

2019 BUDGET STATEMENT
By the Honourable Gaston Browne
Prime Minister and Minister of Finance
To the House of Representatives of Antigua and Barbuda
On Thursday 17th January 2019
Building a More Resilient Economy

Mr. Speaker

Today, I present to this Honourable House and to the people of Antigua and Barbuda, a Budget for our nation's future.

Our government is acutely conscious of what the people of our country want.

Employment...

Housing...

Education for their children...

Good quality health care...

Reliable water and electricity supply...

Good roads for their motor vehicles...

Safety and security from crime and violence...

And, resilience to protect them from the ravages of hurricanes, earthquakes, and other natural disasters.

Mr. Speaker

Our government is fully committed to the attainment of those aspirations of the people.

All of them cannot be accomplished overnight, and none of them will be achieved without the effort of all.

But, they are being done, steadily and consistently.

And they are being done, despite those who, without any basis in fact, claim otherwise.

Because their denials, their claims, their propaganda are spoken - does not make them true.

A lie is not an alternative fact, it is simply and blatantly a lie.

Mr. Speaker

In this Budget presentation, I will lay out, as a matter of fact, the accomplishments of our government so far, in pursuit of delivering fulfillment of the people's aspirations.

I will provide hard evidence of how this Budget addresses the nation's future through *Building a more resilient economy*.

In the interest of time, but in full transparency, all the figures and sources of data to which I refer in this presentation, will be attached as an Appendix to the printed statement.

ANTIGUA AND BARBUDA TOP PERFORMER IN ECONOMIC GROWTH

Mr. Speaker

Here are the facts.

Last year, 2018, our economy was the fastest growing in the entire CARICOM area, bar none.

We recorded economic growth of 5.3 per cent.

This is not the government's calculation.

It is the calculation of the UN Economic Commission for Latin America and the Caribbean (ECLAC), which puts Antigua and Barbuda at number one, with 5.3 per cent growth in 2018.

We are followed in the CARICOM area by Grenada at 4.9 per cent, St. Kitts and Nevis at 3.7 per cent, Guyana at 3.4 per cent, Bahamas at 2.5 per cent, St. Vincent and the Grenadines at 2.3 per cent, and Belize at 2.2 per cent.

Growth in Selected CARICOM Countries			
		Proj.	Proj.
	2017	2018	2019
Bahamas	1.4	2.3	2.1
Barbados	(0.2)	(0.5)	(0.1)
Dominican Republic	4.6	6.4	5.0
Guyana	2.1	3.4	4.8
Haiti	1.2	2.0	2.5
Jamaica	0.7	1.2	1.5
Trinidad and Tobago	(2.6)	1.0	0.9
Venezuela	(14.0)	(18.0)	(5.0)

Source: IMF World Economic Outlook, October 2018

All other countries, including Jamaica and Trinidad and Tobago, were under 2 per cent. Others were zero or less.

Mr. Speaker

Evidently, we are doing something right if we are outstripping all others.

Antigua and Barbuda is a top performer.

And, our government's singular performance is worthy of praise, of commendation, and of acclaim for the quality and success of its management.

Growth in Selected Countries and Regions			
	2017	Proj. 2018	Proj. 2019
World	3.7	3.7	3.7
United States	2.2	2.9	2.5
United Kingdom	1.7	1.4	1.5
Canada	3.0	2.1	2.0
Germany	2.5	1.9	1.9
Japan	1.7	1.1	0.9
China	6.9	6.6	6.2
Euro Area	2.4	2.0	1.9
CIS*	2.1	2.4	2.4
LAC**	1.3	1.2	2.2
Sub-Saharan Africa	2.7	3.1	3.8

Source: IMF World Economic Outlook, October 2018

** - Commonwealth of Independent States*

*** - Latin America and the Caribbean*

Mr. Speaker

Our accomplishment is even more impressive when measured against world economic growth in 2018, which was 3.7 per cent. In comparison with other regions and countries: the European Union area at 2 per cent, the United States at 2.9 per cent and Canada at 2.1 per cent - all lagged behind us.

RECOVERING FROM NEGATIVE PERFORMANCE OF 2009-2013

Mr. Speaker

It is worth recalling for those with selective memories, long accustomed to hiding truth, that between 2009 and 2013, our country suffered average economic contraction of 4 per cent per year.

