed some of the process and reporting issues faced by the Treasury Department. Under this programme, procedures have been documented and formalised, staff trained, and technical resources provided that have improved the quality

of work in the Treasury. This has had several positive results: 1) data quality and data integrity have greatly improved; 2) errors are being easily identified and corrected; and 3) automated processes have replaced manual tasks, thereby reducing the time spent on activities like bank reconciliations. The time taken to produce financial statements has been significantly reduced for the last two years. Also, they are now being prepared in accordance with internationally accepted accounting standards.

This efficiency has been accomplished with the Integrated Financial Management System (IFMS), which is now being used more comprehensively, permitting a higher volume of transactions.

The creation of the “Financial Manager’s Dashboard” has given the Treasury the capability to produce management reports which can be distributed to departments and ministries for analysis and reconciliation purposes. The PFM reforms have aided in reducing the lag time of reporting departments’ activities to the Treasury. For example, information from revenue agencies is being received within two to three working days, which allows the departments to record transactions in real time and allows decision-makers to access the information.

Audit Department:

In 2011 the Caribbean Organization of Supreme Audit Institutions (CAROSAI) and the World Bank embarked upon a project that would strengthen the legislative framework of Supreme Audit Institutions (SAI) in the region. Coming out of this project were drafts for: Audit Acts, Public Accounts Committee guidelines, and Standing Orders for the Public Accounts Committee (PAC). These documents are being reviewed by the Office of the Attorney General after which they will be submitted to Parliament.

Under the PFM, the Audit Department is receiving technical assistance to strengthen the external audit function. This involves reviewing the arrangements for external audit and delivering on-the-ground training and mentoring in international audit methodology techniques. The Department therefore shifted its focus from a totally compliance-based audit approach to criteria-driven and risk-based approaches. The Department conducted its first Performance Audit using this approach in July 2012.

In 2012 the Director of Audit initiated a strategic planning process to identify the priorities for his office over the next five years. The strategic plan represents a common

vision for the office that emerged from discussions and workshops with all staff, along with the input from key stakeholders, Parliamentarians and senior civil servants. A draft strategic plan has been completed and will be submitted to the Public Financial Management Committee and the Cabinet for review and approval. Implementation of the recommendations of this plan would increase the technical capacity and effectiveness of the department, improve the level of compliance with international auditing standards, and enhance the Department's reporting requirements to Parliament.

The biggest challenge that the Department faced in terms of its morale, functionality and output, related to its accommodation, and I am pleased to say that this has been addressed. The Department was relocated to new premises, and once the necessary equipment is installed, the Department will function at its optimal capacity.

Reforming the Budget Process

In adopting a more cohesive approach to budgeting, the Ministry of Finance, the Economy and Public Administration hosted two budget fora in 2012. The first one apprised the ministries of the Government's fiscal position in an attempt to highlight the need for prudent management of the resources and the need for careful planning. The second forum required the ministries to report on their performance and spending to date, expectations for the remainder of 2012, and plans for 2013 given their budgetary envelope.

Also in 2012, the Ministry of Finance presented three quarterly reviews on the fiscal situation, commenced the process of classifying the budget using the international Classification of Functions of Government (COFOG) and posted the 2012 Estimates on the Government's website.

The Budget Office continues to work on improving the comprehensiveness of the budget and accuracy of estimates. With technical assistance in 2013, the focus will be on improving the budget process and related documents by:

1. Refining the budget planning template formalising the budget calendar
2. Formulating the template for a mid-year budget report

3. Continuing to classify the budget using COFOG, which will provide greater insight into spending in various sectors
4. Exploring the possibility of having an Expenditure Management Review Committee

Integrated Financial Management System (IFMS) accomplishments and plans

The tradition of poor expenditure accounting and management is being stamped out with the use of the IFMS. The IFMS is a strategic building block in this Government's public financial management modernisation and institutional strengthening agenda. It is a tool that will ensure key benefits that are notable both here at home and abroad.

Departments now play an integral role in accountability, having been trained in the data entry and accounting processes. Support from the IT Implementation and Management Unit ensures that the final outcomes presented in reports and final accounts accurately depict the financial position of the Government.

Expansion of the IFMS project will include:

1. Installing a human resource (HR) information system to afford us the ability to analyse HR data for workforce planning, performance evaluation, among HR needs.
2. Introducing the Commitments/Obligations module to capture details of capital projects, and ensure that projects are executed on time and on budget.
3. Installing the Revenue Accountability module to ensure better integration of Central Government revenue, eliminate delays, accurately account for revenue, and strengthen our cash forecasting activities.
4. Introducing the Purchase module to centralise and manage procurement.

These initiatives will yield outcomes that can move Antigua and Barbuda into a place of prominence on the world stage. We can be a shining example of good governance, transparency and accountability. Through sound structures, effective systems, and specialised skills we will ensure greater efficiency in the production of financial accounts; more timely reconciliation of accounts and production of reports for decision makers; greater integration of stakeholders into the PFM process; more timely accounting

of revenues to assist with cash flow forecasts; and greater emphasis on international standards to include fund accounting, commitment accounting, and international reporting requirements. We will also be able to create a PFM system robust enough to produce early warning signals to help us respond appropriately to dynamic global triggers.

Revenue Administration Reform

In 2009 the Government agreed to implement reforms in the revenue agencies, that is, the Customs and Excise and Inland Revenue departments. Initially, we obtained financing from the British Government to undertake the first phase of the revenue reform project. After that phase ended in September 2011, and in light of the significant progress, the European Union agreed to finance the second phase of the project, which is ongoing. This second phase of the reform agenda is for a period of 18 months, and ends in June 2013. Madam Speaker, I again wish to publicly express the Government's gratitude to the British Government and to the European Union for their tremendous assistance. Without this assistance, it would have been a challenge for us to undertake the structural reforms that have already proven to be of great benefit to Customs and Inland Revenue and to Antigua and Barbuda.

As stated one year ago, central to this reform strategy is equity and fairness, and so we aim to create and sustain a system where we will encourage all to realise their legal and moral obligations. 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, Parliament recently approved the *Tax Administration and Procedure Act (TAPA) 2012* which will empower the Commissioner of Inland Revenue to take appropriate action to recover monies rightfully due to the Government. While the powers of the Commissioner have been increased, we also recognise that he and his staff must be held more accountable for their actions and are obliged to change the culture of the Inland Revenue Department. This requires in the first instance, that taxpayers are seen as clients and not as their Tax Identification Numbers.

The TAPA has made it easier for taxpayers to understand their obligations, and to be aware of the consequences of failing to comply with the laws, by consolidating details of filing requirements and penalties into one Act. Previously, taxpayers would have to

review four or more pieces of legislation to familiarize themselves with these requirements.

Madam Speaker, the Government continues to work with regional and international experts and development partners in tax and customs administration, and they, together with our staff and technicians, have worked assiduously to close the numerous loopholes that have been exploited by many businesses to avoid paying their fair share of taxes. As a result of these efforts, we have witnessed a considerable improvement in the level of taxpayer compliance across all tax types. We appreciate, though, that we have more work to do, and so our efforts will be sustained in the year ahead.

It is, however, important to note that in order to improve compliance we also need to make it easier for taxpayers to conduct business with the revenue agencies. This has been one of our priorities during the last year. In keeping with this commitment to make it easier to do business with the revenue agencies, both Customs and Inland Revenue Departments are now equipped to accept payments from taxpayers using credit or debit cards. Further, we commenced discussions with service providers that would enable taxpayers to file returns and pay their taxes online, rather than having to visit the department in person. We expect this facility to be available during the second half of 2013.

Meanwhile at the Customs and Excise Department, we have made the decision to change our core operating system from CASE to ASYCUDA World, which is a modern, international system specifically designed for custom operations. Work on this changeover will commence in April 2013, and continue for approximately 18 months. Upon completion, this will significantly enhance the customer experience at Customs. Other changes currently in progress include the establishment of a Risk Assessment Unit and a Post Clearance Audit Unit within the Department. Once fully operational, these units will assist Customs in identifying high, medium and low risk importers, regarding the potential loss of revenues. The Department will continue to examine goods for high risk importers prior to release by Customs. Low risk importers and most medium risk importers will have their goods released without examination, but would be subject to audits following release of the goods. These measures will expedite the release of goods, and are designed to address complaints from importers that it takes too long to clear goods from Customs.

During this year we completed the task of updating the Harmonized System (HS) codes to the 2007 version, and completed work on the new *Customs Administration Act 2012*. We anticipate that the new legislation will be passed into law early in 2013, following which we will be able to commence the licensing and regulating of customs brokers.

Madam Speaker, there are other initiatives underway at both revenue agencies to include standardising the charges for specialised services at the Customs and Excise Department; implementing the use of new software to monitor petroleum imports; improving data exchange between the two Departments to aid in the identification of risk to revenue; and specialised audits of specific sectors.

Madam Speaker, we continue to strengthen the operations at both revenue agencies through the recruitment of new and qualified staff. In addition, we continue to build capacity in existing staff to allow them to conduct their duties in an efficient, effective and professional manner. During November 2012, both the Customs and Excise and Inland Revenue Departments engaged stakeholders and determined that their main concerns were poor communication with internal and external customers; inadequate working facilities at Customs and Excise Department; and less than satisfactory technology platforms. This is the new client approach of the revenue agencies, one of getting buy-in and consensus, which we are determined to continue. In the final analysis, our efforts at reform are comprehensive and will enhance efficiency and revenues, while providing taxpayers with a happier experience in their interactions with both agencies.

PUBLIC SECTOR MODERNISATION AS AN INSTRUMENT FOR SUSTAINED GROWTH

Madam Speaker

The Government of Antigua and Barbuda is committed to transforming the public service into a 21st century organisation that can boast cost-effective delivery of public service. Our modernisation agenda is designed to maximise the full potential of the public services as the engine for sustainable growth. Our efforts to date in initiating and bringing about broad-based reforms have been applauded by friends, strategic partners and the international community. This laudable performance has attracted tangible support from development partners that include the World Bank, CDB, European Union and the CARICAD, all of whom remain committed to assist Antigua and Barbuda with its difficult but necessary modernisation agenda. Building on our achievements in 2012, our

activities will be imbued with vigour during 2013 and our approach will be incremental yet decisive.

Policy Directive for a Single and Unified Public Service

In May 2012 the Public Sector Transformation Unit collaborated with the Committee of Permanent Secretaries (COPS) to recommend to the Cabinet concrete steps to integrate the established and non-established streams of workers in the public service. In September 2012, the Cabinet endorsed the proposal and issued a policy directive to create a single regularised and modern public service grounded on the principle of equal pay for equal work. The intention is to pass legislation to govern the management of all public servants as one collective. Other objectives are to create a more manageable workplace, uniformity of procedures and rules, and equitable pay structures.

During 2013 the Government will implement a series of activities to shape a public service that has the capacity, behaviours, performance monitoring mechanisms, governance and legal framework to deliver quality service as an instrument of sustainable growth.

Establishment of a Senior Management Board

Madam Speaker

Accountability for performance, processes and public resources is placed at the senior executive level of the public service. I speak of the public officers that include Permanent Secretaries and officers that serve the wider public service and include for example the Accountant General, Ombudsman, and Director of Audit. This band of civil servants is located at the vertex of the executive pyramid, just below the Ministers. They are the custodians of public resources and the guardians of the quality of public service. Their performance therefore comes into focus since their actions and decisions determine what obtains down the chain of command. Though a Committee of Permanent Secretaries exists, arrangements are loose and its focus has been primarily on public sector transformation.

The 2013 budget will invest in activities to revise the COPS arrangements and propose steps and features to create and institutionalise a replacement senior management board. This will include:

1. A competency framework for senior public officers;
2. A programme for continuous learning events that include management, leadership, and strategic planning;
3. An operational framework and guidelines;
4. A performance agreement mechanism that articulates clear roles and responsibilities, clear objectives and expectations for performance;

Strengthening the accountability framework and mechanisms for the Government's senior executive management is part of the fundamental management reform that is necessary for sustained growth.

Improved Policy Coherence in the Centre of Government

Madam Speaker

A strengthened accountability framework will depend on strong policy development and co-ordination by the Government. The Government is tasked with ensuring law and order; identifying and addressing issues that help improve the economic and social environment; creating growth by facilitating entrepreneurship, employment, educational opportunities, social assistance and health services. Mandates for policies and programmes to deliver these services are spread across the public sector and Government's ability to deliver depends on integrated policies and coordinated institutions.

Another important and fundamental condition for achieving sustained growth through a modernised public service is policy coherence. This places the focus on the Cabinet as the centre of Government, and its support office - the Cabinet Secretariat - as the coordinating arm. This is the apex machinery that influences the day-to-day operations of the rest of Government and the wider public sector. Modernising the public sector to secure growth and stability necessitates that the policy coordination system undergoes a thorough review of its functions, structure, processes and capacity. The system can be viewed as consisting of the Cabinet Secretariat, the Cabinet sub-committees, the ministries and the relationships among them.

Madam Speaker

During 2013 the Cabinet Secretariat will undergo a functional review that will offer recommendations for improved policy coherence. Recommendations will cover requirements for structuring, staffing, capacity development and coordination mechanisms. The review will be financed under the World Bank-funded Public and Social Sector Transformation (PSST) Project. The benefits from a review are many. They include, but are not limited to:

1. Improved quality of the material submitted to Cabinet. This implies a requirement for proposals to have supporting analysis, and evidence of inter-ministerial and other consultations to be considered acceptable for inclusion on the agenda;
2. More integrated strategic planning and annual work plans based on Government's strategic priorities;
3. Government-led development as a result of a transition from a bottom-up to a top-down policy implementation process. This means that Government would set the strategic priorities and declare the policy directions;
4. Better monitoring and evaluation of government programmes, with the focus on actual impacts and effects on society and the economy;

Efficiency and Effectiveness Reviews of All Ministries

Madam Speaker

Consistent with the review of the policy co-ordination system, ministries and departments will also undergo functional reviews during 2013. Integrated strategic planning is a prerequisite for efficiency and prudence in public spending. In 1997, Tony Blair, Prime Minister of Great Britain, coined the term "joined-up government". The term has now come to be used to describe integration of services, processes, systems, data and applications necessary to achieve a seamless, citizen-centred government. This is the purpose of the functional reviews. They will be used to assess the ministries' structure, staffing, strategies, systems and functions; consistency with their legal mandate; and relevance to the national policy goals and organisational objectives. The exercise will provide recommendations for consolidating, centralising/decentralising, outsourcing or privatising services and functions.

The functional reviews will be financed by a grant from the Caribbean Development Bank (CDB). It is important to note that two reviews financed by a grant from the World Bank were conducted in 2010 of the Ministry of Foreign Affairs and the Ministry of Works and Transport, and in each case recommendations for improved performance and operational efficiency are being implemented.

Job Evaluation Process

Madam Speaker

The Government's pronouncement of equal pay for equal work will be supported by a job evaluation exercise. This is a tool used by the international fraternity of human resource professionals to inform fair and equitable assessment and determination of job worth for the purposes of compensation through a comprehensive job evaluation system. A job evaluation process establishes the grade level for a particular job. The end result of the process is a ranking of the jobs in the organisation in which the more complex, responsible and skilled jobs are grouped at the higher end of the hierarchy, while the less complex fall at the lower end. Job evaluation is concerned with the job requirements as reflected in a comprehensive job description. Job evaluation is neither concerned with the qualifications the employee brings to the job nor the salary paid to that individual.

The policy objectives of job evaluation are as follows:

1. To ensure the fair and equitable compensation of employees in relation to their duties;
2. To ensure equity in pay for jobs of similar skill, effort, responsibility and working conditions by using a system that consistently and accurately assesses differences in relative value among jobs; and
3. To establish a framework of procedures to determine the grade levels and the consequent salary range for new jobs or jobs which have evolved.

Preliminary work for job evaluation has already begun. The Public Sector Transformation Unit is working with all ministries to update and standardise job descriptions. The guidelines for this exercise were developed by a consultancy financed by a grant from the World Bank. Having standard and legally defensible job descriptions will ensure that as we work to create a unified and modern public service there is consistency and equity in compensation. The pace of these activities will be accelerated in 2013 with continued

support from Government and unwavering commitment of the change agents who will ensure an enhanced quality of service by the public sector.

BUILDING TRUST IN STATISTICS – A PREREQUISITE TO GROWTH AND SUSTAINABILITY

Madam Speaker

For years now Antigua and Barbuda has been plagued by paucity of statistics to inform policy, to assess our performance, to contribute to business planning and development, and to be used in research to help us design relevant programmes and projects. Statistics provide the evidence needed to heighten public accountability. They play a central role in the processes of democracy. More importantly, as the world faces a complex array of challenges, policy- and decision-makers need better statistics. The scope has widened; the details have deepened, reflected in updated standards and classification; and concepts and methodologies have been revised to reflect changes in the global context.

For instance, we need statistics for several purposes, not least among them to:

1. Understand the characteristics and behaviours of our labour market;
2. Monitor the effects of world prices on domestic food prices and consumption patterns;
3. Analyse our terms of trade with the rest of the world, and the impact on our balance of payments;
4. Improve food security, sustainable agriculture, and rural development;
5. Monitor and evaluate the delivery of health care;
6. Monitor how our environment responds to the impacts of global warming or climate change;
7. Address gender equality and opportunities for women;
8. Monitor and evaluate the implementation of CSME regimes and the requirements for the OECS Economic Union;
9. Monitor the achievements of Millennium Development Goals (MDGs);

Official statistics serve a public good and on account of this, they are financed with taxation. It means therefore that we are obligated to produce a quality product – accurate, relevant, and timely. We must promote confidence in the production process and elevate

trust in statistics. The scope of official statistics, coupled with the uncoordinated production has created a situation where the demand for statistics remains largely unmet, while the deficit in the supply of “fit for purposes” statistics has continued to widen. The time is now to change the way we treat official statistics - critical inputs into policies, plans and programmes designed to secure growth and stability. No longer must we be shamed by the absence of timely and quality data that are unquestionably indispensable to the progress of any society.

Madam Speaker

Having reviewed the recommendations for strengthening and improving our national statistical system; considered the advice from the steering committee for the development of statistics; and assessed proposals from the CARICOM Regional Statistics Programme, the ECCB and the OECS Secretariat; the Government will move to establish an autonomous Statistical Authority.

We will publish plans early in the New Year to legislate the statistical authority as independent of government, making the coordination, governance and publication of official statistics the responsibility of a wholly separate body at arm’s length from Government and fully independent of it.

We will legislate for:

1. Independence by establishing it as an agency with corporate status, with special funding arrangements outside the normal budgeting and spending review process;
2. The appointment of a national statistician who will be head of the statistical authority and the Government’s chief professional adviser on statistical matters. He or she would possess the knowledge, prestige and wisdom, and embody the status, image, integrity and professionalism commensurate with the importance accorded to official statistics;
3. The creation of an independent governing Board for the statistical authority, with delegated responsibility for meeting an overall goal of integrity in the national statistical system;
4. The appointment through open and fair competition of external members to the Board, drawn from leading experts in statistics and including men and women from academia and business;

5. Accountability to Parliament annually, and to the Minister responsible for official statistics on a regular basis to explain and to be questioned by the performance of the statistical system.

The independent statistical authority will be legislated as the central coordinating body and affirmed the institutional leader in the national statistical system, the Government intends to retain the current decentralised system of statistical production (with improved institutional arrangements). This will ensure that we benefit from maintaining professional statistical expertise across government, while keeping statisticians close to policy work in departments and agencies, and close to other essential data suppliers and data users.

Madam Speaker

The autonomous agency cannot on its own improve this debilitating situation. Data suppliers, especially those in the business community, must recognise that it is their statutory obligation to respond to requests for data from the statistical authority. These are the inputs to produce official statistics. If businesses and households fail to comply, then either the requisite statistics will not be produced, or the quality of the data produced will be compromised. While the Government is repeatedly criticised for wastage, the proponents must also accept that evidenced-based policy derives from the data that businesses and households are required to supply by law. Indeed we will have an enormous expenditure outlay to correct this circularity of poor performance, but the benefit to be derived from having an efficient statistical system cannot be measured in terms of money. It lies essentially in the supply, timeliness and correctness of the data that are provided to Government and on the resulting compilation and dissemination of official statistics.

Madam Speaker

Our decision to create an autonomous statistical authority is consistent with international and regional trends and principles. We would be joining our regional peers such as Belize, Bermuda, Guyana, Jamaica, Montserrat and Suriname; and follow the lead of developed countries such as United Kingdom, Australia and Canada in recognising through institutional independence, trust and confidence in official statistics.

PROMOTING ECONOMIC GROWTH

Madam Speaker

Economic growth in Antigua and Barbuda averaged 7 percent in the 1980s, reflecting significant investment in tourism development as the country transitioned from an agrarian to a service-driven economy. In the 1990s growth slowed to an average of 3.3 percent and to an average of 2 percent between 2000 and 2004. This reduction in the pace of economic growth may be attributed to a combination of factors including slower expansion of the tourism plant than took place the decade before; a series of natural disasters and external economic shocks; a significant decline in Antigua and Barbuda's access to Official Development Aid; and, to some extent, the approach to fiscal management during that period. Between 2005 and 2008, as Antigua and Barbuda began a process of fiscal and debt management reforms, the rate of growth averaged 7.1 percent. The factors that contributed to this level of growth between 2005 and 2008 were the preparation for Cricket World Cup 2007 and the Government's significant investment in infrastructure development.

Madam Speaker

In the wake of the global economic and financial crisis, the BAICO and CLICO collapse, and the failure of the Stanford Group of Companies, the economy contracted by an average of 7 percent over the past three years. These events, along with the peculiar circumstances of the Antigua and Barbuda economy, conspired to produce the steep economic decline between 2009 and 2011. Specifically, Antigua and Barbuda is the most tourism dependent country in the region and it was the only nation in the ECCU to experience the demise of its largest private sector employer. These factors, coupled with the major structural and macroeconomic weaknesses that had taken root over many years of poor fiscal management, brought about major economic decline as Antigua and Barbuda's main trading partners struggled to cope with their own economic challenges. In light of these issues, the Government focused on stabilising the macroeconomic environment by pursuing prudent fiscal policies, thereby securing financial support from our regional and international partners. This financial assistance allowed the Government to maintain employment in public sector, preserve key social programmes, and ensure arrears to local merchants and contractors could be reduced. This approach has had a

positive impact as fiscal operations have improved and more importantly, economic recovery has started, with output growing by 1.2 percent this year.

Madam Speaker

As the global economy slowly recovers, and economic performance in our main tourism markets gets stronger, our domestic economy is expected to experience an uptick in growth in 2013 and 2014; growth is expected to average between 3 and 4 percent over the medium term. Sustainable growth does not simply materialise because our trading partners' economic circumstances improve. Our economic fortunes will depend on our proactive and calculated efforts to engender economic activity by implementing policies that attract investment and facilitate business development.

It should be noted that the growth challenge is not just a phenomenon in Antigua and Barbuda but a Caribbean-wide dilemma. The CDB, World Bank, IDB, DFID, CIDA, CARICOM, and the University of the West Indies (UWI) have collaborated to address this growth challenge head on by launching the Caribbean Growth Forum (CGF) in June 2012. The CGF is an initiative that brings together national stakeholders to identify practical and implementable solutions to the growth challenge. Each country will launch a national CGF chapter that includes private sector, civil society and public sector participants who will develop recommendations for policy interventions to generate growth and create jobs.

Antigua and Barbuda launched its national CGF Chapter on November 19, 2012 and had wide participation of private sector, civil society, youth, and government stakeholders. The participants began the process of identifying priority actions through discussions held in three thematic working groups: 'investment climate', 'logistics and connectivity', and 'skills and productivity'. Over the next several weeks, the working groups will continue to fine-tune a set of policy prescriptions for enhancing growth and improving employment opportunities. The recommendations should be finalised by early January 2013, at which point the Government will convene another session of the National CGF Chapter, where each working group will present the policies and actions they have identified to support growth and employment creation.

The next step in the process is for Antigua and Barbuda to present its recommended policy interventions at a regional CGF event where other Caribbean countries will submit their own recommendations to increase growth and competitiveness. This regional event

will take place in early 2013 and will allow participating countries to share their findings and begin to identify the ‘how’ of implementing the policies articulated. Following this regional event, Antigua and Barbuda and the other participating countries will finalise action plans containing specific activities and milestones and the resources required to achieve these milestones. In June 2013, the countries’ action plans will be presented at another regional event where the CGF implementation phase will be launched. The countries will then spend the next 12 months executing their respective action plans and reporting on the progress of implementation.

Overall, the CGF envisions a pro-growth coalition across the Caribbean that will ultimately result in enhanced economic performance in the region. The outcome of the CGF will be integrated in the national strategy for growth in the short to medium term. As I said to the participants at the launch of the CGF in Antigua and Barbuda, “we have the opportunity to reflect on the development of a new paradigm; one that fully takes into account our peculiar and distinct realities; our challenges and our strengths”. I am confident that the representatives from the private and public sectors and civil society who have taken up the mantle and committed to deliberate on our development challenges are well able to complete their task and will make excellent recommendations to promote growth and create jobs.

While this work is being undertaken, the GOAB will focus on a number of key areas in 2013 to secure economic growth going forward. These areas are:

- Creating a Business and Investor-Friendly Environment;
- Tourism;
- Agriculture;
- Investment for growth and development.

Creating a Business and Investor-Friendly Environment

Madam Speaker

According to the 2013 World Bank Doing Business Report, Antigua and Barbuda has retained its ranking as the second best jurisdiction among participating CARICOM countries. Our country’s investment climate is ranked 34 points above the average ranking for Latin America and the Caribbean, which is 97. While we surpass the regional average in six of the 10 areas measured by the Doing Business Survey, we lag in four

areas. Based on business responses to the Survey, tax payments and tax rates were highlighted as the primary constraint to doing business in Antigua and Barbuda. The other three areas where we do not exceed the regional average are access to credit, business registration, and trading across borders. The Government recognises the importance of addressing these weaknesses and has started a number of reform initiatives, particularly at the revenue agencies, to improve the business environment in respect of these four areas as well as to further elevate our performance in the areas where we currently stand above the regional average.

Madam Speaker, this Government realises that to achieve such improvement and to create a more enabling environment for business activity and investment, we will need more targeted and deliberate interventions. In this regard, we have secured funding from the World Bank's International Finance Corporation (IFC) to automate the business registration process. This Business Entry Reform Project started in October 2012 and focuses on improving institutional and administrative arrangements for registering businesses at the Intellectual Property Office in Antigua and Barbuda. The project, which is being implemented through the IFC's collaboration with the Antigua and Barbuda Investment Authority (ABIA), will also connect business registration with taxpayer and employer registration, thus creating a link with the Inland Revenue Department and Social Security Board, Medical Benefits Scheme, and the Board of Education. The benefit of this project will be to reduce the time, number of procedures, and costs associated with starting a business in Antigua and Barbuda.

The IFC is also working with the ABIA to implement a Trade Logistics Project that will address our cross border trading issues. Through this project, specialists in the areas of customs management and port operations have been engaged to work with our Customs and Excise Department and the Antigua Port Authority to conduct a detailed assessment of their functions, to identify bottlenecks to trade, and to structure a plan for comprehensive reform. During a mission in mid-November 2012, the IFC team evaluated documentary and physical inspection requirements for clearing and handling cargo. As a result of this exercise the team was able to map all the administrative procedures, identify hotspots, and propose solutions. Over the next 12 to 18 months, the IFC will work with the relevant Government agencies to support implementation of the proposed changes. Once the various reforms have taken place the time required to import and export goods will be reduced, trade procedures and required documentation will be simplified, and the trade clearance process will be significantly improved. As they say,

Madam Speaker, time is money. Businesses will save money when they have to spend less time conducting transactions at the port.

We wish to thank the IFC for the generous support provided to the Government as we work to improve the environment for doing business. We are confident that once these project interventions are completed it will be easier to start a business, register property, and carry out transactions at the port.

While the Government sought assistance from the international community to help us strengthen business registration and cross border trading processes, we have opted to approach the payment of taxes and tax rates challenge differently. Given that our businesses have identified these issues as the main impediments to their competitiveness, we have determined that they should be directly engaged to identify corrective measures that would help to make the tax system more accommodating to business activity. In this regard, we have established a Tax Policy Review Task Force to assess the tax structure and rates in Antigua and Barbuda and to determine their impact on economic growth and competitiveness. The Task Force will consider how tax policy may be improved to create a more business-friendly environment that can encourage investment and improve the viability of existing businesses.

The Task Force will undertake its review of tax policy within the context of the six principles of a good tax system. These are:

- the overall coherence of the system;
- efficiency and growth;
- equity and fairness;
- revenue integrity;
- fiscal cost; and
- compliance and administration costs.

Among the activities to be undertaken by the Task Force are:

1. Examining the main sources of tax revenue and assessing their performance;
2. Assessing the feasibility of eliminating border taxes in Antigua and Barbuda;
3. Reviewing current tax legislation, tax policies, tax structure, and tax rates to:

- a. understand the extent to which the system facilitates an enabling business environment;
- b. identify how revenue responds to changes in economic performance in general and for key economic sectors in particular;
- c. determine whether the tax revenue base has the capacity to meet and sustain Government's fiscal strategy;
- d. investigate the relationship between compliance level and existing tax policies and legislation;
- e. determine whether there is over-reliance on any particular taxes;
- f. ascertain whether the tax system is mainly progressive, proportional or regressive.

The Task Force is chaired by Mr. Neil Coates from PricewaterhouseCoopers and includes the following members:

Representatives from

- Antigua and Barbuda Chamber of Industry and Commerce
- Antigua Barbuda Bar Association
- Antigua Hotels and Tourist Association

Ms. Marjorie Parchment – Bryson's Insurance Agency

Mr. Kim Burdon – Antigua Barbuda Trade Union Congress

Mr. Acres Stowe and Dr. Vanetta Rodgers - Antigua and Barbuda Employers Federation

Ms. Carol Spencer - Antigua and Barbuda Cooperative Credit Union League

Mrs. Kathy David - PricewaterhouseCoopers

Ms. Cassandra Simon - Accounting Solutions

Mr. Pedro Corbin – Goddard Catering Group

Mr. Paul Ryan – Antigua Motors

Mr. Patrick Ryan – Bryson's Shipping and Insurance

Mr. Cleveland Seaforth – KPMG

Mr. Wilbur Harrigan – PKF Chartered Accountants

Mr. Marlon Rawlins – Banking and Finance specialist

Mr. Avondale Thomas – Allen Thomas and Associates

Mr. Stephen Joseph – Bargain Centre Supermarket

Mr. Franklyn Braithwaite – Antigua and Barbuda Marine Association

Mr. Everett Christian - Revenue Reform Manager

Mr. Henderson Fields - Antigua Barbuda Investment Authority
Mr. Raju Boddu - Comptroller of Customs
Mr. Ralph Warner – Commissioner of Inland Revenue
Mr. Ted Lewis – Ministry of Finance

The inaugural meeting of the Tax Policy Review Task Force was held in December 2012. Under the direction of its Chairperson, the Task Force will carry out its mandate over a nine month period. Following a series of presentations to and consultations with stakeholder groups and the public, the Task Force will present its final report to Cabinet by 1 September 2013. The next step will be to establish timelines for implementation of the recommendations.

This is an opportunity for our local businesses to take all factors into consideration and propose practical interventions to be made by the Government that will enhance their competitiveness, promote their profitability, and encourage economic growth. Madam Speaker, you have heard me state in the past when considering new or revamping existing Government policy that “nothing is ruled in and nothing is ruled out”. This mantra holds true for this Task Force. I encourage its members to be innovative and bold; to consider all possibilities and to find creative alternatives that will secure a more business-friendly tax structure without compromising revenue performance and Government’s overall fiscal strategy.

While the work is ongoing in respect of the Tax Policy Review Task Force, the Business Entry Reform Project, and the Trade Logistics Project, the Government continues to consider proposals that will boost economic activity. One such proposal is a Private Sector Stimulus Package that was developed by the Antigua and Barbuda Employers Federation (ABEF). Some of the actions presented in this proposal would be more fully considered by the Tax Policy Review Task Force as they form part of its terms of reference. However, a few of ABEF’s recommendations will be given immediate consideration with the intent of facilitating implementation at the earliest opportunity. One of the suggestions is to develop a programme that would stimulate activity for local merchants. This programme would take the form of a ‘Duty-Free’ period where local businesses would be able to import merchandise free of duty for sale to the public.

The Government will work with representatives of the ABEF to finalise the details of a feasible programme that can be launched in 2013. Madam Speaker, you may be aware of the traditional Black Friday sales in the United States that is part of the Thanksgiving

Holiday in that country. Black Friday is typically that day in the year where businesses in the US expect significant increases in sales and profits. This year, businesses in Antigua and Barbuda staged their own Black Friday events and, from all accounts, this was very successful. As the Government works with the Employers Federation to develop this shopping programme, we will seek to twin this intervention with a Black Friday-type promotion by businesses to ensure that both the businesses and consumers receive maximum benefit.

Madam Speaker, I wish to thank the President and members of the Employers Federation for their constructive contributions.

Small Business Development

Madam Speaker

The Enterprise Development Department (EDD) within the ABIA continues to provide services to the private sector that will ensure businesses are viable, sustainable, able to contribute to economic growth and to generate employment. In 2012 the EDD sought to cultivate entrepreneurial interests through extensive marketing of the “Mind Your Business” (MYB) courses and the incentives and concessions provided in the *Small Business Development Act 2007*.

Participation in the MYB courses was affected by the prevailing economic conditions and financial constraints faced by potential and existing course participants. In order to counter this challenge, the cost of the courses remained low and the EDD instituted payment plans that ensured businesses and entrepreneurs could access these important training programmes. Since January of this year, more than 200 small businesses have been trained in over 19 disciplines, bringing the total businesses and entrepreneurs trained since the MYB was launched in 2010 to over 550. In 2013 the MYB programme will launch another initiative that bundles courses to provide much more focused and intensive interventions to support business development.

Over the years, the ABIA has formed a number of partnerships to promote small business development. We have worked with the Bank of Nova Scotia, Eastern Caribbean Amalgamated Bank, Antigua Barbuda Development Bank, GARD Centre, National Development Foundation, the Antigua and Barbuda Coalition of Service Industries,

Credit Unions, Human Resource Professionals of Antigua and Barbuda, and other private and public sector agencies. These entities have joined forces with ABIA to improve service delivery to the small business sector in Antigua and Barbuda.

Madam Speaker

The EDD has also focused on training and exposure to other regional and international organizations that specialise in small business development. In 2012 the ABIA collaborated with the Antigua and Barbuda Coalition of Service Industries to engage the Caribbean Export Development Agency (CEDA) to train local individuals and businesses. This training provided participants with information about the Direct Access Grant Scheme (DAGS) and the two types of grants available through this programme. Additionally, participants learned how to write grant proposals with clear project goals and objectives, to develop project activities and related action plans, to identify results, and to prepare budgets.

Through the efforts of the EDD businesses were able to access financial assistance through the DAGS. The DAGS offers businesses in the Caribbean an opportunity to access funding to support projects that can increase their export potential, enhance competitiveness, help them to take advantage of CSME, bilateral or multilateral arrangements, promote increases in productivity, and encourage programmes that will benefit disadvantaged sectors or vulnerable groups. Madam Speaker, I am pleased to indicate that our local businesses accessed about \$460,000 in grants from this CEDA funded programme.

With the assistance of the Commonwealth Secretariat, the ABIA was able to finalise a business plan for a Business Incubation Unit, The *Business Factory*. The ABIA is in the process of identifying sources of funding from regional and international partners to finance the operations of The Business Factory. However, the Government intends to launch this programme in the coming year and will therefore provide the initial funding to make this a reality. The Government will provide \$250,000 to the ABIA to specifically allow The *Business Factory* to start to function. It is anticipated that five small businesses will be able to benefit from the first phase of this initiative.

The *Business Factory* will support high-potential enterprises by giving them access to professional business support services and resources, and to a network of expert incubation and coaching professionals. Targeted areas of economic activity are software

development and other ICT related areas, visual arts, music (recording), sales and marketing, high-end clothing and fabric design, jewellery design, unique craft/souvenir keepsakes, agro-processing to include essential oils, and packaging. Once the ABIA has accessed the additional funding from international agencies, this business incubation programme is expected to benefit up to 30 businesses that are either in the conceptual level, early stages of operation, or more established. Essentially, The Business Factory will provide participating businesses with operating and manufacturing facilities, specialised equipment, and business support services that will help these businesses take advantage of regional and international export opportunities.

Madam Speaker

Another area of focus for the ABIA is to develop a thriving outsourcing and off-shoring industry in Antigua and Barbuda. Outsourcing is the process of delegating a company's business process to third parties or external agencies. Outsourcing enables companies to leverage benefits ranging from low cost labour, improvement in quality of product, and service. When outsourcing occurs outside national boundaries and is managed by companies located in other countries, outsourcing takes the form of off-shoring.

With efficient labour in offshore boundaries, western countries will increasingly indulge in offshore outsourcing activities to keep their businesses profitable. Foreign companies will use the products and services of small businesses in offshore countries to compensate for the lack of in-house employees. In fact, some argue that in the current economic and financial crisis, only outsourcing can save both the outsourcer and the outsourced party.

Madam Speaker

Outsource-Antigua will offer a wide range of technology-driven and cost-effective services which include call centre services, data entry services, engineering services, financial services, creative services, mobile app development, web analytics services, healthcare services, photo editing services, software development, research and analysis services among others. Antigua and Barbuda's outsourcing industry will create 500 good paying jobs in the first year and this should increase to 1200 jobs by the third year. The Government will also allocate \$250,000 for the ABIA to launch this programme in 2013. In the first instance, *Outsource-Antigua* will target unemployed youth and provide business opportunities for micro and small businesses. The ABIA has already begun the

process of creating a database of unemployed youth and small businesses that could benefit from an outsourcing and off-shoring industry.

Small Business Credit Guarantee Scheme

Projections for growth in 2013 and beyond indicate that the economic climate is expected to improve and this will facilitate the start-up and expansion of small businesses.

The Credit Guarantee Scheme (CGS) provides loan guarantee cover of up to 80 percent of the amount sought by the businesses that have been pre-approved by the ABIA. The following financial institutions have formally agreed to participate in the CGS and will accept applications from approved small businesses. These include Antigua Commercial Bank, Caribbean Union Bank and Eastern Caribbean Amalgamated Bank. A number of other financial institutions are expected to begin accepting loan applications in the immediate future.

It is expected that over time, the number of applicants seeking to access credit guarantee support will increase significantly as the over 400 persons who have attended various modules of the *Mind Your Business* workshops can potentially access the scheme.

The Ministry of Finance, in consultation with the ABIA, will determine the sectors that should receive priority support by the Credit Guarantee Scheme. In this regard, entrepreneurs will be provided with feedback that should assist them to target the sectors that have potential to support viable and sustainable businesses.

It is important to note that the Small Business Credit Guarantee Scheme is not a grant programme. Approved businesses are expected to operate sound, viable business that will create employment, to service their financial obligations in a timely manner, and, of equal importance, to generate income and or profit for their own benefit.

Manufacturing

Madam Speaker

In the current liberalised global trading environment, Antigua and Barbuda's manufacturing sector faces seemingly insurmountable odds because of our small size and

reduced economies of scale, in addition to the relatively high costs of labour and other inputs. Nevertheless, opportunities exist within our various trading agreements that can lead to thriving businesses, provided we are in a position to take advantage of them.

This Government recognises the important role the sector can play and is committed to doing everything possible to identify areas where a competitive advantage may exist for continued investment. Since the structural challenges within our country restrict our manufacturers' ability to compete with their Latin American and Asian counterparts, the Government is determined to assist manufacturers with the inherent cost of doing business in a small, open economy. The rationale for this support is to preserve the existence of a number of our small and micro enterprises and to secure the jobs of the Antiguan and Barbudans who are employed in the sector.

Though full tax exemption for this sector is not a possibility, the Government has worked with representatives from the manufacturing sector to agree on a suitable mechanism that will afford local manufacturers cash flow relief on the importation of raw materials and inputs. This mechanism will allow registered manufacturers to defer payment of the ABST on the raw materials and supplies used in producing their finished products. Under this facility, the manufacturer will still be required to complete a customs declaration warrant that reflects the amount of ABST, import duty and other taxes that are due and payable at the time of importation. The Customs and Excise Department will release the raw materials and inputs to the eligible manufacturer without requiring immediate payment of the ABST that is due. Qualifying manufacturers will therefore be allowed to suspend payment of the ABST until the finished product is sold.

In order to qualify to access this facility, a manufacturer will first have to provide a list of the raw materials and inputs that are used in the production process. This list is to be submitted to the Customs and Excise Department, with a copy sent to the Office of the Financial Secretary, at the time of applying to access this facility. Upon verifying that the applicant is a bona fide manufacturer that is registered with the Department of Trade, Industry and Commerce, Customs will permit the manufacturer to clear the imported raw materials and inputs. In order to retain access to this benefit, the manufacturers must file their ABST and PAYE returns and pay any taxes due to the Inland Revenue Department on a monthly basis as required by law. Any participating manufacturer who fails to file monthly returns and pay the taxes due will be automatically barred from accessing the facility. Also, any manufacturer who fraudulently accessed the facility will be subject to the penalties and fines provided in the ABST and Customs legislation.

Madam Speaker

Having worked with the manufacturers to establish this arrangement, the Government is assured that it will bring significant benefits to businesses in the manufacturing sector by providing cash flow relief during the period of producing the finished good. The facility applies only to businesses engaged in economic activity that adds value by transforming the imported raw materials and inputs into a finished product. Businesses engaged in importation of goods for resale, even if they are the same as the inputs used by manufacturers, will not be eligible for this facility.

This arrangement will begin in the first quarter of 2013 and will operate for 12 months in the first instance. After this period, the Government will assess the effectiveness of the programme, including the overall impact on Government's revenue.

Finally, as I stated in my Budget presentation last year, the Government continues to engage APUA in discussions about establishing a preferential electricity tariff that will benefit the manufacturing sector. However, this requires critical information on the impact of electricity cost on the unit cost of production. Having determined the weight of the cost of electricity in the overall cost build-up of the manufacturers, the Government and APUA will be better able to ascertain the nature and magnitude of the discounted electricity tariff that would be applicable to the sector. A committee comprising representatives from ABIA, APUA, ABEF and the Government will meet to determine the feasibility of an arrangement that offers discounted rates to manufacturers.

Madam Speaker

The Government is pleased to have arrived at an arrangement with manufacturers that will benefit the sector and preserve the jobs of those who rely on its existence for their livelihood. We are committed to continue engaging with manufacturing businesses to identify interventions that can reduce their cost of production. I am convinced that once we are able to agree on credible policies that benefit manufacturers, we will be able to secure growth in the sector, thereby sustaining an active manufacturing presence in Antigua and Barbuda.

Tourism

Tourism continues to be the most important source of foreign exchange and foreign direct investment in Antigua and Barbuda. It fosters the economic growth, environmental conservation, and social well-being of our destination and people. The primary objective of the Government is to make tourism more sustainable so that it can promote greater sector growth, create more and better jobs, ensure higher returns on investment, and contribute to greater economic empowerment in Antigua and Barbuda.

Though arrivals from our main source markets fluctuated, Antigua and Barbuda's tourism performance, over the period January to October 2012, showed improvement, as overall stay-over arrivals increased by 2.5 percent. Total visitor arrivals from Europe up to October 2012 dipped slightly by 2.2% notwithstanding a 2.1 percent increase in arrivals from France. The ongoing financial debt and fiscal difficulties in the Euro zone have served to reduce trade and spending in our main European markets. Another factor resulting in the negative showing from Europe is the Airline Passenger Duty which was imposed by the UK government on all passengers flying out of that country. But 2013 holds much promise for our nation. Our expansion into areas like Eastern Europe, Asia, the Middle East, South America and Southern Africa - new and non-traditional markets for tourist arrivals - will augment the tourism industry and the national economy on our pathway to secure growth and stability.

Arrivals from North America increased, with the US market growing by more than 12 percent and the Canadian market by about half of one percent. The improvement in arrivals reflects some recovery in economic conditions in and increased airlift from these countries. On the other hand, the intra-Caribbean market decreased by 6.7 percent as the region continues to deal with its own economic challenges. Finally, arrivals from South America and Central America increased by 4.8 percent and 7.2 percent respectively.

The above average performance of the North American and South American markets confirms the certainty and confidence that our tourism department and allied partners have when selling brand Antigua and Barbuda. These strong growth figures indicate a future that is positive despite the challenges in the Euro area. The data lay the platform for our truly global tourism marketing agenda to further strengthen this key sector and the national economy. These figures underscore the fact that, along with our tourism partners, brand Antigua and Barbuda is a credible brand and destination Antigua and

Barbuda is a credible destination in the tourism business. This growth is despite the hawkish, narrow, opportunistic, and selfish partisan actions of some that have attempted to kill the Beaches Hotel Project investment of over \$100 million by deliberately making it into a political matter when it was not such.

Madam Speaker

Though overall tourist arrivals have improved when compared to last year, there still needs to be significant policy intervention to strategically develop and transform tourism in Antigua and Barbuda if we are to realise strong and sustained growth of the sector in the coming years. With this in mind, the Government commissioned a *National Sustainable Tourism Development Plan* which is to be completed by the end of this year. The Plan will focus on several areas including marketing, product development, quality assurance, and tourism infrastructure development.

A key aspect of quality assurance is ensuring that a well trained and highly skilled pool of human resources is available for the sector. Therefore, we will continue to emphasise capacity building, a tourism awareness programme, and voluntary certifications. In 2012 the Government, in partnership with the OAS, trained over 200 tourism and hospitality workers in front desk management, housekeeping, small hotel operations, and food and beverage supervision. Additionally, the Antigua and Barbuda Hospitality Training Institute has enhanced its programme and increased student intake. In the coming year, we will continue to work with regional organisations, the private sector, and other non-governmental organisations to consolidate the training policy framework. This is to ensure that the skills requirement of the sector can be met by citizens and residents who are fully equipped to meet the needs of operators in the tourism sector.

Another important consideration in the quality assurance pillar of the tourism development plan is service excellence. A *Service Excellence Antigua and Barbuda Initiative* was launched in 2012 and is intended to further strengthen our culture of service excellence in Antigua and Barbuda. Through this initiative, we will establish a minimum threshold to improve service quality, to meet customer expectations in the global marketplace and take our tourism service further up the international best practices tourism ladder. In this regard we will introduce a National Tourism Certification Programme, an Engaging Tourism Awareness Programme, and a National Tourism Quality Service Improvement Programme. These new programmes, along with the

National Tourism Awards Programme, will engender service excellence in Antigua and Barbuda.