In other words, our economy was consistently set back in that period by 4 per cent annually and it retrogressed to the detriment of our people.

I need not remind you of the party or the Finance Minister who destroyed our country's economy and plunged our people into poverty.

Mr. Speaker

Despite this shaky foundation, our government has stood-up to the challenges.

We have defied the odds.

In the period, 2014 to 2018, the average growth of our nation's economy was a remarkable 4.5 per cent annually.

This country was recovered from the disaster of five previous years of decline, retrogression and regression and placed on a firm, solid and steady climb to progress.

Mr. Speaker

Economic growth brings many benefits, but its seeds must be planted, and its trees nurtured to produce the beneficial fruits a nation needs.

This task requires special management and financial acumen.

And these are among the key competencies that our government has employed to the benefit of our people.

To be noted, growth is not a 'cure-all'; but the absence of growth is a 'kill-all' – as our nation knows from the suffering we endured under the previous administration.

Those facts speak for themselves.

INCREASE IN AVERAGE WAGES AND SALARIES, AND IN EMPLOYMENT

The people of Antigua and Barbuda now have a record of which to be justifiably proud.

Antigua and Barbuda - Selected Macroeconomic Data

Category/Period	2009-2013	2014-2018
	<i>Period Average</i>	<i>Period Average</i>
Overall Fiscal Surplus (Deficit) EC\$M	(177.1)	(43.4)
Public Sector Primary Surplus (Deficit) EC\$M	(73.1)	51.3
Debt to GDP ratio (%)	93.3	81.3
Interest Obligations to Revenue (%)	17.0	12.3
Inflation (Avg. Consumer Prices) (%)	2.1	1.1
Real GDP Growth in Market Prices (%)	(3.6)	4.5
GDP in Market Prices (EC\$M)	3,198.5	3,905.9
GDP Per Capita (EC\$)	36,569.00	43,268.00

Source: Ministry of Finance

Eastern Caribbean Central Bank

IMF WEO Database, 2018

Here are just four of the compelling aspects of that record:

First, five straight years of economic growth.

Second, several thousand new jobs have been created between 2014 and 2018, and a further 2000 jobs will be added in 2019.

Indeed, Social Security estimates that the level of unemployment has been reduced, as a result of our pro-employment policies.

Third, back pay to public servants, plus a 5 per cent increase in basic pay, amounting to approximately \$70 million, after a decade of waiting, distress and disappointment under the previous administration.

Fourth, growth in per capita income.

Per capita income increased from an average of \$36,569.00 between 2009 and 2013, to an average of \$43,268.00 between 2014 and 2018.

In other words, your wealth has increased by an average of 20 per cent over the period.

Our people are clearly better off today, and our economy is back on its feet and standing tall.

STABILITY OF THE FINANCIAL SECTOR

Mr. Speaker, the stability of our financial sector depends on our compliance with international transparency and financial reporting standards. Failure to abide by the rules established by organisations such as OECD, CFATF and Global Forum, can put us at risk of being labelled uncooperative and a harmful tax jurisdiction.

Recognizing this, we enacted the Miscellaneous Amendments Act in December 2018, which ensured a number of important international standards were reflected in our legislation.

Also, thanks to the diligence of the ONDCP, FSRC and other critical stakeholders in our country, Antigua and Barbuda was found to be largely compliant, following the CFATF Mutual Evaluation assessment. Our 2018 report indicates significant improvement over 2007, and Antigua and Barbuda outperformed practically all of its peers within the region.

Mr. Speaker, our decision to resolve ABI Bank has resulted in payment of over \$50 million to former ABI Bank depositors through the Depositor Protection Trust. We averted a potential crisis by protecting the deposits of our people.

There was no such intervention in the 2009 CLICO/BAICO debacle. Consequently, Antiguan and Barbudans suffered losses in excess of \$300 million.

Mr. Speaker, if ever there was a bright light, illuminating the performance of our government in the interest of its people, this success in resolving ABI Bank stands out as a shining beacon. Our government cares.