These initiatives, Madam Speaker, the National Sustainable Tourism Development Plan, the Service Excellence Antigua and Barbuda Initiative, the National Tourism Certification Programme, the Engaging Tourism Awareness Programme and the National Tourism Quality Service Improvement Programme, are clear indications of this Government's determination to secure growth and stability. They form that certain, confident stride that this Administration has taken in the midst of grave economic challenges in the world economy.

Product Development

This pillar of our tourism development blueprint is the enhancement of our tourism product offerings – our product development strategy. All interventions to develop the tourism product will be driven by market demands and will be designed to improve opportunities for local businesses to participate in developing our tourism product. This will include facilitating the creation of a portfolio of innovative products that will offer new experiences to visitors.

The Government will also introduce programmes to encourage the private sector, including small- and medium-sized businesses, co-operative societies, community groups, and community development associations to enhance the tourism product in Antigua and Barbuda.

Our product development strategy will help to diversify tourism product offerings in order to satisfy the varying needs of our visitors and attract new market segments with new core and complementary products. A greater assortment of tourism products will increase our competitiveness in the Caribbean and globally, boost visitor expenditure, and enhance visitor satisfaction. This will be achieved by encouraging the development of strategic cultural, natural and man-made sites. As an incentive to local businesses to participate in this process, we will offer tax credits to those that contribute to maintaining and preserving natural and man-made historical sites. This means that any business that contributes substantially to the maintenance or preservation of strategic natural or man-made historical sites will be able to reduce its Corporate Income Tax liability. The

business will be able to access a tax credit of up to \$250,000 on its assessable profits annually.

So once again, Madam Speaker, we give life to the tagline tourism is everybody's business. This administration encourages all stakeholders to get involved in making destination Antigua and Barbuda a valuable and memorable experience. We challenge all – public sector employees, corporate Antigua and Barbuda, community based organisations, other NGOs and individuals – to commit to pouring some of their energies and resources into the preservation and restoration of a historic site, a landmark, or an attraction. Through a coordinated endeavour with the Ministry of Tourism and the tax relief incentive offered by the state, we will make brand Antigua and Barbuda and destination Antigua and Barbuda yield dividends beyond the growth levels experienced in 2012. We are confident that such efforts will further consolidate our presence in the international tourism environment as a preferred destination.

Tourism Marketing Strategy

Our tourism marketing strategy focuses on promoting and developing Antigua and Barbuda's image in the world in order to fuel interest in the destination. This strategy emphasises traditional target markets and seeks out new niche markets to enhance our competitiveness, upgrade our tourism brand, and widen our marketing network. A critical component of our marketing strategy will be to formulate a market intelligence system that will support policy development and strategic decision-making. The marketing strategy involves collaboration with airlines to ensure sustained growth in arrivals throughout the year. Since its creation in 2008, the Antigua and Barbuda Tourism Authority has helped to advance the various elements of the country's marketing strategy. These include an aggressive airlift strategy, an Integrated Online Marketing strategy, an Internet strategy, a Press Trip strategy, and a travel agent familiarisation programme.

We have yielded positive outcomes from our deliberate and targeted efforts to increase airlift to Antigua and Barbuda. Though there is strong competition to attract airlines, and policies in our main source markets have added to the cost of visiting Antigua and Barbuda, we have been able to increase airlift to our destination. In fact, our commitment to implementing the airlift strategy has resulted in a 15 percent increase over 2011, or a net gain of 7,000 seats to Antigua and Barbuda.

The bottom line, Madam Speaker, is that our soldiers in the Ministry of Tourism have been diligent, dedicated and determined to keep brand Antigua and Barbuda and destination Antigua and Barbuda afloat. Their work is evident. They have built a stable, dependable brand. That is a hallmark of certainty in effort. That is a hallmark of confidence in ability. That is why we have had growth in tourism despite the many challenges.

The official website for Antigua and Barbuda's tourism is www.visitantiguabarbuda.com. It was unveiled at the 2012 World Travel Market and replaces the four previous destination websites to create a comprehensive portal that has a fresh new look, rich content, and new features such as separate entry points for different languages and destination apps for smart phone and iPad users. Our internet strategy continues to use online banner campaign advertising and listings on search engines such as Google and Yahoo to gain access to sites such as Trip Advisor and Expedia. Our advertisements offer last minute deals provided by the Antigua Hotel and Tourist Association and other hotel partners.

A good *Press Trip Strategy* has been a hallmark of our marketing and promotion success. We will continue to use this method to identify high profile writers from prestigious travel publications and introduce them on press trips to Antigua and Barbuda. These will provide us with testimonials and free editorials which significantly raise the profile of the destination among the demographics that we target, particularly in the areas where we are strong, like the wedding and honeymoon market, families and yachting.

The new *Travel Agent Familiarisation Programme* targeting 100 agents from each source market will be launched in 2013. In addition, an online travel agent programme to increase on-line training by 100 percent has been agreed with Travel Alliance in the US market. This will be duplicated in European and Canadian markets for the travel agents who sell the destination. This reinforces the principle that travel agents "sell what they know".

Finally, we will build on the success of the recent Preston Bailey Wedding Love in Antigua Seminar and Bride Villa event, with at least two events next year targeted at reinforcing our reputation as a leading wedding and honeymoon destination. Recent improvements such as a fast-track romance line at the Immigration Department for couples arriving to get married has led to the destination being named, by Brides magazine, as one of the top 20 wedding and honeymoon destinations worldwide.

Cruise and Yachting

The cruise industry continues to be an important component of Antigua and Barbuda's tourism sector. The continuing deployment of major cruise lines from the Caribbean in 2012 to other parts of the world has resulted in a reduction in the region's share of the cruise market; and especially in a reduction in cruise arrivals to Antigua for the period January to August. Figures show that apart from destinations such as Curacao, the Bahamas, Bermuda and Martinique which registered increases, most Caribbean destinations recorded reduced visits. While studies are showing that areas like Antarctica and the Mediterranean have attracted a considerable amount of business from U.S. cruise lines, the Caribbean remains the number one destination for European cruise passengers in the winter season.

Despite these challenges, we will welcome new vessels to the destination for the 2012/2013 season. The impressive 1,000ft vessel in the Carnival Cruise Lines' Dream-Class, Carnival Breeze, made its inaugural visit to St. John's in November 2012. This cruise liner carries around 4,000 passengers and a crew in excess of 1,300 staff. The Jewel of the Seas, which is the fourth and last ship built in the Royal Caribbean's elegant Radiance Class, will also pull into our port. Both vessels will make calls throughout the winter season. The year 2013 will also see an additional 10 calls from Norwegian Cruise Lines. Antigua and Barbuda will again be added to the cruise line's nine-and-ten day schedule to the Eastern Caribbean. Overall, there will be an increase of ship calls in 2013 over 2012, with the return of some of the US- based ships which had previously been deployed to the Mediterranean.

In 2012, Antigua and Barbuda had a successful Sailing Week and saw new additions to the yachting calendar such, as the Russian Business Sailing Week, and the "E-Sea Clear" pre-notification online immigration system for arriving yachts. Our yachting figures for the 2011 -2012 season increased by over 75 percent compared to the 2010 – 2011 season. This speaks to the marked improvement in processing arrangements for yachtees made by the Government; and the aggressive and innovative approaches employed by the Ministry and tourism partners to attract more yachts. This has further catapulted destination Antigua and Barbuda into the vanguard of the regional regatta circuit and made areas like English Harbour, Falmouth, Cobbs Cross and Jolly Harbour critical enclaves for economic activity, with direct positive impacts on the national economy. This, Madam Speaker, is the kind of credibility that brand Antigua and Barbuda and destination Antigua and Barbuda have in the international yachting community. The recently held

boat show is a clear indication that yachting as a subset in the tourism industry is a major component and money earner.

More direct marketing support is needed to ensure the destination is well represented at high profile international events such as the recent Monaco Yacht Show. Events like this month's Antigua Charter Yacht Show and next year's Antigua Sailing Week are vital to maintaining our lucrative yachting industry.

We saw, this year, the launch of a new event, "Antigua meets the Hamptons", in the Hamptons, Long Island. The 1st Annual Antigua and Barbuda Hamptons Challenge Boat Race in Sag Harbor, New York, has successfully positioned the destination among this affluent yachting community. The winning sailing team from this year's Hamptons event will compete in the 2013 Antigua Sailing Week. The yachting strategy will be supported by local market research to better understand the needs of our yachting visitors and take corrective measures to improve the product.

A very exciting addition to Antigua's yachting calendar is a new sailing event, the Christmas Caribbean Rally 2013. This rally is being held over the Christmas holidays. Close to 100 yachts left the Canary Islands on December 16 and will sail 2,850 miles. They are expected to arrive in Jolly Harbour in the New Year. The rally also coincides with school and college holidays, and attracts families with children of all ages. The aim is to make the Christmas Caribbean Rally an inclusive, unique event, and to promote Antigua as an exciting place to spend the Christmas and New Year holidays.

In 2013 Antigua and Barbuda will launch its Green Tourism Initiative Programme, which is designed to assist tourism operators to assess and reduce their environmental impact. It is about helping operators to moderate their energy use, water use and waste production. The programme will therefore focus on areas such as improving the energy efficiency of buildings and using renewable energy in the hotel sector, developing and implementing a water conservation system, integrating waste management, consolidating environmental/energy-efficient technologies and machinery, developing "green" policies and procedures, integrating environmental standards, enhancing environmental awareness, and strengthening corporate social responsibility. The 'greening' of tourism can reduce the cost of energy, water and waste and boost the value of biodiversity, ecosystems and cultural heritage. It can also save money for tourism businesses, create jobs and amplify the attractiveness of destinations.

Overall, the Government was able to enhance its efforts to develop and implement new programmes that will improve the performance of the tourism sector. These efforts were made easier with the introduction of the 2 percent marketing fund. This fund was established in January 2012 when the ABST transitional rate for the hotels was increased from 10.5 percent to 12.5 percent. It is intended to provide a dedicated stream of funding to support marketing and promotion activities. Between April and October 2012, the Tourism Authority accessed about \$5 million from the 2 percent fund to help finance activities related to the various strategies for tourism development. Our efforts have begun to bear fruit, and we expect that as the various strategies and policies take root in 2013, Antigua and Barbuda will achieve strong growth in tourism, thereby creating employment and business opportunities.

Agriculture – Promoting Food Security and Growth

Madam Speaker

The Ministry of Agriculture is committed to meeting Goal # 1 of the Millennium Development Goals which deals with eradicating extreme poverty and hunger. This is a target that can be achieved by enhancing food security and increasing economic growth. The agriculture sector can contribute significantly to the attainment of these two outcomes. Food security does not necessarily mean self-sufficiency in producing the food we need. It requires access to enough healthy food to meet the dietary demands of the population. Food security is therefore being able to produce or purchase the food we need, or a combination of the two. Our objective in Antigua and Barbuda is to pursue a strategy that allows us to increase domestic production of food and increase foreign exchange generated by the sector so we can purchase what we do not produce.

In terms of boosting domestic production, Government, through the Ministry of Agriculture, has continued to work with crop and livestock farmers and fisher folk to increase their output for local consumption and export. There have been some successes in crop production and supply of meat to satisfy local demand and help to reduce the food import bill. With respect to crops, more than 50 acres of sweet potatoes were planted in 2012 and over 900,000 pounds of yams will be harvested between December 2012 and February 2013.

Our livestock farmers have also been able to meet some of the domestic demand for certain meat. About 11.3 percent of the 820,000 pounds of pork consumed in Antigua and Barbuda this year was supplied by local producers. Also, 34 percent of the 720,000 pounds of beef consumed was provided by our livestock farmers while local producers supplied 10 percent of the lamb consumed.

Madam Speaker, increased food production, greater local consumption of what we produce, and food security are all interconnected. Our food consumption data show we still have room for growth. Food production offers enormous prospects for growth for our economy.

While the amount of pork supplied for local consumption in 2012 is commendable, we challenge our local producers to increase their supply of pork to meet at least 18 percent of the domestic demand. This is an achievable target. The requisite Government support will be provided to the producers to ensure they can meet this target. Over the next three years local pork production should increase so that it supplies at least 25 percent of local demand.

Our local supply of beef for domestic consumption is very commendable and we hope to raise this from 34 percent to 40 percent in 2013.

Madam Speaker

Our Antigua Black Pineapple, Sea Island Cotton and seafood industry are best poised to generate foreign exchange for Antigua and Barbuda. With respect to pineapples, we shipped 5,000 pounds of pineapples to Norway and about 10,000 pounds were supplied to the local market. There are 120 acres of pineapples under production for harvest in 2013. This should allow us to reap at least 20,000 pounds of pineapples in 2013.

Cotton production remains vital and can generate much needed foreign exchange. Antigua and Barbuda's trade agreement with the Cooperative West Indian Sea Island Cotton Japan Project provides significant opportunities. Under this arrangement, we have the option of supplying at least 20,000 pounds of Sea Island Cotton to the Japanese market at a price of US\$10 per pound. In 2012, 25,000 pounds of cotton were harvested. The output is well above the yield for export over the past two decades. This was aided by the acquisition of a new gin to improve cotton lint extraction. We expect cotton yields and export in 2013 and beyond to be even greater.

In 2012 we exported 4,000 kilograms of seafood to the European Union. This was augmented by the operations of the new Fisheries Complex in Barbuda. Exports in seafood to the EU are expected to rise by at least 10 percent in 2013. Our abundant waters remain very viable and lucrative source of revenue for Antigua and Barbuda. If we utilise the bounty of these resources in a sustainable way, it is possible to meet our local demand, export seafood to regional and international markets, and ensure our waters are not overfished.

In total, Madam Speaker, local food production increased in 2012 over 2011 by about five percent. This is an output level of 6.97 million pounds of food in 2012. Despite the challenges this sector has faced with the weather, cost of inputs, and other factors, the sector continues to grow.

Another important development in the agriculture sector is investment in poultry farming. We are finalising negotiations with Ciboney Poultry Farm, which is a US\$75 million production plant. Since this farm will produce poultry for export, it will create jobs and generate foreign exchange. The focus on export will ensure that the market for local poultry operators is not depleted.

Finally, Madam Speaker, the agriculture sector has great potential to ensure our objectives of food security and economic growth are attained. Through our commitment to provide technical support and to offer tax and other incentives to farmers, the Government has facilitated an enabling environment for development of the sector. We will continue to explore other avenues through which added assistance may be provided to our crop and livestock farmers and fisher folk so that they can reap maximum returns from their investment in the soil.

Promoting Investment for Sustainable Growth

Madam Speaker

The Antigua and Barbuda Investment Authority remains at the heart of the Government's strategy to promote investment in high-value projects that can spur economic growth and generate employment. Though Government has a pivotal role to play in infrastructural and social development by way of capital investment, the sustainable growth needed to transform our economy will occur through private sector investment. Recognising this,

the ABIA's mandate is to attract and facilitate private investment. To date, the ABIA has approved investment projects valued at more than \$4 billion of which \$1.3 billion represents local investment and \$2.8 billion was foreign investment. Between 2007 and 2010, the vast majority of the \$4 billion in investment projects was related to tourism development projects funded through foreign direct investment.

Since the global economic crisis, there has been a significant decline in the number and value of FDI projects and local investments. However, 2012 has so far demonstrated signs of improved interest by local and foreign investors in Antigua and Barbuda. Between January and October 2011, the value of approved investment projects amounted to \$227.2 million. Of this, \$39.6 million represented investments by local businesses while \$187.6 million represented foreign direct investment. For the same period in 2012, total investment projects approved by the ABIA nearly tripled, to \$771.7 million. Investments by local businesses accounted for \$85.9 million while foreign direct investment made up the remaining \$685.8 million. Local investments more than doubled and foreign investments almost quadrupled over the period, pointing to increased confidence by local businesses and some loosening in global capital markets. By the end of 2012, approved investment projects will eclipse \$800 million, which is more than double the value of approved projects for 2011.

Though these increases in capital investments are encouraging, we recognise that there remains some global uncertainty as the US and the Euro area continue to struggle with policy and structural reforms. In light of this, the Government has focused on identifying alternatives to attract foreign investment and encourage economic activity by local businesses. Specifically, we have explored the citizenship by investment option and continue to implement the Construct Antigua Barbuda Initiative.

Citizenship by Investment Programme

Madam Speaker

The citizenship by investment initiative evokes very strong reactions and can incite fierce debate about the implications of such a programme. Indeed, when this Administration began the process of exploring the advantages and disadvantages of a citizenship by investment programme, there was instant debate among the public with positions ranging

from full support to outright rejection of the idea. Given the intense debate surrounding this topic, the Government established a Task Force in June 2011 to critically assess the possibility of introducing a citizenship by investment programme in Antigua and Barbuda.

The remit of the Task Force included identifying strategic options to support investment and residential tourism; examining the economic benefits of a citizenship by investment/permanent residency programme; proposing the safeguards necessary to preserve the integrity of the Antigua and Barbuda passport; and recommending legislative and institutional arrangements to manage a citizenship by investment programme. The members of this Task Force worked tirelessly for more than 12 months to critically consider this policy option and, upon arriving at the conclusion that citizenship by investment is a viable strategy to encourage investment and increase residential tourism, to articulate the conditions under which the programme should be pursued.

Eligibility for the Antigua and Barbuda Citizenship by Investment Programme (CIP) requires purchase of property in the amount of at least US\$400,000, a US\$200,000 contribution to the National Development Fund, or a business investment of at least US\$1.5 million. Provided that the eligibility criteria are met, the applicant will receive an Antigua and Barbuda passport that is valid for five years. It should be noted, however, that acquisition of citizenship through this programme does not automatically bestow the privilege or the right to vote in Antigua and Barbuda.

Madam Speaker

To be certain, though investment is a necessary condition for eligibility in our CIP, it is by no means sufficient to prompt the issuance of an Antigua and Barbuda passport. Citizenship is a very special relationship between an individual and the country he calls home. It means you have the right to live and work in that country; that you are a member of that sovereign state. For many of us, citizenship conjures up feelings of pride and instils a sense of belonging to a nation. Indeed, it is that belonging that sometimes inspires the proclamation “me nabel string bury yah”.

Recognising the significance of this venture, the Antiguan and Barbudans who developed the model for the CIP were particularly vigilant in ensuring the proposed policy does not jeopardise the integrity of our passport, which is the prized symbol of our

citizenship. In this regard, any applicant seeking citizenship through this programme must demonstrate that he is worthy of the honour, that he will not tarnish the image of our fair Antigua and Barbuda. Before citizenship can be conferred on any applicant, he will be submitted to a rigorous due diligence process to verify the information provided in his application. The purpose of this due diligence is to ensure that the applicant is in fact a wealthy investor whose net worth does not derive from ill-gotten gains. Any individual who has engaged in crimes against humanity, drug trafficking and related offenses, sexual offenses, capital offenses, money laundering, terrorism and its financing, human trafficking, migrant smuggling, and piracy will not be eligible for the CIP. The background checks to be carried out as a part of this process will make certain that there is no criminal history. In addition, the applicant's identity and source of wealth will be validated, his reputation will be thoroughly assessed, and the physical health and the financial condition of the applicant will be determined before he can be considered for citizenship. Where an applicant and his family are seeking citizenship through this programme, the due diligence process will apply to all members of the family.

Madam Speaker:

The citizenship by investment/permanent residency programme is not a new concept, nor is it an option pursued only by developing countries. We may be aware of the programme in Dominica or in St. Kitts and Nevis. However, this is an investment model that is also used by countries such as Austria and Belgium. The United States, Canada, Australia, Singapore, Switzerland and Great Britain all have residency programmes for wealthy individuals who invest in their countries and offer a fast track to citizenship to such investors. These countries rely on firms that have expertise in providing due diligence services. We are reviewing several different due diligence firms that have many years experience with citizenship by investment programmes, have a strong international presence, and are of high repute.

The firms that will be contracted to perform due diligence services for the Antigua and Barbuda CIP must be cost effective and must be in good financial standing. Also, the successful firms must have an impeccable track record of providing due diligence services to countries and wealth management institutions for many years. Further, due diligence companies that have been certified by a security agency, such as US Homeland Security will be the preferred choices. Due diligence is essential to the success of the CIP, so due care and consideration must be given to the selection process. It should be

noted, however, that clearance of the due diligence process is not an indication of automatic approval for citizenship. We reserve the right to conduct further interviews of the applicant through the Citizenship by Investment Unit. Upon clearing the due diligence process and being approved for Antigua and Barbuda citizenship, the investor has the choice of investing in a business, purchasing property or making a contribution to the National Development Fund. We will revoke the citizenship of any investor who fails to retain ownership of the real estate that prequalified him for citizenship, commits a crime, has become a threat to national security, or made false statements during the application process.

Madam Speaker

With the business option, the investment must be a minimum of US\$1.5 million for the applicant to receive the citizenship benefit. Investors who pursue this option will engage in productive activity that generates employment over the long-term and which has the potential to generate foreign exchange through the export of goods and services. It is expected that the businesses established through this arrangement would form linkages with and have spill-over effects for local businesses, thereby boosting economic activity. Government revenues would also be impacted, as these businesses would contribute to the consolidated fund through payment of ABST, corporate, and payroll taxes.

It is expected that about one fifth of the citizenship by investment applicants will opt to purchase property. Through this investment choice, the investor will purchase property valued at no less than US\$400,000. This translates to annual investment of about US\$40 million that can help to increase activity in the construction industry, thereby creating jobs and boosting aggregate demand. It will also promote the development of residential tourism in Antigua and Barbuda. The Government, and ultimately the people, will benefit through direct receipts from property and transfer taxes.

An important point to note is that the CIP will contain any inflationary impact that this investment option could have on land prices by identifying specific zones where investors can purchase property. These zones include Jolly Harbour, Nonsuch Bay, Pearn's Point, Guiana Island, Crump Island, Emerald Cove, Galley Bay Heights, and Hodges Bay Club. By ensuring this zoning process is implemented, the Citizenship by Investment programme will not reduce our people's access to land by driving up prices.

In terms of the National Development Fund, an applicant will contribute US\$200,000 toward the cost of our national development objectives. The resources deposited in the NDF will help to fund public sector projects and provide capital to support entrepreneurship among nationals. Also, this pool of funds could boost our ability to provide much needed access to credit for many of our micro and small businesses. The main condition for access to these resources will be the potential for the businesses to grow rapidly, generate employment and contribute to increased economic output. It is also expected that the NDF will finance viable projects that will be executed through public private sector partnerships. When the programme is fully operational, capital mobilisation through the NDF could amount to US\$50 million annually.

If successfully administered and operated, the NDF could help reduce Antigua and Barbuda's reliance on high cost debt or concessional loans with conditionalities attached in order to fund development projects. This programme can afford us greater autonomy in determining our path to and pace of development. To ensure the effective operation of the NDF, it will be established as a special fund as provided by the Finance Administration Act of 2006. However, to ensure accountability to the public, the NDF will be required to provide financial reports to the Accountant General as prescribed by law. In addition, the Fund will be subject to audit by an internationally recognised accounting firm. The use of the special fund under the FAA and the requirement for the external audit is to ensure maximum transparency and accountability in the use of the resources deposited to the National Development Fund.

Madam Speaker

The viability of this Citizenship by Investment Programme will depend heavily on the institutional arrangements that are established to manage the process. The Citizenship by Investment Unit will fall within the portfolio of the Honourable Prime Minister and will be staffed with professionals with experience and expertise in audit, security, international relations, due diligence, law, and business development. The members of this Unit will be of unimpeachable character, demonstrate a high level of integrity and will be known for discretion and confidentiality. The functions of the Unit will include:

1. Undertaking the initial evaluation of applications for citizenship;
2. Appointing authorised agents and licensing Citizenship by Investment agents;
3. Selecting due diligence service providers;

4. Promoting the CIP internationally; and
5. Reporting to the Management Oversight Committee.

The Management Oversight Committee is another layer of the institutional arrangements to ensure the integrity of the programme is maintained. This Committee will oversee the daily operations of the Citizenship by Investment Unit as well as its relationship with contractors and service providers. A bi-partisan Parliamentary Oversight Committee is also being contemplated to be the body that will ultimately safeguard the interests of the people of Antigua and Barbuda.

To ensure the success of this programme, we have engaged a special advisor to assist with establishing the Citizenship by Investment Unit and to set out the administrative procedures and operational guidelines that will govern how it functions. The special advisor, Henley and Partners - Residency and Citizenship Practice Group, will also help to market Antigua and Barbuda's Citizenship by Investment Programme globally. They will be responsible for elevating our profile among reputable and high-net-worth individuals who have an interest in citizenship planning. Henley and Partners brings to the table its reputation as the world's specialist in residency and citizenship by investment initiatives and its network of potential investors who can take advantage of the CIP. In fact, the Honourable Prime Minister led a team to Dubai where they witnessed firsthand the reach of Henley and Partners during its 6th Annual Global Residence and Citizenship Conference in November. At this conference, Antigua and Barbuda's CIP was introduced to potential investors and service providers.

Madam Speaker

Antigua and Barbuda, like the rest of the world, is in an unprecedented economic era where turmoil in the Euro area and the impending "fiscal cliff" in the US are ever present dangers. Such extraordinary circumstances demand bold and inventive approaches to attracting investment and promoting growth. As a small, open economy with no oil, precious metals, vast arable lands, or other bounty of natural resources, Antigua and Barbuda needs to identify and pursue alternative business models and opportunities to attract investment that will stimulate growth and bring about some degree of economic diversification. The Citizenship by Investment Programme is an alternative that affords us the opportunity to strengthen our tourism sector and improve our competitiveness through the real estate investment component of the programme. It also opens new avenues for attracting private investment through the business investment option. The

CIP will allow Antigua and Barbuda to leverage investor contribution to the National Development Fund to implement projects and programmes that induce economic growth.

In the face of global economic crises and natural disasters, which are inevitable, the funds accumulated in the NDF will ensure there is a pool of resources from which the Government can draw to finance public projects that can stimulate the economy and provide a buffer against external shocks. This means that a slowdown in the global economy and the associated decline in tourism and investment for tourism-related projects will not have the same devastating effect that the most recent world recession had on our economy.

Madam Speaker

Antigua and Barbuda is entering new territory but it is not uncharted terrain. Our neighbours and some of the largest and most advanced countries in the world have taken this path before. With the expertise of strong due diligence providers we will be able to launch and operate a lucrative and credible citizenship by investment programme. We are certain that the marketing and promotion efforts of our special advisor will generate interest in our programme and attract the type of investors we are targeting. Finally, we are confident that Antigua and Barbuda can reap the economic benefits of a citizenship by investment programme while ensuring that our visa free travel and relations with other nations are not compromised.

Construct Antigua Barbuda Initiative

Madam Speaker:

The Construct Antigua and Barbuda Initiative (CABI) was launched in August 2011 as a strategy to stimulate activity in the construction sector. At the beginning of 2012, the total value of applications for residential construction projects received by ABIA was \$22 million. By mid-November 2012, the value of applications almost quadrupled to \$82 million. Of the \$82 million in applications, the ABIA has worked with the applicants to finalise their documentation so that about 80 percent of submissions or projects valued at \$64 million have been approved to benefit from the incentives and concessions provided under the CABI initiative. When the CABI project was launched in 2011, the anticipated

value of projects that would have formed part of this initiative was \$30 million. Today, that benchmark has been surpassed as the value of projects has more than doubled.

Sixty-four percent of the projects approved represent new residential construction while 22 percent represent incomplete projects. In the case of the new construction projects, the CABI has afforded many Antiguan and Barbudans the opportunity to realise their dream of homeownership. For those who started on the path to attaining that goal but were not able to complete the building process, the CABI has made it possible for them to recommence construction.

It is clear that CABI is having the desired effect of stimulating activity and creating employment in the construction sector. Following three years of decline, the sector is expected to grow in 2012. Additionally, credit for home construction and renovations increased by 9 percent between December 2011 and September 2012. Another notable indicator is the 5.2 percent increase in importation of construction material as at September 2012.

In order to ensure the CABI has maximum economic impact, the ABIA has focused on developing a database on information to allow for evidenced-based decision making. The ABIA will also work with the Ministry of Information to automate procedures relating to the CABI to improve efficiency in its operations. Another critical intervention is monitoring and assessing prices at participating hardware stores to ensure the CABI participants are receiving the intended benefit. One of the reasons for delayed approval of applications is the sometimes unsatisfactory or incomplete estimates and contracts submitted by contractors. The Investment Authority will therefore provide training to those contractors that have difficulty preparing building estimates as required under the programme. Training in contract preparation and administration will also be provided.

Madam Speaker

We are very pleased with the results of the Construct Antigua and Barbuda Initiative. The impact of the programme has far outweighed our original estimates as we expect the total value of projects to exceed \$100 million by the time the CABI is set to conclude at the end of February 2013. This initiative demonstrates the great outcomes that can be achieved when Government and the private sector work together to boost economic activity. Through the CABI, we managed to jump-start activity in the construction sector and this has in turn benefitted wholesale and retail trade, increased employment, and

improved the demand for private sector credit. Undoubtedly, the CABI has contributed to the expansion in economic activity in 2012. We anticipate that as all the projects are implemented over the coming months, this programme will help to secure further growth in the economy.

Once the CABI concludes in February 2013, there will be an assessment of its operations and full impact on the economy. Coming out of this assessment will be recommendations for continuing the programme as is, or with some modifications. One recommendation that will be taken on board is the proposal from the Employers' Federation to extend the CABI to include commercial development.

Before I move on, Madam Speaker, I wish to thank the staff of the ABIA, the hardware stores, financial institutions, contractors and construction workers for their involvement in this programme. Above all, the Government thanks the many individuals who saw the possibilities of this programme and opted to take advantage of the CABI. Without your participation, this policy intervention would not have been successful.

In addition to the residential construction associated with the CABI initiative, 2013 will see the execution of a number of housing projects. One project will be undertaken by Construction Products Ltd., a locally-owned company. This company has acquired 10 acres of land at Lightfoot to build 73 two- and three-bedroom houses, which are intended particularly for civil servants. This \$18 million project will be implemented over four years and will employ about 100 permanent and temporary workers.

The other project is the multi-faceted US\$200 million Bau Panel project that will begin in early 2013. The Government has formed a joint venture company with Bau Panel System to manufacture the Bau Panel System housing for Antigua and Barbuda, the CARICOM region and South America. The 75:25 percent shareholding arrangement will benefit locals in the form of employment, revenue direct to the Government, housing, infrastructure and training and education.

Bau Panel System has also formed a joint venture company called CHAPA BAU with the Central Housing and Planning Authority (CHAPA) to develop land and build affordable homes for our citizens and residents. In addition, Bau Panel will establish a factory in Antigua and Barbuda to manufacture buildings with the patented BAU PANEL SYSTEM. Bau Panel will also finance, construct, develop, and market affordable housing and real estate developments.

Finally, Madam Speaker, in my Budget presentation last year, I indicated that this Government would engage in an intensive land distribution drive in 2012. I am pleased to report that we have started this process, and in conjunction with CHAPA, have distributed 135 plots of land between January and November 2012. Land was distributed all across Antigua, including Belmont, Bendals Development, Cassada Gardens, Jennings, Carlisle Development, Christian Hill, Fitches Creek, Fort Road, Liberta, Freetown, Old Road, Patterson, Parham, Villa, Lyon Hill Development, Pares, and Willikies. A number of plots are also being allocated for the Follys and North Sound housing projects. In terms of the Follys Housing project, 56 of the 98 plots have houses which are currently being allocated. The 73 plots at the North Sound Housing all have houses and are also being allocated.

Madam Speaker, we are currently allocating 50 plots in Bendals and 42 plots in Weirs for distribution in early 2013. Our land distribution drive will continue in 2013 with allocation of plots in Powells, Piccadilly, Weirs, Cartys Hill and McKinnons.

Tourism Development Projects

Madam Speaker

Since tourism is the mainstay of our economy, we must attract private sector investments to Antigua and Barbuda that will result in major hotel developments. Such projects will not only increase our room capacity but will bring added marketing resources, since any investor who pumps significant funding into a hotel project will ensure his or her product is widely advertised to secure maximum return on his or her investment. Major hotel projects will also stimulate economic activity, create short- and long-term employment for many of our citizens and residents, and provide business opportunities for our local enterprises. Recognising the many direct and knock-on benefits of major tourism development projects on our economy, this Government has engaged in continuous discussions with potential investors in respect of a number of investment prospects. These include the Half Moon Bay, Crystal Bay Resort, Azure Bay, NonSuch Bay Marinas/Villas, Willoughby Bay Beach Resort Development Limited, and Buccaneer Cove.

While financing challenges have prohibited movement on these projects, this Administration was able to secure the interest of an investor to undertake a sizeable investment in Antigua and Barbuda. This is a US\$140 million project that would bring the Beaches family resort to our shores thereby boosting growth and generating about 400 construction-sector jobs and 600 jobs in the hotel sector. Such an investment would have come at a time when our country was dealing with the fallout from the global recession and would have been well served with a project of this magnitude. Madam Speaker, as we are all aware, this project has been delayed due to the antics and political posturing of some who have sought to disguise their true motives with claims that bringing the Beaches brand to Antigua and Barbuda would be to the detriment of the vendors and businesses at Long Bay. This could not be further from the truth and I will soon detail how the plans for development of Long Bay will actually bring significant benefits to the businesses and people of the Willikies and Seatons communities, and to the nation on a whole.

Madam Speaker

Despite the many challenges that have beset this initiative, I am pleased that the investor, a long and treasured friend of Antigua and Barbuda, has not been dissuaded. Clearly, any other investor might have simply taken their project and money elsewhere but not this investor. Gordon “Butch” Stewart has had a special and mutually beneficial relationship with Antigua and Barbuda since he chose this country to be the first location outside Jamaica as a home for the Sandals brand. That is why the negotiations continue and we are positive that Antigua and Barbuda will become a Beaches destination. Over the past several weeks, a committee headed by Mr. Corthright Marshall has been engaged in meaningful discussions with stakeholders in an effort to allay any concerns and ensure that this opportunity to promote economic growth and create jobs is not squandered. Those discussions have been fruitful and I can say that the majority of stakeholders are now on board. As we have sought to build consensus around this matter, this Administration has had a particular purpose and a steadfast goal of securing a project for Antigua and Barbuda that will enhance the economic and social well-being of our people.

The Beaches project will be complemented by the development of a Long Bay Public Park. This is a \$5 million project that forms part of the Government’s strategic objective to diversify our tourism product by developing sites that demonstrate the culture and heritage of our country and its communities. The Park is intended to enhance and

promote the natural and cultural heritage of the area, create a unique Public Park facility based on the area's natural scenic beauty and heritage, improve the livelihood of tourism-service providers in the area, and promote economic and social development of the area's communities. Development of the Long Bay Public Park will begin in the first quarter of 2013 and will involve new roads and beach parking, building up the beach area, vendors' kiosks and a new water sports facility, installing public restrooms and showers, and development of a kids' play area. It will also boast at least three restaurants, including a fine dining restaurant.

Madam Speaker

The Long Bay Public Park will be a world-class park facility that will be enjoyed by the people of the surrounding communities, Antiguan and Barbudans in general, and the many visitors to our shores. With the construction of the Long Bay Public Park, we will facilitate the effective and efficient use of area's natural resources while providing increased opportunities for the vendors and other small tourism service providers in the adjacent communities to earn a living. The Park will be completed and ready for the enjoyment of our people and tourists alike in July 2013.

Madam Speaker

There are several other tourism related projects that will begin in 2013. These include:

Orange Antigua Limited

The ABIA and the cabinet of Antigua and Barbuda have approved a development at Pearn's Point including a 5-star boutique hotel, freehold-managed condominiums, residential lots, a spa and health club, and a casino. The developers will open the Pearn's Point Residences in three phases of approximately 21, 22, and 18 lots respectively.

Construction on the first phase of the project is scheduled to begin during the first quarter of 2013 and will be undertaken over a 24-month period. This phase will cost US\$17 million and is expected to employ 40 persons. Phases two and three include the hotel development, apartments, villas, and spa construction, and are scheduled to start in January 2013 and last 18 months. The total estimated cost of the project is US\$253 million.

Two hundred and fifty one units will be built and all residences should be erected within eight years. Five hundred construction jobs will be generated by this project over a 5-year period and total employment once the property is fully operational will amount to 439. The project is expected to yield US\$90.8 million in ABST revenue over a 20-year period. Total annual contributions to Government for social security, medical benefits, education levy and personal income tax for permanent and temporary employees, administration and operations staff and management are projected at \$47.4 million over a 10-year period.

Total construction costs to include infrastructure, hotel and condominium, and villa construction are projected at US\$253 million.

Honeymoon Beach Project

Scheduled for the first half of 2013 is a world class wellness resort to be completed on land acquired at Honeymoon Beach for that purpose by Developer Rob Barrett. This facility will consist of 70 suites at a projected cost of US\$25 million. It will employ 150 permanent and temporary workers and will be constructed over a period of 18 months.

Admiral's Inn

This project is being undertaken by Engineer House Ltd., and the operators of Admiral's Inn, located in English Harbour. Engineer House Ltd. will construct 20 new hotel rooms, a wellness centre inclusive of a spa, a fitness centre, restaurant, and associated businesses, at an approximate cost of \$6.8 million.

This project will increase room capacity at the Admiral's Inn and create 21 construction jobs. The investment will help to diversify the tourism product with the inclusion of a wellness centre and spa. This feature is in concert with current market trends for amenities that promote wellness and improve the visitor experience.

Madam Speaker

Other tourism-related projects that will be completed in 2013 include the Clarence House Restoration Project and a super dock facility at Nelson's Dockyard. The ground breaking ceremony for the Clarence House Restoration project took place a few days ago and

construction will begin in January 2013. This is an \$8 million project that will restore the historic edifice as a Great House that will offer high end tours. It will also be equipped to host special events and state functions. This project is possible due to the generous donation from the Peter Harrison Foundation, a UK-based charity that was founded by Mr. Peter Robert Harrison, an avid supporter of Antigua Sailing Week.

Finally, the expansions at Jumby Bay Resort and Jumby Bay Island Co. Ltd continued in 2012 as the demand for residences and villas at the high-end development remains strong. Over the next five years an additional US\$15 million will be spent on redevelopment of the resort while US\$20 million will be spent on constructing new residences and expanding existing properties.

Other Projects

Madam Speaker

Work on the new state-of-the-art airport terminal is progressing well. The new terminal will significantly increase our ability to accommodate larger numbers of visitors to our shores and will allow Antigua and Barbuda to effectively handle larger aircraft and more frequent flights. By the end of 2013, the new terminal will be ready for operations and will boast three jet bridges – a first in the OECS region – as well as more space for airlines, airport security personnel and immigration. This approximately US\$45 million project is being financed with funds received from the People’s Republic of China. As of October 2012, a total of US\$22 million was spent on construction work at the airport. Based on the loan arrangement for this project, some 30 percent of the resources invested in completing the terminal will result in increased business for our local contractors and truck and heavy duty equipment operators. Suppliers of aggregates and building materials will also receive a boost in sales. Our agriculture sector has also benefited from this project since the construction crew from the main contractor, the China Civil Engineering Construction Corporation (CCECC), purchase their meat and vegetables from local butchers and farmers.

In addition to the work on the terminal, the airside works at the VC Bird International Airport will be completed. Upon conclusion of its financing arrangement with Credit Suisse, the Airport Authority will engage the contractors to complete the unfinished work

on the runway. This will be a US\$33.4 million project that will include rehabilitating and extending the main runway and the parking apron. It will also involve constructing the runway 10 link and installing airfield lighting. A new fuel line will also be built to modernise the fuelling system at the airport so that aircraft can reduce the time spent on the ground to refuel.

Madam Speaker

The work on the airport runway has been long overdue and the financing arrangement with Credit Suisse has moved us one step closer to completing this project. One element of the arrangement with Credit Suisse was the consolidation of taxes at the airport that would give the Airport Authority more financial autonomy. I have heard the many and varied discussions on the matter of the Airport Administration Charge (AAC) and whether it was a necessary change to the airport tax structure. While we are cognisant of the impact that any additional airport charge may have on the competitiveness of the destination, it is also critical that we bear in mind the need for modern infrastructure that can attract airlines and boost our competitiveness. What is important is that we strike a balance between being price competitive and being able to pay for the development of our airport.

This Government is satisfied that with the removal of the Embarkation Tax and the Passenger Facility Charge and the introduction of the AAC, we have positioned the Airport Authority to operate in a cost effective manner without need for transfers from the consolidated fund. The AAC will also allow the Airport Authority to service the debts incurred to upgrade the airport facility and maintain the airport at a level that secures the highest international certification for Antigua and Barbuda. Another critical point to note, Madam Speaker, is the fact that total airport taxes in Antigua and Barbuda are in sync with the rest of the region. In fact, at US\$75 our total taxes are in line with Grenada and St. Lucia and less than St. Kitts and Nevis, St. Maarten and Barbados.

Construction on the runway will recommence early in 2013 and should be completed before the end of the year. This project will increase economic activity in Antigua and Barbuda and provide jobs for local contractors and labourers. Madam Speaker, I am confident that this transaction will benefit our nation and secure opportunities for growth as our airport will truly become the hub for the Eastern Caribbean.

Madam Speaker

The State Insurance Corporation will soon start constructing an office building which has been specifically designed to house the Treasury Department. This will be a build-own-operate-transfer (BOOT) arrangement which will see transfer of ownership of the property to the Government in 20 years. The arrangement will allow the Corporation to realize some return on its investment and, in the long run, increase the stock of Government assets while reducing its expenditure on rent.

The \$15 million project will comprise about 15 bid stages that will afford many local contractors the opportunity to participate in the construction of this building. It will employ up to 150 persons over the 12 to 14 month period of construction. Construction will begin within the next three to four weeks.

Madam Speaker, another construction project to be undertaken by a statutory corporation is the headquarters of the Antigua Department of Marine Services (ADOMS). This state of the art, 34,000 square foot building will be located on Factory Road and will boast a 280-person convention centre. The three-storey structure will house the staff of the ADOMS as well as two other statutory corporations.

It will rely on energy efficient and green technology, including solar power during the construction phase, so that 30 to 50 percent of its daytime energy needs will be met through green technology.

The total cost of the project will be \$24 million and construction is scheduled to begin in the first half of 2013. Construction on this project will span 20 months ending in December 2014. It is expected that the construction of the ADOMS headquarters will provide employment for more than 200 persons.

Finally, the American University of Antigua will undertake further expansion of its campus starting in mid-January 2013. The US\$7 million expansion project includes facilities to accommodate additional students, establishing new programmes for advanced degrees in nursing, and other health-related fields. It will be undertaken at a cost of \$10 million and will provide jobs for about 100 construction workers.

ADVANCING OUR SOCIAL TRANSFORMATION AGENDA

The Government reaffirms its commitment to social transformation. This is expressed with continued support for several social programmes to help those in need or at risk of hardship. We are concerned with preventing, managing and overcoming situations that adversely affect people's well-being. This support can be in several forms – cash transfers, jobs, training, housing, meals, paid utilities or mentoring. Our agenda includes welfare policies, services and programmes to support the elderly, women, families, the unemployed, the disabled, troubled and delinquent youth who are coping with personal crises and other family or social problems. Social protection also includes counselling, probation services, and rehabilitation.

Given this wide scope, Government continues to address the types of and access to social safety nets and human services that are available to the most vulnerable in our society to eventually lift them out of poverty and hardship. Currently, on average Government spends, just under 2 percent of expenditure, approximately \$14 million annually.

Madam Speaker, allow me to remind you of some of the several programmes and initiatives that the government currently administers:

1. The Board of Guardians programme provides fortnightly financial assistance to those elderly persons who are deemed to be poor and destitute;
2. Government's Residential Assistance and Care program for the Elderly and Eligible (GRACE) provides companionship, care and assistance with domestic assistance to housebound elderly with physical limitations, as well as persons who are debilitated and live alone;
3. Exemption of Utilities Assistance for Water and Electricity provided by APUA. This assistance is targeted for persons 80 years of age and over and provides free utilities per month;
4. Pensioners 60 years of age and over can access financial assistance through the Senior Citizens Utility Subsidy Programme to help pay for utilities. Beneficiaries receive \$100.00 each month to offset the cost of their utilities;
5. Human service to support the Boys Training School, HIV Aids Secretariat, Association of Persons with Disabilities, benefits to offset the cost of housing, and employment support through the New Work Programme Initiative.

In 2013 initiatives for national social protection and assistance from a World Bank-funded project will provide the institutional support and finance for reviewing and strengthening our approach and governance for social protection.

The National Social Protection Commission

The Commission has been installed to support our social protection mandate. It has been institutionalised to facilitate the co-ordination of social sectors and the development of common tools and platforms that can be used to plan, implement and monitor social programmes in an integrated fashion. The use of these tools and platforms will increase the coherence of social programmes and the overall effectiveness of social spending. The Commission will receive complaints and other matters for redress with respect to beneficiaries. It will also undertake other tasks associated with social protection, poverty reduction and the wider social development agenda.

World Bank-Funded Public and Social Sector Transformation (PSST) Project

The budget also includes an advance from the World Bank for the Public and Social Sector Transformation (PSST) Project, to be implemented starting in 2013. It is designed to enhance our ability to design, implement and monitor coherent social policies and interventions. Under the component for social transformation, technical assistance will be provided to the Social Policy, Research and Planning Department of the Ministry of Health, Social Transformation, Local Government and Consumer Affairs for strengthening its role as the lead agency for social protection in Antigua and Barbuda. Among the activities are:

A Unified Beneficiary Selection System for Social Programmes of Antigua and Barbuda

Currently, the Government does not have a system for objective beneficiary selection for its programmes and projects. This results in a fragmented and uncoordinated approach by government agencies on the issue of social protection, and inefficient use of government funds. Targeting is important to ensure that the right people are benefitting from the social safety nets. It uses internationally tested methods and criteria for identifying eligible individuals or households. The benefits of targeting include:

1. Optimised resource expenditures in the face of budget constraints. Public funds are limited and leakage of budget resources outside of the intended beneficiary group has opportunity costs and inefficiencies;

2. Identification of persons or households who need assistance, and the type of assistance that best suits their family conditions and economic situation;
3. Better programme design that offers support to the beneficiaries today, but includes mechanisms to exit social assistance and live a dignified existence; and
4. Enhanced transparency and accountability for all social protection programmes.