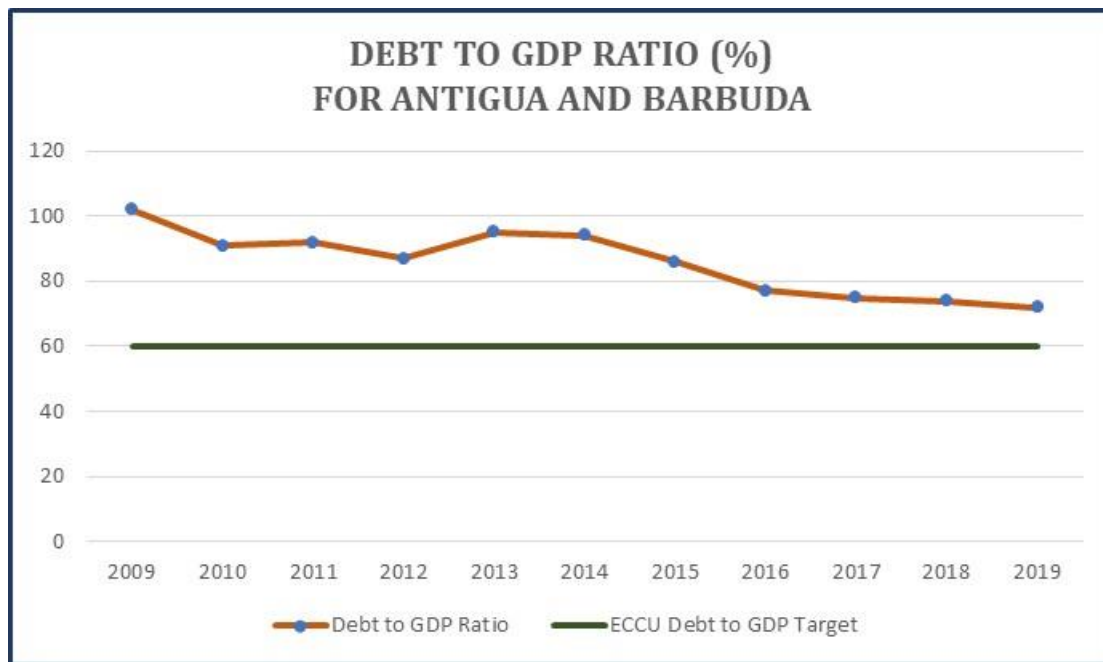
Our government proves that it cares.

Our government delivers, because it cares.

DEBT TO GDP RATIO REDUCED; MORE SPENDING ON SOCIAL BENEFITS

Mr. Speaker,

As part of our improved macroeconomic performance, the nation's debt to GDP ratio has been reduced from a high in 2009 of 102 per cent to 74 percent today. This ratio is projected to reduce further to 72 per cent in 2019.



That was no easy feat.

But, it was necessary and urgent in the interest of every sector of our nation, without exception.

Had we not reduced the debt burden, practically all of government's revenues would have had to be sunk in debt repayment, leaving very little money to spend on maintaining our level of social and economic development, let alone to improve it.

So, those that claim that nothing is being done in this country, should understand that our government was confronted with stopping certain creditor wolves from blowing down our doors, and gobbling-up our assets.

Had we not done so, it is no exaggeration to say that quite literally water would not be running, electricity would have been cut-off, the sea port and airport would not have been able to function.

The country would have ground to a halt.

As for other developments, such as the new airport; the expanded harbour for large cruise ships; the much-improved Mount St. John Medical Centre; construction of Sir Novelle Richards Academy and the upgrade of other schools; none of them would have happened.

Quite definitely, catastrophe would have befallen us.

But, we have successfully reduced the proportion of revenue required to pay the interest on government debt.

The ratio of interest payments to revenue averaged 17 percent between 2009 and 2013.

Between 2014 and 2018, we pulled down the average to 12.3 percent.

And, we did so by growing the economy and by increasing government revenues.

Between 2009 and 2013, government's average annual revenue amounted to \$618 million.

By the period 2014 to 2018, average revenue went up to \$771 million.

Effectively, we earned an additional \$153 million, allowing us to pay down some debt, while increasing spending on healthcare, education and other social welfare projects.

We have made significant progress, but much more needs to be done, because we are still confronted by a mountain of debt and fiscal challenges.

INTEREST PAYMENTS TO REVENUE RATIO WOULD HAVE BEEN LOWER EXCEPT FOR POST-HURRICANE BORROWING

Mr. Speaker

It is worth noting that the ratio of interest payments to revenue would have been lower, were it not for the increased borrowing required to fund post-hurricane reconstruction, particularly in Barbuda.

Members of the international community have been helpful – and we express our sincere gratitude for their help, which amounts to grants and loans of \$150 million.