National Beneficiaries Management Information System

A key output of the project is a *National Beneficiaries Management Information System* that will establish a consistent targeting mechanism for all current and future social programmes. This targeting system would depend on data gathered from a household survey to assess and categorise households. Essentially, the system would be a tool to identify who and where the poor are in the country. Specifically, the system aims to:

1. Formulate a unified criteria for the selection of the poorest population;
2. Facilitate sharing a database for public and private social protection stakeholders; and
3. Reduce leakages (exclusion and under-coverage of poor, as well as inclusion of non-poor).

A Household Poverty Survey

The source of information for the National Beneficiaries Management Information is a household survey. Household surveys are one of the main sources of socioeconomic data for countries. They provide indicators to measure specific economic and social issues, as well as information that makes it possible to identify and explain factors behind the behaviour of such issues, a major element in the design and monitoring of public policy outcomes. The 2013 budget will support a household survey to provide critical information for analysing our socio-economic conditions and designing our social programmes. This survey would require an interviewer to visit the household and construct a poverty profile. The profile would include information on the identity of the poor in addition to their locales, habits, occupations, means of access to and use of government services, and their living standards in regard to health, education, nutrition, and housing, among other topics.

Single Beneficiaries' Registry

Management of the social programmes is shared among departments in the Ministry of Education, Youth, Gender Affairs and Sports, Ministry of Legal Affairs and the Ministry of Health, Social Transformation, Local Government and Consumer Affairs. Administering these services at several points makes it difficult to monitor the entry and exit of beneficiaries when each department maintains a separate list. It also makes administration inefficient and costly. The National Beneficiaries Management Information System will therefore include a single beneficiaries' registry that stores household profiles. The information will be accessible by all appropriate persons in the respective government departments regardless of the ministry or department that administers the programme. This initiative is expected to be a crucial platform to ensure effective use of our limited resources. Moreover, improved co-ordination affords Government the foundation for creating an institutional framework to measure, monitor and evaluate poverty, and our progress towards achieving the Millennium Development Goals (MDGs). The budget will support capacity development for the relevant departments in social protection, poverty measurement and analysis, social policy development among other key specialised areas.

Process Review of Board of Guardians

The final element of an effective poverty targeting mechanism is a monitoring and evaluation system. Monitoring and evaluation aims to inform programme scale-up as well as the government's social protection strategy more generally. Social transfer programmes are high-spending, so there is a clear need to account to taxpayers. There will also be scrutiny from Parliament, media, and the wider public. We would also have to be accountable to our development partners and demonstrate whether their funded programmes have worked. Included in the PSST project is a review of the Board of Guardians Grant to Beneficiaries Programme. The purpose of the process review is to examine the practices and procedures that the programme engages to achieve its overall objectives, and to use the findings to inform a governance and management framework for social programmes.

The review is therefore expected to cover the following areas:

1. Accountability and governance arrangements;
2. Beneficiary selection criteria and selection;
3. Availability and timeliness of data to inform decision-making;

4. Use of information to evaluate efficiency and effectiveness;
5. Cost and cost-effectiveness of programme delivery mechanisms;
6. Adequacy of operational processes, particularly payment.

Review of the Social Protection Function

The PSST project will also support the conduct of an efficiency and effectiveness review of the Social Policy, Research and Planning Department to develop recommendations for refining its structure and functions and using the findings to strengthen other government institutions with responsibilities for the social protection function. The review will identify the main strengths and weaknesses of the current institutional arrangements, functions and human resource capacity and develop recommendations for how the social protection function could be strengthened. The process will involve:

1. Identifying expenditure reductions and securing increased efficiency in the performance of the responsible departments;
2. Adjusting the size and scope of the social protection function by rationalising ministry/department structures, and identifying programmes and services that may be consolidated, decentralised or centralised, or simply eliminated;
3. Securing increased effectiveness in the departments' performance by strengthening the focus of individual public officers on the achievement of key Government goals and objectives; and strengthening the responsibility and accountability framework in which public officers operate; and
4. Conducting a training needs analysis and developing a training and development programme for specialised skills and knowledge.

The review is consistent with the priorities for public sector modernisation for improved public service as set out in our NEST Plan and Public Sector Transformation Strategy.

Labour Demand Survey

An important activity under the PSST Project is collecting data on the skills the country needs. This information will be solicited from employers through a Labour Demand Survey. Labour demand is concerned with the demand for workers in an economy, that is, the number of jobs and vacancies. The data can be analysed by economic sectors and job types and also provide an understanding of the challenges employers confront when filling vacancies. The aim is to provide the Government and other stakeholders with

relevant and reliable information from employers on skills deficiencies, vacancies and workforce development.

Temporary Employment and Re-training Programme

The PSST project will use the information on labour demand to inform the training and temporary employment programme that will be administered by the Labour Department. The programme is designed to increase the employability of the low-income unemployed population between persons 17 to 50 years who have been disadvantaged by the economic downturn. The programme will benefit about 1,200 beneficiaries over three years, starting in mid 2013. It will include activities that enhance their skills through vocational and life-skills training and provide an allowance as a form of income support.

We recognise the severe impact on families, individuals and communities of the economic collapse. We want to protect them from the worst consequences of this deep recession by delivering on the promise to maintain social programmes and reduce poverty.

Social Security Reform and Pension Modernisation

Madam Speaker:

Social Security is an important plank of the social safety net, but in recent times, it has been experiencing a cash flow shortage, causing late payment to its pensioners. For the record, since 2010, my Government has paid its monthly contributions to Social Security for Government employees. In fact, between 2008 and 2012 this Administration paid contributions of approximately \$60 million into Social Security, with most of those funds paid from January 2010 to date. Madam Speaker, the facts are clear – from 2008 to 2012, this Government paid more contributions, and I add in cash, to Social Security, than was paid during the 28-years of the ALP administration, and this includes the in-kind contributions made by the ALP. Incidentally, Social Security is yet to receive title for three of the properties that were to be transferred to them in lieu of Government contributions.

In addition to making payment of its contributions, this administration made a point of entering into a MOU with the Social Security Board, under which the Government's liability to the Fund was placed on a proper footing. In so doing, the Government has taken steps to strengthen the organisation, and place it on the path to long-term sustainability.

Despite this, Social Security continues to experience a liquidity challenge, but can you imagine what it would be like if this Government had not been honouring its commitments to the Board? Madam Speaker, over the last two months the Chairman of the Social Security Board of Directors conducted numerous interviews, where he shared information about why Social Security is experiencing a cash flow challenge. The views expounded by the Chairman were reinforced by the Actuary during the consultations held from 26 to 28 November, 2012.

This is not the time to cast blame, as that would not solve the challenges being experienced by Social Security. We, however, cannot afford to be complacent, and must heed the urgent call to action issued by the Actuary. The UPP Government has heard the call, and will respond positively. Consequently, we propose to complete the consultations with the various stakeholders, and then, early in this Parliamentary session, present a revised Social Security Act and Regulations for enactment. No major amendments have been made to the Act since it was passed in 1972, and we need to make it relevant to the 21st century.

After the consultations the draft of the new Act will be presented to Parliament by February 2013 and my expectation is that it will reflect the consensus arrived at during consultations with all stakeholders, including the gentlemen on the other side of this honourable House.

Madam Speaker

Pension reform remains another key matter that is being addressed. At present there is a multiplicity of pension arrangements in place for the public sector, which has proved unwieldy and costly to administer. In conducting an analysis of the current public sector pension arrangements, a number of questions were posed:

1. Are the arrangements sustainable?
2. Is the design suitable for today's service?
3. Do they provide adequate, equitable and affordable income protection?

The intention is to harmonise, as much as is realistically feasible, the various arrangements, so that, going forward, we have a system that is universally understood; a system that comports with international best practices, and, finally, a system that is sustainable.

The Pension Modernisation Commission commissioned a study by an Actuary, and is in possession of his recommendations. The Commission also conducted its own research, which has benefitted from interactions with representatives from a wide cross-section of stakeholders, including various Government ministries and departments, the Social Security Board, Medical Benefits Scheme, Chamber of Commerce, Employers Federation, Pensioners Association and Trades Union Congress. The Commission will compile a final set of recommendations and forward them to Cabinet for consideration, by the end of the first quarter of 2013.

UPDATE ON 2011 POPULATION AND HOUSING CENSUS

Antigua and Barbuda joined the rest of the CARICOM region in participating in the 2010 Round of Population and Housing Censuses. Antigua and Barbuda conducted its Census in 2011 with Census Day being Friday 27 May 2011. A census demonstrates a country's commitment to infrastructural and social development and provides a basis for planning for a wide range of programmes throughout the country for the benefit of all people.

The Census Office released the Census 2011 Preliminary Data Report on 31 January 2012 with data by parish and gender. The estimated resident population stands at 86,295 persons, a 14 percent increase over 2001 census, with 51.9 percent female and 48.1 percent male. The number of households enumerated was 29,051, approximately 19 percent above the 2001 census. The average household size declined from 3.2 in 1991 to 3.0 in 2011.

The Census Office has begun the process of digitising the Census maps so that the country's population and housing characteristics can be displayed geospatially. This technology will complement the activities at agencies such as NODS, 911, and APUA when population profiles are required for events such as natural disaster, emergencies, or mass disruption in utilities services.

The Government expresses gratitude to CARICOM Regional Statistics Programme and UNFPA for technical assistance and funds to support the Census enumeration and data processing.

FINANCIAL SECTOR STABILITY

The financial sector is a critical contributor to the growth and economic well being of developed and developing countries alike. In this respect, Antigua and Barbuda is no different. This is undoubtedly due to the fact that there are entities within this sector whose transactions are central to and underpin an overwhelming proportion of the financial undertakings that occur on a daily basis. These entities include banks, insurance companies and any other firm whose main or partial operations involve financial intermediation.

Financial intermediation includes the indispensable role played by banks and other financial institutions in generating liquidity by redeploying finances, facilitating monetary policy administered by the ECCB, managing payments within the various sectors of the economy and creating the legal conduit for the national and international movement of funds. Due to the high volume of financial transactions captured within these institutions, and their extremely high dollar value, the health of the sector is quintessential to maintaining economic and social stability.

The financial sector in Antigua and Barbuda has been affected by significant instability in the last several years; the most significant being the collapse of the Stanford Financial Group, the BAICO and CLICO debacle and ABI Bank.

The collapse of the CL Financial Group represented a major challenge to financial system stability in the ECCU. However, interventions by the ECCU governments, the Government of Trinidad and Tobago, and the CDB resulted in actions that have mitigated the fallout that threatened to engulf the sub-region. In this connection, we are happy to report that on 3 December 2012, Phase 1 of the Policyholders Relief Programme in the ECCU commenced. Phase 2 of the Policyholders Relief Programme will begin in first quarter 2013 and BAICO Policyholders who have EFPA and FPAII Policies will be invited to apply for relief.

The aforementioned events have brought into sharper focus the mandates of the Office of National and Drug Control Policy (ONDCP). The ONDCP continues to pursue its objectives to safeguard the people of Antigua and Barbuda by improving its operational efficiency and to enhance the effectiveness of its investigations of organised crime. The organisation stands on three pillars, specifically focussing on counter narcotics

operations, financial intelligence and financial investigations, and maintaining effective supervision over the procedures of financial institutions, to counter money laundering and the financing of terrorism.

In late 2011 the ONDCP established the Financial Compliance Unit (FCU) to conduct on-site and off-site examinations of financial institutions in order to evaluate their money laundering and terrorist financing prevention programmes and to offer remedial feedback and assistance. The FCU is also required to carefully monitor these institutions to ensure that they submit the AML/CFT Annual Audit and Terrorist Property Reports in a timely manner.

The ONDCP continues to be proactive by sharing information with national and international law enforcement agencies. This policy has seen the interception of several large quantities of drugs before they arrived in our waters. In addition, through our joint efforts, a major drug dealer was arrested and charged and is awaiting trial in another country.

The year 2012 has been even more challenging for the FSRC with respect to the pace and multiplicity of the various activities related to the reform effort. The FSRC manages and oversees sectors where 4,210 companies are domiciled, approximately 588 persons are directly employed and where the country garners \$5.6 million worth of licence and registration fees.

The FSRC has committed itself to conducting onsite examinations starting December, 2012. The Commission will assess companies' internal controls, corporate governance, underwriting and other things such as policy standards. There has also been a push for unified legislation and regulations and a proposal for an Insurance Ombudsman to handle complaints of policyholders.

With regard to the restructuring effort, the Government of Antigua and Barbuda took a decision mandating the restructuring of the Financial Services Regulatory Commission on 28 April 2010. Given the importance of the proposed task, its complexity and resource density, the Commission engaged the services of several experts to address the goals set for the exercise. A principal objective of the consulting activity is the development of a robust legislative and regulatory framework with adequate internal capacities and compliance with international standards. On the human resources front, the FSRC unveiled its new Government-approved organisational structure and is working

hand-in-hand with its management, staff and collective bargaining group to develop an implementation strategy, a collaborative process designed to gain buy-in from employees.

The Division of Gaming has also pursued a reform agenda with respect to licensing, regulatory and supervisory functions in the development of the interactive gaming and interactive wagering regulations in 2013, to wit:

1. Creating a comprehensive licensing framework for gaming businesses;
2. Improving the enforcement and procedural processes of the Gaming Regulations as they relate to renewing, suspending or revoking a licence and achieving general compliance of the Gaming Regulations;
3. Improving the Gaming Regulations to ensure a high level of player protection mechanisms and to ensure compliance with current international best practices and standards; and
4. Developing and implementing an Examination, Regulatory Enforcement and Licensing Procedural Manual (to be known as the Standard Operating Procedural Manual (SOP). The SOP documents the proper mechanisms and processes to enable the Division of Gaming to effectively administer the IBC Act, the Gaming Regulations, and ancillary guidelines.

Any reform agenda without a human resource component is superfluous. In light of this, capacity development for 2012 has covered the following crucial areas:

1. The use of applicable methods of investigation, supervision and regulatory oversight;
2. The use of the SOP manual as it relates to the IBC Act, the Gaming Regulations and guidelines;
3. The various techniques for on-site and off-site examination and regulatory enforcement; and
4. The protocols for interaction between the Division of Gaming and law enforcement agencies and regulatory bodies, concentrating on enforcement of the Gaming Regulations and applicable sections of the money laundering and prevention of terrorism laws.

The Department of International Banks and Trust Corporations faced a number of challenges in 2012. One of the most significant undertakings for the FSRC was the involvement of the Department's Supervisor in the trials of R. Allen Stanford and his co-conspirators. The other is the intervention and appointment of a Receiver-Manager in Antigua Overseas Bank (AOB) Ltd. Since the Receiver-Managers were appointed in

April 2012, they have considered a number of proposals for the reorganisation of the bank. The Receiver-Managers have presented regular updates to and received feedback from the Commission on the possible options for resolution of the AOB matter. It should be noted that the underlying consideration for the FSRC is protecting the interests of the depositors and creditors of AOB and minimising impairment to the jurisdiction. The Government wishes to thank the depositors and creditors of AOB for their continued patience. I give them my assurance that every effort is being taken to resolve this matter satisfactorily and expeditiously.

Madam Speaker

With respect to ABI Bank Ltd, the ECCB remains in control of the bank's operations, since the ECCB intervened in July 2011. Under a resolution strategy devised by the government, the ECCU Monetary Council, the ECCB and development partners, certain assets and liabilities of ABI shall be subsumed into a new entity by the end of first quarter of 2013. The expected shareholders in the new institution are those who currently own shares in the ECAB, with the Government of Antigua and Barbuda being the major shareholder. Very shortly, the services of a highly reputable Accounting firm will be employed to guide the transition process. Together with an Oversight Team drawn from the ranks of the investor institutions and the Government, the resolution strategy will be executed involving incorporating the new company, preparing the attendant business plan and submitting an application for a Banking Licence to the Minister responsible for Finance.

Once the new bank is operational and viable, and the time is opportune, the Government will divest itself of a portion of its shares to Antiguan and Barbudans and other citizens of the OECS. Once again, though hard pressed, the government of Antigua and Barbuda and indigenous banks in the ECCU have stepped up to the plate in order to ensure that the interests of depositors and other concerned parties are protected, and to guarantee the stability our financial system.

PROGRAMMES FOR YOUTH DEVELOPMENT

Madam Speaker

Over the next 12 months, the Government will intensify its engagement with the youth of this nation to enhance their ability to actively impact the policymaking process and

contribute to economic and social development in Antigua and Barbuda. Since taking office in 2004, this Administration has been committed to developing the youth of this nation. This is a commitment from which the UPP has never wavered.

A major plank of this platform has been youth development focused on empowerment through increased access to tertiary education. The UPP Government has secured scholarships for hundreds of our young people to study in various parts of the world. This Administration also created a special fund that affords students who cannot access traditional sources of financing an opportunity to pay for their tertiary education.

Empowerment through education is perhaps the most effective means of developing our youth and equipping them to one day direct the course that Antigua and Barbuda will follow. We are excited about the upcoming year, as there are a number of new and exciting interventions that will benefit the youth. These interventions will cover various sectors of the economy and will provide training and opportunities for our youth to engage in entrepreneurship programmes as well as community development initiatives.

Madam Speaker

The Government, through the Ministry of Tourism, will implement a number of youth-centred programmes in 2013. We will expose more of our young people to the main driver of our economy, tourism. These programmes include:

Youth PATH -- Youth Poverty Alleviation through Tourism and Heritage

This is a UNESCO-based Caribbean initiative that is intended to train young people in rural communities in the development and documentation of cultural and natural heritage sites. These sites will become centres for use by citizens and residents and by visitors to Antigua and Barbuda. This project will provide participants with the ability to generate income, improve their economic circumstances, and contribute to community development. The goal is to use heritage tourism as a tool to empower young people socially and financially.

Young Entrepreneurs in Tourism Initiative (YETI)

The objective of this programme is to provide young people with opportunities to pursue entrepreneurship in the tourism sector. This programme will provide hands-on training to participants and will allow them to develop pilot projects within the context of Business Labs to help to reinforce their practical understanding of tourism. Participants will learn about networking skills, project development, and linking their entrepreneurial interests with the concept of job creation. The Youth Entrepreneurs in Tourism Initiative will also guide the young people who take part in the programme on issues such as selecting a career path and pursuing higher education.

The Antigua and Barbuda Tourism Cadet Corps

This programme is considered by the Caribbean Tourism Organisation (CTO) as a good practice within the tourism and hospitality sector. Its aim is to expose secondary school students to appropriate and effective tourism education and training and awareness programmes. The Tourism Cadet Corps is considered an integral programme to ensure that Antigua and Barbuda possesses a cadre of creative, capable and qualified nationals who can contribute to a sustained and competitive tourist industry.

The programme will also assist in the personal development of the Cadets by offering instruction in areas such as leadership, public speaking, interpersonal and social skills, and decorum.

Corporate Tourism Internship Mentoring Programme

The Corporate Tourism Internship Mentoring Programme is a 10-week mentoring course. It offers an interactive approach to learning about the tourism industry for youth who wish to transition in the tourist industry. Participants selected to take part in a Corporate Mentoring Programme will be attached to hotels or tourism service centres, to include the Ministry of Tourism, Antigua and Barbuda Tourism Authority, Festivals Office, National Parks Authority, and the Antigua and Barbuda Hospitality Training Institute.

Other programmes to be undertaken in 2013 include a Careers in Tourism Programme, Tourism Action Clubs, the Sports Tourism Ambassadors Programme, re-introduction of the “Hello Tourist” Programme in primary schools, and the Excellence in Tourism

Award Youth Project, which recognises, acclaims and awards youth leaders in the tourism sector.

Madam Speaker

The young people who have an interest in our agriculture sector and who want to play a part in advancing the food security objective of our nation will have an opportunity to participate in a National Youth Farm (NYF) project. This will be a 100-acre farm producing vegetables, tree crops and small ruminants like sheep and goats. With technical and financial assistance from the Food and Agriculture Organisation (FAO), we will finally be able to launch the first phase of the National Youth Farm in 2013. This initiative will allow young people to learn the technical and practical aspects of the agriculture sector and give those interested in making agriculture a lifelong career a head-start towards attaining their objective. Participants in the National Youth Farm will work on the farm and will receive a stipend in consideration for that work. Once the produce of the farm is harvested, the participants will be able to generate additional income through the sale of their output. The National Youth Farm is intended to accommodate up to 200 hundred young people over a four-year period. In 2013, the first 50 participants will begin receiving training and working on the farm.

For this Government, Madam Speaker, the National Youth Farm project provides the conduit through which more of our young people will transition into food production. This project will, of necessity, involve technicians from the Ministry of Agriculture. The programme gives the Ministry first-hand opportunities to assess the extent to which young people involved in the programme will be suitable candidates for entrepreneurs in agriculture. This is a soberly devised programme to secure growth and stability in agriculture. Food security is a national priority. Greater food production is a national necessity. Increased local food consumption is an economic priority to sustain our well-being into the future. This UPP Administration looks ahead confidently by giving opportunities to our youth to carve out a space for economic empowerment for themselves and their families.

Madam Speaker

The Government is designing a business development programme targeted at the youth and single mothers. This programme, called the Enterprise Achievement Challenge (EACH), is intended to create employment opportunities for participants and will

empower the youth and single mothers in our communities. The focus of this initiative will be skills-based enterprises, with the participants being attached to existing businesses as apprentices. This is unlike other Government-sponsored apprenticeship programmes since the objective is to prepare the participants to launch out on their own and establish their own business with the skills acquired through the EACH initiative.

The programme will start with the skills-based enterprises with emphasis on clothes-making, shoe and leather repairs, locksmithing, and yacht and sailboat repairs. In addition to being trained by masters in these areas, the participants will be instructed in basic contracts, marketing, money management for business purposes, and customer relations. Successful applicants to the EACH initiative will receive a stipend for the time they are participating the programme.

Further, the Government, through the ABIA, will partner with local businesses and NGOs to finalise and launch the EACH programme. Regional and international agencies will also be tapped to support the programme. The details of the EACH programme will be completed in early 2013, and the ABIA will begin to accept applications by April 2013.

After this first phase of the EACH programme is underway, we will move to develop other projects such as a Landfill Mulch Production Project that will offer youths who have studied or are studying chemistry, physics, biology, geography and agricultural science an opportunity to apply what they have learned to practical, income generating purposes.

Madam Speaker

We are temporary stewards of the resources of this country and must do our best to secure a strong and sustainable foundation upon which the dreams and aspirations of the next generation can be safely built. We welcome all of our young people to take part in the various projects and programmes that have been identified. For those youth who may not be interested in the programmes presented today, we encourage you to propose your own projects and programmes in the areas that do interest you. To the youth of this nation I say: This is your time. In the words of the Nobel Prize winning author, journalist and philosopher, Albert Camus: *“Real generosity towards the future lies in giving all to the present.”* Young people, you can secure economic independence and sustainability for your future if you dedicate your energies to grab hold of the

opportunities that come your way today. This is your moment to influence how our country develops over the next few years; to present your vision of what this nation must be, and to start shaping the strategies that will make that vision of a prosperous and blessed Antigua and Barbuda a reality.

A plethora of youth centred programmes devised under the UPP Administration show that we do not make light of the clarion call by King Short Shirt over 30 years ago to “Awake the Youths My Sleeping Country”. By negotiating opportunities for our youth to study in countries like Mexico, India, the USA, China, Greece, Morocco, Cuba, Russia, Eastern Europe and other places untapped by governments before 2004, we have answered that call.

The ICT Fest and Government Assisted Technology Endeavour (GATE), under the Ministry of Information and Technology, the Agriculture Cadet Programme, the Environment Cadet Programme, and the Tourism Cadet Programme, the EACH and the LEAP, both coordinated through the Ministry of Finance, are all opportunities on which you can capitalise. Make no mistake; we are certain that our youth programmes are necessary. We are confident that our youth will benefit tremendously from these exercises. We also know that these are credible initiatives to lay the platform to secure growth and stability.

BUDGET PROJECTIONS 2013

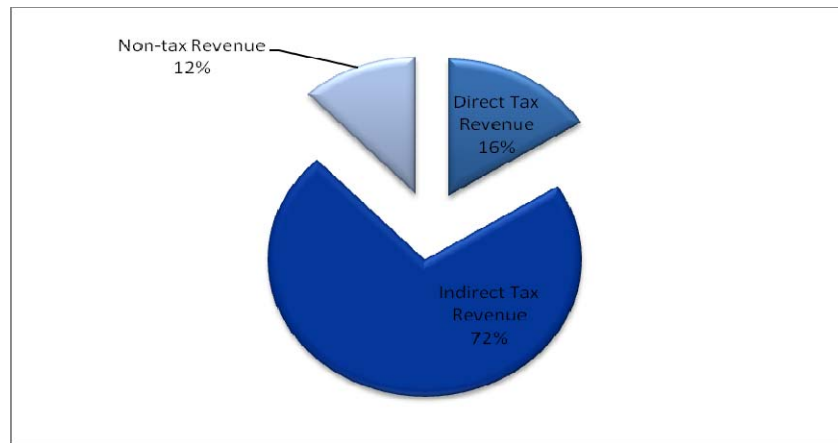
Madam Speaker

Recurrent expenditure for fiscal year 2013 is estimated at \$786,992,836 while recurrent revenue is estimated at \$757,877,659. Recurrent, expenditure excluding principal payments, is estimated at \$663,876,896. Accordingly, we project a current account surplus of \$94,000,763 in 2013.

Recurrent Expenditure

Recurrent expenditure, which is budgeted at \$786,992,836 for 2013, is slightly less than revised budgeted expenditure of \$792,855,753 for 2012.

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 2013 expenditure on salaries and wages is budgeted at \$279,960,906 compared to \$288,594,227 for the revised estimate for 2012.

Government's Social Security and Medical Benefits contributions are budgeted at \$20,621,538 as was done for 2012.

For pensions and gratuities a budgetary allocation of \$59,931,219 is included in Budget 2013. This compares with the revised figure of \$80,015,663 for 2012.

We have budgeted \$117,016,839 for expenditure on goods and services in 2013. This compares to \$134,846,867 in the revised estimates for 2012.

In terms of transfers and grants, we budgeted \$96,148,740 for 2013. This compares to \$111,053,756 in the revised estimates for 2012.

Finally, Debt Service payments are budgeted at \$123,115,940 for 2013.

BUDGETARY ALLOCATIONS

Office of the Prime Minister

The Honourable Prime Minister's ministerial responsibilities span a wide range of matters pertaining to diplomatic relations, communications, broadcasting, ICTs, drug enforcement, merchant shipping, energy, public utilities, electoral and ecclesiastical issues and Barbuda.

This Ministry has been allocated the sum of \$34,218,374 to pursue the following strategic objectives in 2013:

1. Increase sustainable energy awareness in the public sector and develop and implement a Sustainable Energy Action Plan;
2. Enhance the Supervisory Authority's capability to better supervise financial institutions and improve the financial analysis and financial investigations of the ONDCP;
3. Improve intra and inter-departmental communication, coordination and cooperation;
4. Ensure that citizens receive reliable utility services, including electricity, water and telephone;
5. Advance the human resources of our nation by taking advantage of opportunities available through the diplomatic network;
6. Improve the overall capacity of the Headquarters to effectively manage and execute its objectives;
7. Develop clear operational guidelines; provide professional diplomatic protocol and consular services; and
8. Continue to inform, educate and entertain the public through radio and television services in the interest of national unity, peace and development.

Investing in the Development of Barbuda

In 2013 the central government will conduct a comprehensive review of its status with Barbuda which is aimed to include the following:

1. The need for increased autonomy especially in attracting and implementing economic projects;
2. The importance of Barbuda's economy in relation to the state;
3. The relevance of the Barbuda Local Government Act in relation to how the government functions; and
4. The possibility of implementing a viable and affordable transportation system between Antigua and Barbuda.

Also in 2013, the Government will continue to assist the Barbuda Council to pave roads, including Hopkins Road and Webber Road; and facilitate construction of a brand new docking facility at the River Port. This will allow Barbuda to fully operate its port of entry.

Information and Communication Technology (ICT) and Public Information

Madam Speaker

In 2012, Antigua and Barbuda maintained its position as the ICT capital of the Caribbean. Seven years of investments in the ICT sector and the recently launched 4G LTE broadband Internet has positioned our nation as a cutting edge technology destination. The deployment of this super fast Internet represents a bold step forward by this Government in preparing Antiguan and Barbudans for the next 20 years. This step is indicative of the visionary thinking of this Administration as we continue to plan deeply for what citizens will require in the future.

With the increase in international investment in the ICT sector, small and micro enterprises (SMEs) are leveraging technology to become competitive. In an effort to assist our local SMEs to take advantage of the opportunities offered by ICT, this Government has successfully developed an Internet portal for SMEs to promote their businesses. The Connect Antigua Barbuda Biz (CABB) allows small and micro enterprises to present the products and services they offer on an ICT platform that exposes them to potential local, regional and international clients. The CABB is being

implemented in collaboration with the APUA, which offers participating small and medium enterprises a competitive communications package for their business and 12.5 percent discount on utilities.

In 2013, the Government will continue the modernisation of the technology networks in the operations of all areas of Central Government, paying particular attention to mission critical operations.

Also in 2013, we will launch an ICT Cadet Programme, a recruitment initiative that targets young people coming out of secondary school. This novel programme, which will be located in a zero-distraction environment, will provide an opportunity for individuals interested in working in Information Technology-related fields to acquire technical skills as well as gain valuable workplace experience. It is envisaged that the majority of cadets would be able to proceed onto a path of self-entrepreneurship.

Madam Speaker

This Administration remains totally committed to equipping our students with the tools to make them more productive citizens. We have already begun leveraging the latest mobile technologies in innovative ways to improve learning, teaching and communication between students and teachers. In 2013, under the GATE), this commitment will be further demonstrated as the Government utilises cutting-edge technology to help teachers bring more collaboration in the classroom. Secondary school students, commencing with forms three to five, will be allocated a modern, 4G LTE enabled computer tablet and 4G LTE broadband Internet connectivity, which will transform student learning and increase student-teacher engagement.

Government operations will also be positively impacted as GATE will propel the e-Government agenda as the Government modernizes the way it provides services to the citizenry.

Antigua and Barbuda Department of Marine Services and Merchant Shipping

International Ship Registry performed well notwithstanding the global economic and financial crises which has characterized the world economy for the last five years and which has unfortunately had an adverse impact on the shipping industry.

At the end of 31 December 2011, there were 1392 ships on the International Ship Register. There were 285 locally registered vessels. A review of the figures for 2012 revealed that there has been a slow-down in growth in vessel registrations, however, the Department will be addressing this situation with an aggressive marketing initiative in 2013.

In 2012 the Department continued its marketing thrust to attract 'mega-yachts' onto its registry. These initiatives were on the international as well as local fronts. For the second year, the Department attended and mounted a booth at the annual Monaco Yacht Show, one of the largest and most prestigious international yacht shows in the world. At this event, the services of the Department in the area of yacht registration were promoted and marketed. A number of ship-owners demonstrated a keen interest in this country's flag as a possible flag of registration and the Department is following through on a number of contacts that were made at this event.

Locally, the Department sponsored and participated in the Antigua Sailing Week Regatta in April and also sponsored and participated in the Antigua Yacht Charter Meeting earlier this month.

The Antigua Department of Marine Services participated in a voluntary International Maritime Organisation (IMO) member state audit in June. The audit was comprehensive, focussing on the department as well as external agencies, including the Antigua and Barbuda Defence Force Coast Guard and Port Authority. These entities also hold port state and coastal state responsibilities under the mandatory international maritime conventions which Antigua and Barbuda ratified and acceded to.

As part of a mandate from the Government, the Department launched a pilot programme essentially designed to increase the awareness and exposure of young Antiguan to the maritime industry. In September, the Department participated at a career day at the Pares Secondary School and last month also took part in a career day organised by the GARD Centre.

The Department has also taken an active role in this programme to get young people qualified in the maritime sector and has provided a scholarship for a former student from the Antigua State College currently undertaking a programme of study in marine engineering at the Caribbean Maritime Institute in Jamaica. Incidentally, this student after experiencing a summer attachment at ADOMS with practical experience being facilitated by West Indies Oil was motivated to pursue studies in this field.

Ministry of Health, Social Transformation and Consumer Affairs

Madam Speaker

This Ministry's budgetary allocation for 2013 is \$101,326,626.

In the coming year the Ministry will continue to vigorously pursue its overall mandate to promote and facilitate the good health and well-being of citizens and residents, while focusing on the areas of mental health, ageing, nursing education, non-communicable diseases and AIDS.

The Ministry's focus in 2013 will be on:

1. Upgrading the physical facilities and staff of the Clarevue Psychiatric Hospital;
2. Presenting the new Mental Health Policy to Cabinet;
3. Completing the National Policy on Ageing;
4. Paving all walkways and activity areas at the Fiennes Institute;
5. Reviewing and updating the Nurses Registration Act to make it congruent with new trends in nursing practice;
6. Upgrading the existing training plant and curriculum for nurses;
7. Seeking accreditation so that students of nursing can graduate at a level reflective of their training;
8. Strengthening nursing leadership through training;
9. Reviewing existing policies and developing new ones to improve the delivery of health care;
10. Refurbishing the St John's Health Centre; and

11. Increasing HIV-related resources, including training for health care workers and grants for affected families.

Under the social transformation agenda, the Ministry continues to strengthen its priorities to ensure robust social policies are put in place to improve the socio-economic conditions of the most vulnerable sectors of our population. Upcoming policy initiatives in this regard will be based on A National Poverty Reduction Strategy developed with assistance from the CDB and a World Bank–facilitated Social Safety Net Assessment.

Madam Speaker

In 2013 the Prices and Consumer Affairs Division, which has the mandate to protect the interests of our consumers, will continue to execute its responsibilities with great dedication. As a result of its increased access to data on imports, the Division is now able to undertake more timely estimates of the price ranges for the items in the basket of basic and essential goods. This will allow the Division to resume publishing on a monthly basis the *Price List for Basic and Essential Goods*.

The Division will also resume regular visits to Barbuda to monitor prices on the sister isle with a view to considering possible options to help reduce the high cost of food in Barbuda.

The Prices and Consumer Affairs Division is the focal point in Antigua and Barbuda for the EU-funded CARICOM Rapid Exchange System (CARREX). This system is intended to provide timely information on the presence or impending presence of dangerous goods on the regional market.

In carrying out their mandate, the staff of the Division will continue to receive and respond to consumer complaints and will again put on a series of public education and awareness activities in celebration of World Consumer Rights Day.

Ministry of Agriculture, Lands, Housing and the Environment

Madam Speaker

The Budgetary allocation for this Ministry in 2013 is \$16,011,577.

The Government wholeheartedly embraces the philosophy that all citizens and residents of Antigua and Barbuda are entitled to both physical and economic access to food that is safe, nutritious and available in sufficient quantities and the basic human need of shelter. The mandate of the Ministry of Agriculture, Lands, Housing and the Environment is to make this a reality. The Ministry is also responsible for efficient land use management, environmental conservation and sustainable development of natural resources.

In 2012 the Ministry was able to realise some modest achievements with technical and financial assistance from our development partners. These include:

1. Antigua and Barbuda's hosting of Caribbean Week of Agriculture 2012 for the first time. A letter of Intent was signed among the Ministry, the Food and Agriculture Organization (FAO), and the International Institute for Cooperation in Agriculture (IICA) to facilitate activities that will significantly reduce extreme poverty in Antigua and Barbuda within the next 24 months;
2. The *National Food and Nutrition Policy and Action Plan* were completed and a broad-based inter-sector committee has been established to oversee implementation;
3. The *Sustainable Island Resource Management Zoning Plan* has been completed and approved by Cabinet;
4. Parliament approved the *National Plant Protection Act 2012*. This Act will pave the way for the enforcement of regulations that will ensure plant health and food safety standards;
5. A study of the information needs of the sector was completed and recommendations for the phased establishment of a National Agricultural Information System have been submitted for consideration and implementation;
6. Efforts are ongoing to adopt renewable energy sources within the sector, including the launch of a Biogas Initiative;
7. The Fisheries Regulations 2012 have been submitted for final approval and Gazetting. This will facilitate better control and management of our marine resources;
8. There was a 5 percent increase in local food production;
9. The Veterinary and Livestock Division surpassed the expected revenue collection by 9 percent;

10. The Ministry appointed a Chief Veterinary Officer and a Chief Lands Officer; and
11. The Ministry continues to provide critical support services within the country. With respect to Analytical Services, 1086 samples were analysed for physico-chemical and microbiological parameters. An additional 218 samples, consisting primarily of cannabis and cocaine were analysed on behalf of the law enforcement agencies.

In the coming financial year the Ministry will continue to focus food security, with activities aimed at increasing and enhancing local production. An upgraded land management information system is expected to facilitate a 50 percent increase in lands available for residential and commercial purposes by the end of 2013, zoned in conformity with the revised National Physical Development Plan. The Ministry's 2013 work programme for coastal zone management will address erosion in Dickenson Bay, and Runaway Bay.

Madam Speaker, our priorities in this Ministry for 2013 include:

1. Improving the Abattoir and Meat Market facilities by refurbishing the buildings and replacing the equipment;
2. Strengthening the legislative framework for livestock registration and control, and animal welfare;
3. Ensuring a healthy animal population by regulating the importation of live animals;
4. Guarantee that foreign meat is wholesome and healthy by updating import requirements;
5. To reduce the food import bill;
6. To upgrade the Paynters Livestock Station;
7. To establish an Animal Control Unit;
8. To improve management and administration within the Ministry;
9. To increase the volume of processed sea food;
10. To maintain Antigua and Barbuda's status on the list of countries allowed to export to the EU and other importing countries;
11. To establish and maintain a fully functional Management Information System for the Lands Division; and
12. To increase awareness of climate change through public education

Ministry of Tourism, Civil Aviation and Culture

An allocation of \$38,100,018 is made in Budget 2013 for this Ministry.

The Ministry's focus in 2013 will be to implement the *National Sustainable Tourism Development Plan*. In particular, the resources allocated to the Ministry will be used to enhance the tourism marketing strategy and promote product development to ensure the destination offers a wide range of experiences for visitors.

The marketing strategy, which will be undertaken in conjunction with the Antigua and Barbuda Tourism Authority, will emphasise:

1. An aggressive airlift strategy to increase the number of flights to Antigua and Barbuda from our main source markets and from new and developing markets;
2. Implementation of the Integrated On-Line Marketing and Internet strategies so that Antigua and Barbuda can capitalise on its airlift strategy by using the World Wide Web to increase awareness of the destination;
3. Greater use of social media such as FaceBook, Flickr, Twitter, and YouTube, where we have already realised some measure of success and visibility;
4. The Travel Agent Familiarisation Programme and marketing programmes offering incentives to agents for every vacation sold to Antigua and Barbuda will also be implemented;
5. Working in collaboration with the Florida Caribbean Cruise Association (FCCA) to finalise a 2012 Visitor Satisfaction and Expenditure Survey for the cruise industry. This study will help the Ministry to devise strategic interventions to improve the industry and to promote greater public awareness of the importance of the cruise industry to the nation's economy; and
6. Undertaking the second "Antigua meets the Hamptons", in the Hamptons, Long Island.

In terms of the product development strategy, a revitalised Tourism Product Development Committee, with an enhanced mandate, will strategise and prioritise on our core tourism products. These include sun and beach tourism; yachting; cruise; Meetings, Incentives, Conferencing and Events (MICE); eco-tourism and nature tourism; and residential tourism. The Ministry will also focus on complementary products, including cultural and heritage tourism, community tourism, sports tourism, wellness and medical tourism, and agro-tourism, including food and gastronomy.

Recognising the importance of sustainable tourism, we will undertake a Clean and Green Antigua Initiative, which will be an integral part of the Green Tourism Initiative Programme to be launched in 2013. The public relations campaign surrounding the Clean and Green Antigua Initiative will inculcate the underlying theme “respect, protect, and enhance the environment: our livelihood depends on it”. This message will be displayed on billboards and beach entrance signs distributed across the island and on major beaches. Other media to be used include a radio jingle, a Facebook campaign, and E-alert. A Clean and Green Antigua Facebook Page will also be created.

Ministry of National Security and Labour

This Ministry’s oversight responsibilities comprise the Labour, Immigration, Passport and Citizenship Departments, as well as the Royal Antigua and Barbuda Police Force, Her Majesty’s Prison, and the Antigua and Barbuda Defence Force.

It has been allocated \$69,538,644 for the 2013 financial year.

The Ministry is pleased to report an increase in crime detection and solving in 2012, and plans to continue this trend in the year ahead by:

1. Placing CCTV cameras at strategic locations across the state, to assist the police with law enforcement;
2. Continuing to build the human resource capacity of the Antigua Barbuda Defence Force and to improve the operational capacity of the Coast Guard;
3. Expanding the Cadet Corps into the nation’s secondary schools;
4. Enhancing the search and rescue operations and the anti-trafficking and anti-smuggling initiatives of the Coast Guard;
5. Increasing awareness under the Community Policing Initiative; and
6. Upgrading police stations in need of extensive repairs.

Immigration Department

Among the achievements of the Immigration Department in 2012 was the acquisition of a compact portable device for checking travel documents. The Department also acquired a new finger printing machine, which can link persons within the OECS. With the new technology, Barbuda residents no longer need to travel to Antigua for police records.

In 2013 the Immigration Department aims to improve border security, reduce smuggling and human trafficking, and facilitate mobility through the new Border Management system (BMS).

The following services will be introduced upon enactment of the New Immigration Bill:

1. The Resident Permit will replace the Temporary Resident Permit;
2. The Corporate Service will be provided to corporate hotel guests who want to remain in Antigua and Barbuda;
3. The Red Carpet Service will welcome first class visitors; and
4. The visa on arrival will be available for passengers who hold resident permits for the United Kingdom, Canada and the USA.

Her Majesty's Prison

The IMPACTS rehabilitation programme which commenced in 2012 will continue into the New Year, as part of ongoing efforts to improve conditions at the prison. From January to October 2012, the limited operations at the Prison Farm produced over 11,800 pounds of fruits and vegetables, 5,000 heads of bundled produce, and more than 800 pounds of pork. The estimated retail value of this produce is in excess of \$92,800.00.

It is anticipated that by the end of 2013 the Prison Farm will supply most of the fruits and vegetables used by the institution, but the funds generated from the sale of surplus produce will be used to purchase inputs and will even fund training programmes within the prison.

Activities for 2013 include:

1. Continued training of prison officers to deal with the changing landscape of their jobs; and
2. Training for inmates in farming techniques, with the aim of providing them with income earning opportunities and as well as making the prison farm fully operational.

Labour Department

In 2012 the Department continued its work on the Antigua and Barbuda Labour Code, with presentations to Cabinet of proposed amendments. Proposed Activities for 2013:

1. A World Bank-funded Youth Internship and Temporary Employment Programme for 1,200 persons;
2. The Labour Market Information System to be implemented with assistance from the International Labour Organisation, will enhance the capacity of the Department to provide the reliable labour market information; and
3. The Department will reduce the backlog of conciliation matters contracting two conciliators on a short term basis.

Passport and Citizenship Division

The Passport and Citizenship Division continues to work towards improving the integrity of the nation's documents and will, in 2013, work towards including additional security features on the citizenship certificates and visas.

Ministry of Education, Sports, Youth and Gender Affairs

The allocation for this Ministry in 2013 is \$84,446,171.

Education is no less important than the basic needs of food, clothing, and shelter. In fact, it determines the extent to which we are able to fulfil those needs. The Government therefore takes very seriously, its responsibility to ensure that no child is left behind at the elementary, primary, and secondary stages, and that tertiary and vocational opportunities are universally accessible.

In 2012 the Ministry accomplished a number of its training objectives for teachers and students alike.

Teachers who obtained laptops from the Ministry of Information were schooled in the use of ICT tools with assistance from UNESCO and Japan. The Ministry of Education continued to seek more ways to boost literacy and numeracy in the classroom. The University of Cambridge has sponsored a programme called: *Raising Students' Achievement* which seeks to sensitise teachers the importance of finding new ways to engage their students in the classroom. *Shared Reading* is an initiative of this programme that seeks to improve literacy.

Among the other programmes undertaken for teachers were:

- Raising student achievement;

- Basic training;
- Special needs training;
- Early childhood training; and
- Upgrading pedagogic skills

Students benefitted from supplementary programmes including:

- The Caribbean Vocational Qualification under which 70 students were trained; and
- The Child Friendly School Initiative that creates a friendly learning environment for students.

In 2013 the Ministry's seminal initiative will be Universal Secondary Education. All students in Grade 6 will transition to secondary school following a national examination. There will be two streams for secondary students: the general and the technical. Students in the general stream would have demonstrated the ability to do both academic and technical subjects; those in the technical stream will do a limited number of academic subjects and a variety of skills-based subjects. Universal Secondary Education (USE) seeks to empower all students with secondary education. Antigua and Barbuda can benefit economically from USE since it will ensure that more students are to be competitive, and can contribute positively to economic growth.

Two other sub-categories will receive special attention:

- Universal Early Childhood Education: The Ministry hopes to open at least two pre-schools in 2013, with the help of corporate sponsors.
- Special Needs Education: Training programmes undertaken in 2012 have better equipped teachers to handle students with special needs and this will be reflected in the classroom in 2013. An Education Officer will be appointed and a Diagnostic Centre will be made functional in the coming financial year.

Other activities to be undertaken in the coming financial year are:

1. Improving performance in Mathematics: The poor performance at the CXC Examination level is of great concern to the nation. The Ministry of Education will continue with measures already put in place to counteract the continued low performance in the short and long term;

2. Placing the Antigua State College (ASC) under the management of a board. This will allow the college to generate its own funds and is the first step to the Antigua and Barbuda University;
3. Upgrading at least half of the computers and air conditioning units at the Antigua and Barbuda International Institute of Technology;
4. Completing the National Library;
5. Regularising the appointment of education officers;
6. Refurbishment of a building to serve as a teacher education facility; and
7. Construction of the Five Islands Secondary School.

Ministry of Finance, the Economy and Public Administration

The Ministry of Finance, the Economy and Public Administration (MFEPA) coordinates the efficient, effective and equitable use of government's human and financial resources, and oversees the implementation of the NEST Plan.

Its allocation for the 2013 Financial Year is \$88,576,062.