I take this opportunity to thank all who made contributions.

We are deeply grateful.

But, the bill for rebuilding Barbuda was estimated by the World Bank and others to be in excess of \$600 million.

The costs of caring for Barbudans, and for rebuilding infrastructure on the island, still falls mainly to the government of Antigua and Barbuda.

It is not a task from which we have shirked.

We will continue to embrace it as we go forward, notwithstanding those, who for narrow political-interest, continue to obstruct the progress of Barbuda and its residents.

Later in this presentation, I will spell out further plans for Barbuda in this year's spending cycle and into the medium term.

A WORD OF CAUTION

Mr. Speaker

Improving revenues to meet our development objectives requires effort by everyone.

Every Antiguan and Barbudan must put their shoulder to the wheel.

So, everyone; individuals and companies, must pay our education levy, social security, medical benefits, import duties, RRC, ABST, and corporate income taxes.

Any person or company, who reneges on these payments, evades paying them, or uses corrupt means to deprive the Treasury of revenue, is hurting every other person and company in our nation.

They should be warned now that our government will not allow this behaviour to continue; it is not fair;

it is not just;

and it is not acceptable.

Our government, as the wardens of the interests of all our people, will clamp down on the excesses of the few.

Real Sector – Real Growth

Mr. Speaker

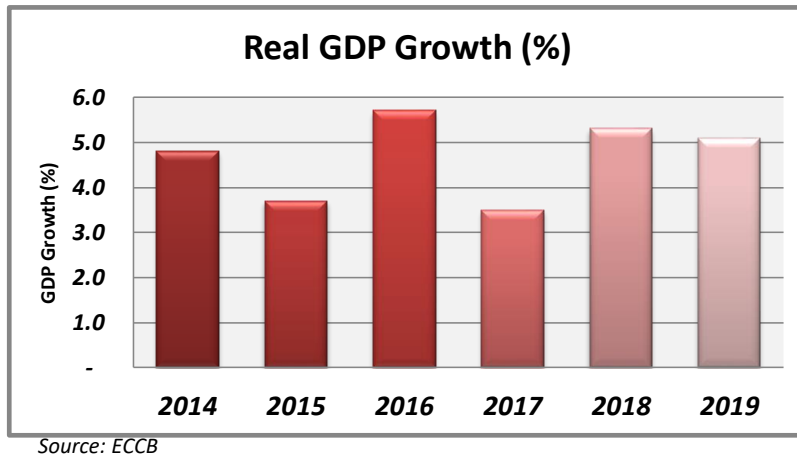
I have said before, let those with eyes see.

Those whose eyes are blinded by jealousy live in denial, paralyzed and embittered by a darkness of their own creation.

But, we move ahead with clear sight, on a path lit brightly by the resolve to make our country better, our economy sturdier, and our people stronger.

They cannot evade the truth. The facts reveal truth and expose charlatans – the fakes with their weak lamentations, lies and innuendos.

In 2018, our nation recorded solid growth in tourism, the wholesale and retail sector, the transport sector, manufacturing and in public administration.



Here are some of the illustrative facts:

In 2018, our country received tourist arrivals in all sectors, totaling about 1.1 million.

Mr. Speaker, in our entire history, that is the highest number of visitors we have ever received in a fiscal year. We have broken all previous records.

With your permission, Mr. Speaker, this House should applaud all those who made this impressive record possible.



Cruise Tourism

Mr. Speaker, figures for 2018 show stay-over visitors of 268,949 an increase of 8.75 percent over 2017. Cruise arrivals for the year, at 792,873 passengers, also increased over 2017. Visitor arrivals on yachts was just under 20,000, which is comparable to 2017 arrivals.

Mr. Speaker, the hotels and restaurant sector, the proxy for tourism in the national accounts, grew by 5.2 per cent in 2018, because of the increased stayover and cruise visitors.

There was also 8 percent growth in the construction sector in 2018, due to continued construction and renovations in the tourism sector, as well as, work on major government infrastructure, and non-tourism private sector projects. The growth in construction is supported by a more than 20 per cent increase in cement sales in 2018 over 2017.

Economic growth is supported by a 32 per cent increase in total imports from \$1.36 billion in 2017 to \$1.8 billion in 2018.