As noted elsewhere in this presentation, the MFEPA is responsible for efforts to place Antigua and Barbuda on solid financial ground as a prerequisite to sustainable growth and development. The Ministry achieved a number of milestones in 2012, the most significant of which are noted here:

1. The Inland Revenue Department (IRD) moved into its new home and conducted comprehensive staff training. The IRD compliance rate improved from below 40 percent to 90 percent;
2. The Government attained fiscal targets agreed to under the Fiscal Consolidation Programme and received relevant disbursements under the IMF Stand By Arrangement;
3. The Ministry negotiated and received grant funding from Caribbean Development Bank to finance functional reviews for Government ministries;
4. Implemented and maintained procurement procedures for Ministries' expenditure on goods and services to ensure expenditure remains aligned to revenue;

5. Developed databases for monitoring Government travel and approving personal advances;
6. Implemented the Utilities Policy to cap Government-paid utilities.
7. Rescheduled debt with multilateral creditors, domestic banks and selected external bilateral creditors;
8. Completed Antigua and Barbuda's Debt Profile Review for 2006 to 2010; and
9. Completed a sovereign credit rating exercise with CARICRIS rating agency.

In 2013 the MOFEPA will maintain the reforms initiated under the NEST Plan.

Among the Ministry's priorities are continuing activities to:

1. Implement the Fiscal Consolidation Programme (FCP) and source financial and technical assistance;
2. Implement the debt management strategy and restructure debt in accordance with the FCP;
3. Secure strategic donor financial and technical assistance for the FCP and the NEST Plan;
4. Establish the Macro Fiscal Policy Unit for policy development and implementation; the State-Owned Enterprises Oversight Unit; and the Project Management Unit;
5. Improve revenue collection mechanisms in the primary revenue collection agencies;
6. Complete the 2007 to 2011 accounts and improve cash management and public financial management;
7. Develop and review the Internal Audit Unit, Debt Unit (Treasury) and accounting systems across Government departments, and conduct audits;
8. Promote and develop national standards, enhance the national measurement infrastructure, and assist businesses to use standards for production, export and management;
9. Expand and enhance postal services; and
10. Complete the 2011 Population and Housing Census;

Madam Speaker, in Budget 2012, I announced the Government's decision to provide a grant of \$500,000 to assist with the restoration of the Cathedral of St. John the Divine.

This decision was taken in light of the Cathedral's historic value and the fact that it is a major tourist attraction. I am pleased to indicate that, despite the cash flow constraints, the Government was able to fulfil this commitment. The major work on the roof has already been completed at a cost of about \$2.6 million. There is still significant work to be done, including rebuilding the floor, the ceiling, and the entire varnished wooden interior of the Cathedral. The Government will collaborate with the church to raise funds to further assist with the restoration of the church. In addition, the Government will match whatever resources are raised through these fundraising initiatives up to \$500,000.

Ministry of Works and Transport

This Ministry has the formidable task of deploying limited resources to maintain the government plant – ministries, schools, health centres, police stations, roads, transport and other vital infrastructure.

With a budgetary allocation of \$65,072,280 2013 and an amount of \$115,023,338 for capital expenditure, the Government will intensify capital works to include road works, refurbishing Government buildings, and will implement capital projects in a number of Ministries and in Barbuda.

Notwithstanding the financial and other resource constraints, the Ministry gave a commendable account of its stewardship in 2012, from both administrative and functional standpoints. Some of our achievements over the past year include:

1. Initiated the development of a three year strategic plan (2013-2015) to be completed in February 2013;
2. Completed phase two of a three phase Rental Agreement Review Project;
3. Installed Fibre Optic Broadband Connectivity which allows for full access to the Integrated Financial Management System;
4. Devised ways of providing basic maintenance service to the various ministries and departments despite the drastic cut in the budgetary allocations;
5. Undertook major refurbishment of the High Court Building;
6. Renovated several government facilities throughout the island including the Bendals and Jennings clinics, the Post Office at Old Road, the crèche at John Hughes, and the Audit Department Headquarters on St. Mary's Street;

7. Installed a new roof at Her Majesty's Prison; and
8. Kept the main roads into St. John's in acceptable condition throughout the year.

The priorities for the Ministry in 2013 are to:

1. Reorganise the Department of Public Works into four clearly defined divisions: The Roads Division, the Buildings Division, the Control and Design Division and the Heavy Vehicle and Equipment Maintenance and Repair Division;
2. Develop structured and targeted skills training programmes;
3. Continue to improve the IT infrastructure in the Ministry;
4. Continue to maintain all the major roads/arteries into the city of St. John's and to upgrade critical village access roads;
5. Improve the drainage on the Sir George Walter Highway and Friars Hill Road;
6. Facilitate the relocation of the following six government departments:
 - Department of Gender Affairs
 - Establishment Department
 - Bureau of Standards
 - Teacher Training Department
 - Ministry of Health Headquarters
 - Survey Department
7. Resurface ten miles of road;
8. Construct at least five miles of road;
9. Realign real estate arrangements to realize savings; and
10. Commission the new Heavy Equipment and Repair Centre.

Other Budgetary Allocations

Expenditure for Democracy and Governance

The Budget 2013 allocation for the Governor General's Office is \$1,091,085.

For the Legislature, the allocation is \$2,236,293.

The allocation for the Cabinet Office is \$3,064,321.

Expenditure for the Justice System

The allocation for The Judiciary is \$1,742,668.

For the Office of the Attorney General and Ministry of Legal Affairs, an allocation of \$9,970,748 will enable the Government to continue implementing its legislative agenda in 2013.

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 2013 Budgetary allocation for the Services Commissions is \$672,479.
- The provision for the Audit Department is \$1,107,368.
- For Pensions and Gratuities, we have allocated \$52,328,235.
- The provision for Charges on the Account of the Public Debt is \$213,313,594.
- The 2012 provision for the Electoral Commission is \$3,708,260 and \$468,033 has been allocated for the Office of the Ombudsman.

RECURRENT REVENUE

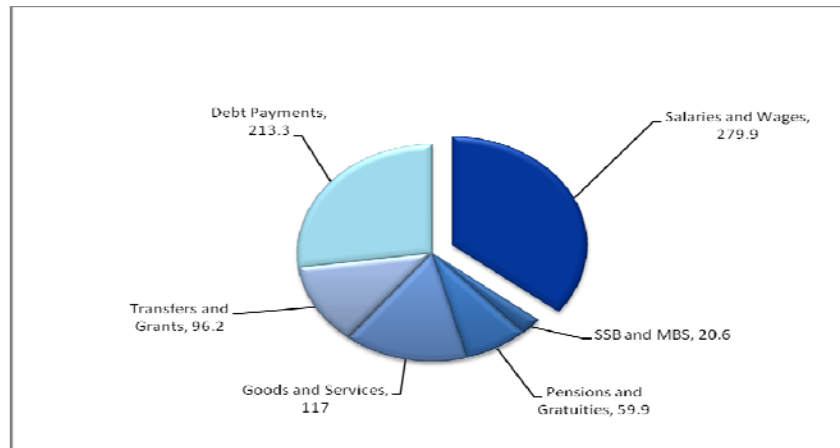
Madam Speaker

Before I present the estimates of revenue for 2013, let me state now that there will be no new tax measures in 2013 nor are there any plans to increase the rates of taxes that are already on the books.

Recurrent revenue for Fiscal Year 2013 is budgeted at \$757,877,659. This anticipated 7 percent increase in revenue over the amount estimated for 2012 will be the result of increased economic activity in 2013; the revenues generated through the Citizenship by Investment Programme; and continued reforms in the tax administration system. The

three major sources of this revenue will be direct taxes, which make up 16 percent of recurrent revenue, indirect taxes, which make up 72 percent, and non-tax revenue, which comprises 12 percent. Tax revenue accounts for about 88 percent of total recurrent revenue and is budgeted at \$670,181,237. Non-tax revenue makes up the remaining 12 percent of recurrent revenue and is budgeted at \$87,696,422.

Chart 19: Distribution of Recurrent Revenue



Direct Taxes

In 2013 direct taxes are projected to yield \$119,815,439. Of this total, \$98,114,329 represents revenue from taxes on income while \$21,701,110 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 \$39,145,263 in 2012, while the Personal Income Tax is projected to generate \$58,956,321. You may recall, Madam Speaker, that in April, the Government implemented the provision of the *Personal Income Tax Act* that stipulates allowances and benefits are subject to tax.

This policy decision has resulted in a broader taxpayer base by bringing into the net those individuals who could avoid the tax by structuring their remuneration package such that most of their income was in the form of allowances and benefits. By including certain allowances and benefits in the definition of taxable income, such individuals are now included in the tax net and are now required to pay Personal Income Tax. Many of the

individuals who were hitherto outside the net are the self-employed and professionals. The Inland Revenue Department has been working with these categories of tax payers to improve their level of compliance and to ensure that at the time Personal Income Tax returns become due in March 2013, these taxpayers will file the necessary tax forms with the Department. As a reminder, Madam Speaker, there are certain allowances that are exempt from the personal income tax. These include:

1. Tips and service charges received by employees in the hospitality industry;
2. Gratuities paid at the end of a fixed term contract calculated at a rate of 12.5 percent;
3. Disability related employment benefits;
4. Health service plan premiums paid by the employer for all employees;
5. Moving expenses and relocation benefits;
6. Overtime meal allowances;
7. Scholarships and bursaries;
8. Uniforms and special clothing; and
9. Interest on savings, capital gains and dividends.

Madam Speaker

Most of the revenue collected from taxes on property is generated by the Property Tax. The Property Tax is projected to yield \$21,159,874 in 2013. Since the new *Property Tax Act 2008*, this revenue source has performed very well. Between 2000 and 2007, the average annual collection from property tax was \$8.8 million. After the new legislation took effect, average annual revenue from the property tax amounted to \$16.1 million. This improved performance was not a result of increased tax rates. It was due to the inclusion of previously unregistered on the tax register and increasing the level of compliance.

The efforts of Mr. Lesroy Samuel, Chief Valuation Officer and the staff of the Property Valuation Department must be applauded in this regard. Their conscientious approach to implementing the provisions of the Property Tax Act and providing guidance and support to property owners have helped to bring about these positive results.

Finally, Madam Speaker, the Government has ensured that the Income Tax Appeal Board, the Valuation Appeal Board, and the Property Tax Relief Committee are fully

operational. Individuals and companies can challenge their income tax assessment by making application to the Income Tax Appeal Board. Property owners may appeal their property valuation through the Valuation Appeal Board or seek suspension of payment of property tax by application to the Property Tax Relief Committee.

Indirect Taxes

Indirect taxes are budgeted to yield revenue of \$550,365,798, which is about 82 percent of tax revenue. Of this, taxes on domestic production and consumption are expected to yield \$296,700,938. Included in this category of indirect taxes are the Antigua and Barbuda Sales Tax (ABST), Stamp Duties and various fees and licenses such as the Motor Vehicle Licence and the Insurance Levy.

The ABST accounts for about 44 percent of indirect tax revenue and is projected to yield \$241,404,123. This is a 9 percent increase over the expected amount to be generated in 2012. One of the main reasons for this expected bump in ABST revenue is the anticipated growth in economic activity in 2013. Further, the recent enactment of the *Tax Administration and Procedure Act (TAPA) 2012* will help to increase compliance by tax payers. The TCC has been in place in 2010 and requires large and frequent importers to present certification to the Comptroller of Customs that they are current with tax payments to or have arrangements with IRD to settle any outstanding amounts. The importers will thus be able to clear their goods from the port upon presentation of the TCC to the Comptroller of Customs.

The *TAPA 2012* is new legislation that consolidates a number of laws that govern administration of taxes by the IRD in order to improve efficiency in administration. A key provision of this new Act is a provision that empowers the Inland Revenue Department to seek a Court Order to garnish accounts of chronically delinquent tax payers who collect the ABST or make PAYE deductions and fail to pay the revenue over to the Inland Revenue Department. The ABST and PAYE deducted from employees' pay check are trust funds and therefore must be paid over to the Government authority as stipulated by law. The garnishment provision in the TAPA is specifically intended for those who habitually withhold the ABST and PAYE revenues they collect. The businesses that file their ABST and PAYE returns and make the payments in accordance with the law will not be affected by this provision.

Taxes on international trade and transactions make up the other category of indirect taxes. These taxes include the import duty, the revenue recovery charge, and the consumption tax. Taxes on international trade and transactions are projected to yield \$253,664,860 in 2013.

The Import Duty is projected to generate \$93,147,246 in revenue while the Revenue Recovery Charge is expected to yield \$81,415,946. These taxes will generate more revenue in 2013 as a result of increased economic performance. In addition, the enactment of the new *Customs (Control and Management) Act 2012* will enhance administrative efficiencies at Customs. The Act is intended to improve regulations that govern the duty free shopping system and provides for the licensing and more effective regulation of customs brokers. Also, the introduction of the Harmonised System of Classification 2007 (HS2007), which will take effect from January 1, 2013, will improve customs administration by correcting valuation and classification anomalies in the tariff code. This will close revenue loopholes and allow for more consistent application of the law.

Revenue from the consumption tax, which is levied on fuel, is estimated at \$41,828,051 in 2013. Along with these factors, the strict application of the pass through mechanism whereby changes in the international price of fuel to will be passed through to consumers is expected to help secure the budgeted level of revenue. While the pass-through mechanism is the stated policy of the Government, we have opted to leave the price of fuel at the pump unchanged since November 2011. If the full pass through mechanism was utilised over the past year, the price at the pump would have exceeded \$16 per gallon. In light of economic circumstances, the Government decided to keep the prices for gasoline and diesel unchanged. We will continue to manage the application of the pass through mechanisms in a manner that considers both the impact on the public and the implications for the Government's fiscal strategy.

The subsidy arrangement that was established with the Bus Association will continue in 2013. This arrangement provides a subsidy to bus operators to cover the cost of parts and general maintenance of their buses as consideration for their agreement to keep bus fares unchanged. From the time it was introduced in May 2011 to September 2012, bus operators have received nearly \$80,000 in payments under this subsidy arrangement. I again wish to thank the members of the Bus Association for continuing to work with the Government on this critical matter of maintaining a stable price for public transportation.

Madam Speaker

Since the Airport Administration Charge (AAC) was implemented in November of this year, the Passenger Facility Charge and the Embarkation Tax are no longer sources of revenue for the Government. You may recall that these taxes were repealed with the introduction of the AAC, which was introduced to ensure adequate financing for the effective operation of the airport. In 2013, we will make the necessary arrangements to put in place a Sea Port Departure Tax that will ensure the Government retains the provision that was in the Embarkation Tax in respect of departures from Antigua and Barbuda by sea.

The other source of recurrent revenue is non-tax revenue. This is projected to yield \$87,696,422 in 2013. The components of this category of revenue include dividends from the ECCB and the West Indies Oil Company, income from postal services, revenue from leases, and surplus funds from merchant shipping. The 76 percent increase in expected revenue from non-tax revenue compared to projections in Budget 2012 is due, for the most part to the introduction of a new revenue line, the Citizenship by Investment Receipts, to this category. As I indicated earlier, the Government will proceed to implement the Citizenship by Investment initiative within the first quarter of 2013. It is expected that processing and related fees along with contributions to the National Development Fund will result in a yield of \$32 million from this revenue source.

As I stated at the beginning of this section, Madam Speaker, there will be no new tax measures in 2013. The projected growth in revenue for 2013 will be the result of increased economic activity, more efficient tax administration, and increased compliance.

Finally I must take this opportunity to applaud the Comptroller of Customs, Mr. Raju Boddu; the 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 and Excise Department and Inland Revenue Department for their stellar efforts in 2012. The dedication of this hard-working group of professionals is very much appreciated.

Madam Speaker

Before I move on I wish to address an issue that inevitably arises whenever there is a discussion of taxes. That issue is food prices. At a time when economic conditions are

depressed and every dollar needs to stretch even more, it is understandable that any upward movement in prices will elicit strong reaction and ultimately lead to some discussion of the role taxes have played in the increased prices. Madam Speaker, the Government is well aware of the challenge of rising food prices. Indeed, this is a global dilemma as prices of basic food products such as wheat, maize, milk, cheese, and butter remain at elevated levels. Add to that the cost of shipping food to the region within the context of stubbornly high oil prices, which are expected to remain above US\$100 per barrel. Given that the Government has not made any adjustment to taxes on food over the past few years, any change in food prices would not be the result of higher taxes but is likely the result of higher international prices and the cost of getting the food to our shores.

The November 2012 FAO Food Outlook indicates that the international price of wheat has risen sharply with US wheat values averaging 24 percent higher in October 2012 when compared to the same period in 2011. Limited supply of coarse grains, such as maize, barley and oats, has driven up international prices in 2012. In October of this year, the average price of US yellow maize was US\$320 per tonne 16 percent higher than the price recorded in 2011. The FAO international dairy products price index, which includes skimmed milk powder, whole milk powder, cheese, and butter, increased by 12 percent from 173 in mid-2012 to 194 in October. Skimmed milk powder prices increased by 20 percent or US\$562 per tonne while the price of whole milk powder increased by 15 percent or US\$425 per tonne. The prices of butter and cheese also rose by 14 percent and 5 percent respectively. World production of poultry and pork is expected to tighten as profitability for produces is eroded by higher feed costs that, to date, have proven difficult to pass on to consumers. For rice and sugar, expansion in production has served to stabilise the price of the former and placed downward pressure on the price of the latter. In fact, between January and September 2012 the sugar prices were 20 percent lower than for the same period in 2011.

Madam Speaker

As the prices of these essential products rise and the cost of shipping to the region remains high, it is expected that there would be upward pressure on the domestic price of the items and products that contain these inputs. The import duty on some of these items is very low ranging from zero to five percent on chicken, milk, cheese, corn meal and cereals such as oats and cream of wheat. For butter and rice, the import duty is 10 percent and 25 percent respectively. The duty on wheat flour ranges from 5 percent to 25

percent. Recognising their importance to the typical household in Antigua and Barbuda, this Government did not apply the ABST to milk, butter, cheese, flour, chicken, sugar, and other basic food items. Despite this, it is not uncommon to hear that the rising cost of food is a direct result of Government taxation. In an effort to dispel this notion and, more importantly, to identify some mechanism through which the Government may provide some assistance in cushioning increases in the international price of essential food items, the Government will reconstitute the Inter-ministerial Consumer Protection Task Force. This Task Force will be tasked with monitoring changes in international food prices, assessing the impact on domestic food prices, and making recommendations for dealing with significant price changes. In addition, the Task Force will be tasked with tracking domestic prices of the food items that now form part of the basket of essential goods and publish a monthly price bulletin that indicates the suggested price range for these goods and presents any international developments in respect of these products. The information compiled by the Task Force will form the basis for Government intervention to cushion the impact of any significant changes in international prices of basic food items on the domestic market.

The Inter-ministerial Consumer Protection Task Force will be Chaired by the Director of Prices and Consumer Affairs and will comprise representatives from the Statistics Division, Customs and Excise Department, Inland Revenue Department, Social Policy, Research and Planning Department, Ministry of Agriculture, Antigua Port Authority, and the Ministry of Finance. It is expected that the Task Force will conduct its initial work over a period of six months and submit recommendations for interventions by the Government by June 2013.

UPDATE ON SELECTED GOVERNMENT POLICIES

Madam Speaker

This Government has implemented a number of policies over the years in an effort to reduce expenditure and ensure more efficient uses of public resources. The impact has been a reduction in overtime payments from \$19 million in 2009 to less than \$5 million at the end of September 2012. At about \$3.1 million per year, expenditure on fuel remains about 70 percent less than the amount spent in 2009. Other policies that have been introduced are the *Vehicle Use and Management Policy* and the *Policy on Duty and Tax*

Concessions. A review of Government travel procedures has also been undertaken. All these have been pursued with the intent of reducing the cost of the public sector.

Vehicle Use and Management Policy:

The *Vehicle Use and Management Policy* took effect on 1 January 2012. It is a comprehensive set of rules and guidelines to optimise the management and use of central government vehicles. The Policy stipulates:

1. Monitoring and reporting requirements in the use of Government vehicles;
2. Procedures for securing vehicles and for reporting accidents;
3. Guidelines for procuring and disposing of Government vehicles;
4. Driver Education and Training requirements; and
5. Penalties for failing to comply with the provisions of the policy.

A Vehicle Policy Advisory Committee (VPAC), Chaired by the Permanent Secretary in the Ministry of Works and Transport, oversees the implementation of the Vehicle Use and Management Policy. The VPAC has met 11 times during the course of the year and has managed to bring about some improvements in the management and use of government vehicles. However, there is still much work to be done to ensure the most cost-effective use of Government vehicles. The fleet of Government vehicles has been reduced by eight percent through the sale and auction of a number of uneconomical and derelict vehicles.

The VPAC undertook a review of the implementation of the Vehicle Use and Management Policy in November to assess results in the areas of:

1. Better expenditure management for maintenance and repair of vehicles;
2. Increased accountability for financing of vehicles; and
3. Allocation of vehicles consistent with the service provided by the various Ministries and Departments.

A report on the first year's operation of the Policy will be prepared and submitted to Cabinet in January 2013. This report will guide the work plan of the VPAC in 2013. On behalf of the Government, I wish to thank Mr. Walter Christopher, Chairperson of the

VPAC and the other members of the committee for their hard work and dedication to improving the use of these public assets.

Government Travel Policy

The MFEPA commissioned a review of the current administrative arrangements and practices for travel on government business. A committee was established in September 2011 and given the responsibility to evaluate the current travel practices and propose recommendations for a new policy that is in line with a value-for money philosophy. The work of the committee covers per diem rates, accommodations, officer safety, responsibilities and obligations of the travelling officer and the Government, and travel insurance.

The members of the committee are Konata Lee, Director, Public Sector Transformation; Denise Knight, Senior Economist, Ministry of Finance; Rosa Greenway, Senior Establishment Officer, Establishment Department; Nicole Henry, Deputy Budget Director; Karel Ford, Public Debt Officer; Paula Frederick-Hunte, Permanent Secretary, Office of the Prime Minister; and Dr. Gale Archibald, Project Coordinator, Ministry of Finance.

Some of the findings of the Committee include:

1. The travel approval process is too cumbersome with unnecessary delays;
2. Delays cause late bookings which in turn cause the Government to procure the most expensive airfares;
3. Per diem rates are discriminatory as they are based on job title and salary and not the location of the event;
4. Officers have no protection for health, safety and security while overseas; and
5. The process is susceptible to unethical behaviour.

In light of these broad findings, the Committee recommended the following:

1. A pre-determined per diem schedule should be created to reflect rates that are based on regions and the destination country therein;
2. Per Diems should be adjusted to reflect inflation rate and the context of the destination country, especially those that are tourism dependent and where prices are comparatively higher;

3. Per Diem should be made up of a subsistence portion and a reimbursable commercial accommodation portion;
4. Officers will be assigned to three groups that will be used to determine applicable per diem rates – Group I: Governor General and the Prime Minister; Group II: Ministers with Portfolios, Ministers of State; Attorney General, Speaker of the House, and Leader of the Opposition; Group III: All others;
5. Officer in Group III would be required to give a detailed rationale for attending the event and would be required to prepare a back-to-office report immediately upon his or her return.

Though the committee has submitted its draft of the new Government Travel Policy to Cabinet, it continues to refine the document through consultations with Permanent Secretaries and other officers within the public sector. Between 19 and 30 November, 2012, a simulation of the travel policy was conducted in the Ministry of Finance, the Economy and Public Administration and the Ministry of National Security and Labour. This exercise is intended to gather critical data to finalise the draft policy by December 2012. The final policy document will be resubmitted to the Cabinet for approval in January 2013, It is expected that full implementation of this policy will begin by March 2013 following a series of training exercises across Ministries and Departments. The use of the new policy will not be restricted to an administrative formality but will also serve as a management tool to monitor and measure government investment in human resources development and gather important data which may help to inform policy decision.

Finally, the proposed policy provides for regular reporting on the application of the content of workshops, conferences and seminars to the job and demonstrating how the events link to the officer's active work plan. Furthermore, the proposed procedures must relate to the Government's policy for training and development and *the Policy on Back-to-Office Reporting*.

DEBT MANAGEMENT

Madam Speaker:

Let me turn now to one of our most successful policy reform initiatives implemented during the past two years: our debt management strategy – a set of carefully formulated

home-grown policy initiatives designed to enable Government, the public sector and every single Antiguan and Barbudan, to deal with the crippling effects of an unsustainable debt burden.

As I have underscored to this Honourable House, and indeed to the entire nation a number of times already, the implementation of this comprehensive debt strategy has been a vital pillar of the Government's reform agenda. The debt management strategy has been an integral component of our ambitious fiscal consolidation programme, effectively lowering the public sector's cash-flow requirements at a time when resources have been extremely scarce. But equally as important, the strategy has successfully placed our debt on a downward and sustainable path.

Today, I am proud to report to you, Madam Speaker, as well as to this Honourable House and the entire nation, that as of this moment, Antigua and Barbuda is entering a new chapter of its history – one in which our international credit standing is rapidly improving and our public sector debt position is finally moving towards sustainability. Let us recall, Madame Speaker, which just 24 months ago I reported to this Honourable House that Antigua and Barbuda's debt position was untenable:

1. By the end of 2009, the public sector's debt-to-GDP ratio stood at 115 percent and ticking higher;
2. More than half of the public sector's debt, 54 percent of the entire debt stock in fact, was in arrears – meaning that it had come due and we had been unable to make debt service payments to creditors and contractors, both domestic and foreign, on time. Penalty interest at exorbitant rates was therefore accruing, further exacerbating the situation;
3. Our debt service requirements were projected to absorb almost a third of Government revenues. However, this ratio would potentially double, to almost 65 percent of revenues if an allowance for the devastating amount of arrears was taken into consideration;
4. All sources of financing were virtually closed to the Government as well as the public and private sectors alike. Creditors, both domestic and international, rebuffed Antigua and Barbuda's credit risk, and in the unlikely case that one of them was willing to extend a loan or a line of credit, the interest rate to be charged was prohibitive;

5. Our contributions to Social Security, Medical Benefits and the Board of Education were not made in decades, seriously threatening the viability of the country's social safety net; and
6. Arrears to local contractors and suppliers had topped \$200 million, placing undue financial pressures on the viability of many local businesses, and worsening the impact of the recession on economic activity;

I could continue, but everyone here is fully aware that Antigua and Barbuda had become an internationally recognised debt pariah. What is important now is to start focusing on the future. But to do, so Madam Speaker, if I may, let me fast forward to present day so that we can understand the fruits of a carefully and well-designed debt strategy, and where Antigua and Barbuda stands today:

1. Our debt-to-GDP ratio stands now at just under 88 percent – a decline of 26 percentage points. What is more important, however, is that a few of the ongoing liability management initiatives also begin to bear fruit, this ratio will decline even further – edging Antigua and Barbuda even closer to the ECCB's target ratio of 60 percent for all Eastern Caribbean nations. This has been achieved against a backdrop of the most painful recession in the history of our country, continued global economic uncertainty and the need to extend extraordinary liquidity measures to the domestic banking sector;
2. More than EC\$1 billion of outstanding arrears have been normalised to date – meaning that the level of arrears has declined from 54 percent to less than 11 percent of the public sector's total debt stock. Furthermore, the Debt Management Unit is close to normalising all of the remaining arrears – a situation that has not been seen in our country since its independence;
3. Despite the normalisation of such a high level of arrears, our debt service levels are now sustainable. The Government's interest burden, that is the interest paid as a percentage of revenues, is expected to total less than 11 percent in 2012, falling to 9.5 percent in 2013, well below the ECCB's target of 15 percent. For the public sector as a whole, the interest burden is expected to total 14.7 percent this year but to decline to 12.7 percent in 2013;
4. Agreements have been reached with the majority of our creditors, both domestic and external, effectively normalising relations by establishing payment track records. In time, this will reopen new lines of credit and important financing sources that have been closed for years to Government and the public sector. This includes access to multilateral financing, which offers extremely concessional terms and is desperately needed for vital infrastructure development;

5. The resolution of arrears owed to domestic creditors, contractors and suppliers was our utmost priority as we rolled out the debt strategy given these persons' importance to the viability of sustainable economy activity as well as the need to minimise systemic risk in the financial sector. Furthermore, many of these creditors faced severe short-term liquidity challenges as well as more structural vulnerabilities that needed to be addressed urgently. The challenge was always finding the right balance between the financial needs of a very heterogeneous domestic creditor base and the Government's limited payment capacity. Nonetheless, Madam Speaker, I am happy to report that we have made significant progress on this front as well.
- (a) Agreements with Social Security and the Medical Benefits Scheme were the first to be concluded in the summer of 2010 to resolve the high level of contributions outstanding since the late 1970s. Since then, extraordinary efforts have been made to ensure that all current and future contributions are paid -- these are vital measures for the financial viability of our nation's social safety nets;
 - (b) Over half of the amounts owed to local contractors and suppliers has been settled and an ambitious plan is being undertaken to resolve the remaining amounts;
 - (c) Loans and arrears owed to all domestic financial institutions have been restructured on the basis of maturity extensions, with nominal reduction of interest rates to ensure that their financial health was not undermined;
 - (d) Over utilised and extremely expensive overdraft facilities have been closed and outstanding amounts either settled or restructured, while new cash management procedures are being actively introduced to ensure government operations can continue undisrupted;
 - (e) And last but not least, we are finally close to completing repayment on amounts due on debentures and local Treasury bills that have been outstanding since the 1980s.

The Debt Management Unit was a necessary creation to stem the haemorrhage caused by stewards of the public purse in the almost three decades before the UPP took office in 2004. The UPP Administration has maintained employment in the public service to avoid any further dislocation to families in this nation owing to the fallouts from the 2008-2009

world financial crises. This is the same period that saw the evaporation of almost \$300 million dollars from our economy in the BAICO/CLICO debacle. But not once have we contemplated sacking employees in the public service as a solution.

We have serviced our debts to a very satisfactory degree. We have engaged our creditors to renegotiate payments and have honoured those agreements. We have improved our standing in the international community. Trust capital and the name of this nation, once again, can sit side by side not fearing to be stabbed in the back.

Madam Speaker

The last two years have not been easy and, at times, the challenges were daunting. Nonetheless, our Debt Management Unit, under the leadership of Mrs. Nadia Spencer-Henry, has risen to the challenge. One of the most important considerations to ensure the success of the strategy was understanding the multi-faceted nature of the public sector's creditor base. A successful strategy therefore required careful formulation of a set of policy initiatives taking into account the unique characteristics of diverse, varied and often-competing interests.

The Government's other main consideration in designing the debt strategy has been to honour our commitment to repay original principal amounts that were borrowed by all of the public sector. As such, the debt strategy has focussed on seeking the reduction of past due interest arrears, executing asset and debt swaps to offset amounts owed whenever possible, reducing interest rates and re-profiling the remaining amounts over longer-term maturities. All this with the aim of allowing the Government time to rebuild its revenue base, implement budgetary expenditure reforms and ensure that all future payments could be adequately funded and affordable. Nonetheless, we have managed to obtain some level of relief through debt forgiveness, as was the case with the UK Department for International Development (DFID), which did so early in the process in recognition in support of the Government's fiscal reform programme.

But we cannot stop now and, instead, must push even harder ahead as there is much more to do. Sovereign debt management is a continuous process that must be pursued unabated. While we have achieved a number of remarkable goals without triggering legal action by creditors, I must add, our objectives are also continuing to evolve and as such our debt management strategy needs to mature as well. As we look ahead, our debt management strategy needs to ensure that financing requirements are raised efficiently

and in a cost effective way. Cash management is also an important function, which is being revamped for the benefit of smooth government operations. Finally, additional measures are underway to refinance expensive debt items and extend maturities even further.

All this has meant that after the creation of the Debt Management Unit, the appointment of a dedicated Debt Manager, and continued assistance from our Debt Advisors, Newstate Partners, a great deal of effort and time has been spent on capacity building and training. Without the right skills, a comprehensive and continuously evolving debt strategy to help us achieve our goals could not be implemented. Given our limited resources, we have relied on the ambition and innovative drive of the staff of the Debt Management Unit, whom I take this opportunity to commend, as well as the unique opportunities provided by our technical partners to training, and I note here the World Bank, the IMF, the ECCB, the Commonwealth Secretariat, and the CDB.

To finalise, let me emphasise that our debt strategy to date has been nothing less than a complete re-haul of how debt management has been and will continue to be conducted in Antigua and Barbuda by this Government. The measures introduced thus far are intended to ensure the long-term viability of debt management operations and include centralising, streamlining and enhancing practices on the basis of international standards.

As you can see Madam Speaker, we are well on our way, but this is not cause for us to lift our foot from the pedal. We must persevere to secure growth and stability. We must persevere in keeping honourable the name and standing of this nation in the international finance community, since the UPP took office in 2004.

We have moved with certainty and confidence at this task of debt management. We have repaired decades of damage done to our credibility by those who claim “when you borrow you don’t have to pay back”. Compared to the pre-UPP era of the 1980s and 1990s, we have replaced carelessness with certainty, capriciousness with confidence, and irresponsibility with credibility. Those who speak of the glowing days in the much celebrated era of plenty could not even once allow this nation much needed breathing space from creditor nations and institutions by being deemed trustworthy stewards and honourable in repaying debts. Not even once in this era of plenty, in the 1990s, was there the kind of reeling effects felt financially across the globe because there was no international financial crisis, as we experienced over the last three years. Not even once could State Insurance Corporation show a profit in the era of plenty, as occurred under

the UPP Administration. There was no spike in the price per barrel of oil stretching into over five years which has also dramatically pushed up the cost of energy and production; and the cost of goods and services.

Did they know that a barrel of crude oil in the 1990s cost less than US\$20.00? Yet these great stewards tarnished our nation's credibility for debt repayment. The Government of Kuwait stopped us borrowing from them; debts owed to the People's Republic of China were not paid, the state was committed to questionable energy generation outsourcing contracts, statutory corporations like the Antigua and Barbuda Social Security Board and the Medical Benefits Scheme were the victims of successive pillaging of their finances, without any repayment of the monies borrowed or proper protection to these institutions against the sums borrowed. But this was the era of plenty. There was no global financial crisis, no spike in the price of oil, no CLICO and BAICO collapse, for example. But debts to the UWI could not be honoured, payments to the CDB could not be honoured, our name as a debtor nation in the international community stood out like a sore thumb to be avoided like the plague. The records of the Kuwaiti Fund, the Government of China, the Paris Club, and others, are testimony to this. The UPP Administration has transformed our nation's image from pariah state to one with credibility. This is the approach that secures growth and stability. And it was done during the most difficult time the world economy has faced in eighty years. Who would trust those on the other side to do the same or better?

FINANCING THE BUDGET

For the fiscal year 2012 an overall surplus is budgeted of \$11.2 million. This means that for the first time in its 31 years as a sovereign nation, Antigua and Barbuda will record a fiscal surplus. Madam Speaker, this achievement was possible because of the credible fiscal policies implemented by the UPP Administration since it assumed office in 2004. The surplus on the fiscal account means the Government will require less financing for principal payments and payments on arrears to local contractors and suppliers. Principal payments amount to \$123.1 million, of which \$65.3 million is external and \$57.8 million domestic. An amount of 44.6 million dollars is required to repay local contractors and merchants. The Government will rely on planned financing to cover the shortfall of \$156.5 million.

The total planned financing for 2013 is \$156.5 million, representing disbursements of \$94.5 million for the IMF Stand-By Arrangement, \$27 million from the CDB Policy-

Based Loan and \$35 million from securities issues on the Regional Government Securities Market (RGSM).

SOCIAL PROGRAMMES/RELIEF MEASURES

The Government of Antigua and Barbuda is committed to enhancing the welfare of its citizens. Despite the particularly challenging fiscal times, a number of social programmes have been maintained in order to ensure that citizens enjoy an acceptable standard of living. These programmes target the most vulnerable in society, including the youth and the elderly. A few of these programmes are highlighted.

School Uniform Grant Programme:

The School Uniform Grant Programme was initiated in 2004. From the inception of the Programme, to 2010, parents of eligible children received vouchers for two uniforms per eligible child annually. By 2010, there were 35,203 children registered on the Programme, and 80,206 vouchers were issued. Given the severe fiscal constraints, it became necessary to make some adjustments to this programme. Hence in 2011, it was decided that parents of eligible children would receive one uniform voucher per eligible child. As a result, the number of children registered fell to 12,137, and 22,274 vouchers were issued. In 2012, there was an increase in the number of children registered to 12,618 and the number of vouchers issued also increased to 24,656.

In 2011, approximately \$3.1 million was paid to vendors for this social programme. To date \$481,601 has been paid to vendors for 2012. Despite the significant costs associated with the School Uniform Grant Programme, the Government has continued to fund it, in an effort to bring some relief to parents who need the assistance, whilst at the same time ensuring that the youth, are not disadvantaged and or hindered in their studies because of a lack of resources.

National School Meals Programme:

It is a well known fact that hunger is not conducive to concentration and studying. The National School Meals Programme is designed to ensure that primary school children receive at least one hot, well-balanced meal daily. This Programme was launched in 2008 in 15 primary schools. Three schools were added in 2009. In the September 2011-June 2012 School year, the primary school population was 3,429 students. Of this number, 2,411 were registered for The National School Meals Programme, a decrease of

444 from the previous school year. The number of schools registered now stands at 20. On average, 3,000 meals are served daily during the school term. From January to November 2012, approximately \$1.1 million was spent on food for this vital programme.

Vulnerable Citizens:

In an effort to co-ordinate the social policies and programmes of the Government, the Social Policy Unit within the Ministry of Social Transformation has been upgraded to The Social Policy Department. One of its early initiatives has been the formation of the National Social Protection Commission in November 2012. The Commissioners were chosen from a wide-cross section of the society, including the Public Service, Non-Governmental Organisations and the Private Sector. The Commission has been charged with the implementation and monitoring of the National Social Protection policies and programmes

Board of Guardians:

The Board of Guardians is a long standing social programme which provides a stipend, twice monthly to the most vulnerable citizens. Presently there are 473 clients. To date, approximately \$1.31 million has been spent on this vital programme for 2012. Up to this time, no exit strategy has been implemented for the young clients of the Board of Guardians. However, there are plans to initiate the *STEPS Programme – Support Through Education and Empowerment for Productivity and Success*, which will seek to provide the clients with the necessary skill sets that will allow them to provide for their needs.

In 2012 The Board of Guardians provided three clients with the Home Improvement Grant to assist with essential repairs, to the tune of \$50,000. Six families received the Funeral Grant Assistance, totalling \$30,000.

Citizens Welfare Division:

This Division coordinates a number of programmes, including: elderly care; foster care and child protection services. The GRACE Programme – Government Residential and Assistance Care for the Elderly and Eligible - continues to provide non-medical home care to the elderly, disabled and shut-in. The programme now has one hundred and ten (110) clients, an increase of six, compared to 2011. Currently, there are 63 children in the Foster Care Programme. These children are placed with families who are able to provide

the nurturing environment needed for their well-rounded development. The government provides foster parents with a stipend for each foster child every two weeks.

National Student Loan Fund:

The National Student Loan Fund was started in 2008. To date 457 students have received loans from the fund, with 94 of those persons being recipients in 2012. Approximately 250 recipients have successfully completed their studies since the inception of the Fund. The Fund offers loans of up to \$50,000, at an interest rate of 3 percent, with up to 10 years to repay. The 2012 recipients are pursuing a wide range of studies including Accounting, Human Resource Management and Electrical Engineering. Five of the recipients are pursuing Associate Degrees, 65 are pursuing first degrees, 18 are pursuing Masters degrees, and six are pursuing professional licenses and diplomas. The Government has again allocated \$2 million in the budget for this programme. As a result of the cash flow challenges in 2012, there has been some delay in disbursements to students. We apologise for the inconvenience caused to our students and undertake to review internal arrangements for the transfer of resources to the Fund so that such delays may be avoided in the future.

Madam Speaker, while the NSLF has proven to be a very useful programme for a number of our citizens, the maximum loan amount does not make it suitable for all circumstances where resources are needed to finance further education. In this regard, the Government is considering a proposal from one of our indigenous banks to provide corporate income tax relief to financial institutions that provide student loans at interest rates of 7 percent or less. Currently, the minimum interest rate on student loans from banks is 9 percent. A reduction in the interest rate would reduce the cost of acquiring a student loan and, undoubtedly, make the dream of further education a reality for many of our citizens and residents. Further, the Government will review the stamp duty that is applicable to student loans and assess the feasibility of reducing the rate in 2013. This, too, will help to lower the cost of financing higher education.

Leadership through Excellence Award Programme (LEAP)

The LEAP, which was launched in August, will begin to groom a cadre of service-oriented and hardworking young people between the ages of 18 to 25, who have excelled academically, demonstrated an affinity for service, and are passionate about participating in the development of the nation, to assume a leadership role in the public sector and contribute to nation building.

The Programme will place 30 young awardees in Government Ministries and Departments where they will be attached for three months of training in their chosen fields of expertise. In addition, these young awardees who have all graduated from regional and international universities and institutions of higher learning, will receive instruction from experienced past and present civil servants in the ways and functions of Government. The awardees will also be offered a platform to make meaningful recommendations for improvement in the delivery of public sector services by completing a project designed to troubleshoot specific initiatives and to enhance inter-Ministerial co-operation. Awardees, through their project, will also be asked to explore ways of avoiding duplication of effort and, by extension, the reduction of wastage in the public service.

All 30 awardees will be selected on the basis of their academic and scholastic achievements and an interview segment. The MFEPA has made adequate arrangements for all awardees to receive a stipend during training, and each successful awardee will receive a \$5,000 award on the successful completion of the attachment. In addition, based on an evaluation process, the top six awardees in each year's cohort will be offered employment in the Government service, while the remaining awardees will be offered positions only if available, and will be free to seek employment elsewhere in Antigua & Barbuda.

Training will take place annually in two cohorts of 15 awardees – the first from January to April, and the second from June to August.

I am pleased to announce that the application phase for the first cohort which is done entirely online, has been very successful, with 70 young persons applying. Madam Speaker, I am also pleased to announce that the 15 successful awardees of the first cohort have been announced and have been accepted in their Ministries/Departments where they will start training on 7 January under the watchful eyes of specially-identified mentors. National recognition and remuneration will be awarded to the mentors for the important role which they are asked to play in the Programme. The MFEPA is also most thankful to our eminent, present and past, public servants who have willingly accepted the role of instructors/evaluators.

Madame Speaker, the MFEPA sees the LEAP as a way of encouraging our young graduates to remain at home where they can contribute to the development of their country. We have had enquiries into the Programme from young Antiguan who are

abroad and wish to return to make their contribution. Based on the positive response that the LEAP has received from applicants, Government officials, and the public on the whole, I think it is safe to say that the future looks bright. I call on the January 7 awardees to look on themselves as pioneers, selected to assist the process of taking this country further into the re-building and development process.

Other Relief Measures

Madam Speaker

In addition to the above, the Government has put many other relief measures in place over the past eight years. Included in this list are:

1. 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;
2. A \$150,000 owner occupied residential allowance in relation to the property tax. There is an additional 50 percent reduction in property tax liability for pensioners;
3. Reduced stamp duty on mortgages from \$6 per thousand to \$4 per thousand;
4. decreased mortgage interest rates by reducing the corporate income tax payable by banks offering interest rates of 8 percent and a further reduction in the corporate tax for banks that offer a mortgage rate of 7 percent;
5. Zero-rated ABST for contractor-supplied materials for residential construction.

These are just a few of the many programmes implemented by the UPP Administration to provide relief to our citizens and residents. They represent this Government's commitment to striking a balance between doing what is right for the economic stability the nation and providing tangible assistance to improve the welfare of our people.

CONCLUSION

Madam Speaker, doing the right thing does not always make for a "feel-good" experience; at least not in the near term, save and except for the knowledge that current

unease is many a time the platform of prosperity. We must be encouraged, however, that in significant part, we create our own future. We determine what kind of country, what kind of community, what kind of economy our children will inherit, in very much the same way that our current circumstances were fashioned by choices that were made twenty, thirty, forty years aback.

There is an old Chinese adage which declares:

“If you want to know your past, look into your present conditions. If you want to know your future, look into your present actions”.

Madam Speaker, we are quite aware of what our present conditions are. And whilst over the years we have been the casualty of hurricane damage, global economic downturns and other events that were beyond our control, we know that in order to paint a complete picture and present an honest portrayal of our current state of affairs, we must factor in the decisions that we as citizens have made along the way. The good news is, however, that we CAN know our future. We can know because, through our present actions, we are the authors and architects of it. It was Abraham Lincoln who said:

“The best way to predict the future is to create it”

And since, Madam Speaker, our Future, our Destiny, is literally being modelled after our own design and molded with our own hands, we can be assured that St. John’s, Antigua and Codrington, Barbuda shall be shining Cities upon a Hill, because this is the destiny that we, Citizens of Faith, have chosen for ourselves and for our children.

We are what our deep, driving desire is;

As our desire is, so is our will;

As our will is, so is our deed;

As our deed is, so is our destiny.

Madam Speaker, Ladies and Gentlemen, let us with driving desire seek out the Light and with a determined clasp, take hold of the Glory that may be.

Finally, Madam Speaker, you may recall that on Saturday 15th and Sunday 16th December, we reduced the ABST from 15 percent to 5 percent on all goods sold in Antigua and Barbuda. By all accounts, this was a resounding success and hundreds of Antiguan and Barbudan benefitted from this initiative. I want to thank all the merchants who immediately embraced this initiative and realised the benefits it would bring for consumers and the businesses themselves. I would especially like to thank those businesses who added the ABST relief to their already existing discounts so that consumers could benefit even more.

Madam Speaker, in light of this success, the Government has decided to undertake this initiative once more from Friday 21st through to Monday 24th December. I expect that this will allow even more of our citizens and residents to benefit as they undertake their Christmas shopping. Madam Speaker, on behalf of the Honourable Prime Minister, I wish you and all citizens and residents a Blessed Christmas and a Peaceful and Joyful New Year!

I thank you, Madam Speaker, and I commend Budget 2013 to the Honourable Members and ask that they endorse the proposals presented therein.

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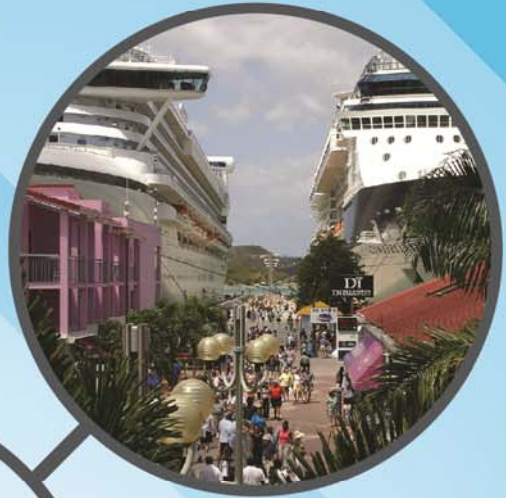
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Securing Growth and Sustainability