It should be noted Antigua and Barbuda is a net importer, and that over 70 per cent of our imports are from the United States. The US is therefore projected to record a \$1.26 billion trade surplus with us for 2018. Further, over the past 15 years, since the WTO arbitral award in our favour, the US would have benefitted from almost \$18 billion in trade surpluses with our country.

This increase in trade further illustrates the buoyancy of our economy and the money in the pockets of our people.

Honourable Members, anyone who tries to paint a picture of anything but a vibrant economy is doing so with a jaundiced eye.

The figures speak for themselves.

And, figures don't lie.

PERFORMANCE OF GOVERNMENT-OWNED ENTITIES

Mr. Speaker

We now turn to the performance of key state-owned enterprises.

State Insurance is expected to earn revenues of \$50.4 million and profits of \$11.6 million in 2018.

The Antigua and Barbuda Transport Board also experienced improved financial performance. In 2017, its gross income amounted to \$8.2 million and is set to increase by 24 per cent to \$10.2 million in 2018. This government entity has moved from deficits to significant surpluses, to the extent that the Board has repatriated \$8 million to the Consolidated Fund.

As a result of increased visitor arrivals, the Airport Authority recorded a 7 per cent increase in gross revenues. The Authority's revenues grew from \$76.5 million in 2017 to \$81.8 million in 2018.

The majority government-owned West Indies Oil Company (WIOC) returned another year of outstanding profits in 2018. WIOC will make approximately \$31 million in profits before taxes, meaning that the government would have a 51 per cent claim on the net profit. Further, WIOC will pay taxes of almost \$8 million into the Consolidated Fund.

The Port Authority also continues to be profitable. After realizing record revenue of \$43 million in 2017, the Port will see revenue increase by a further 16 per cent in 2018. This means that the Port will better its performance in 2018 by generating revenue of \$50 million.

In 2018, despite capital investment of almost \$7 million to prepare for a massive \$250 million redevelopment project, it still produced a profit of \$3.7 million.

Mr. Speaker,

Figures don't lie.

This nation is on the move;

The economy is growing;

our people are benefitting;

ownership of homes, vehicles, boats and businesses is broadening;

together, we are climbing the ladder of success,

progressively and resolutely, rung by rung.

INFLATION: THE FACTS

Mr. Speaker

While I am dealing with the exposure of lies and deceptions, it is fitting that I address the most recent lies concerning the cost of living in Antigua and Barbuda.

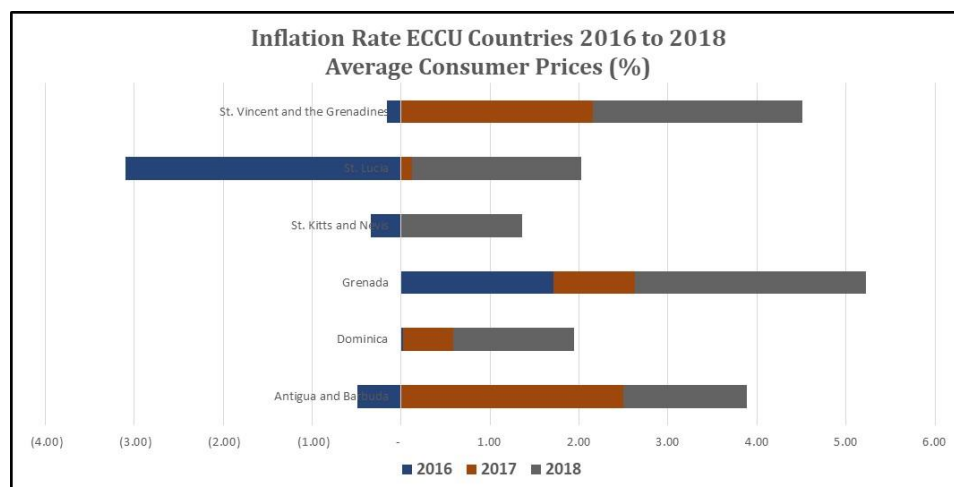
There are some who claim that Antigua and Barbuda's cost of living is far higher than other countries in the Caribbean, and they point particularly to the cost of gasoline, diesel and LPG.

Let us therefore examine the facts.

According to the IMF, the inflation rate in the ECCU increased only marginally from 1.8 per cent in 2017, to 2 per cent in 2018.

The same IMF report lists Antigua and Barbuda's inflation rate in 2018 at 1.4 percent.

In other words, we enjoy one of the lowest rates of inflation in the entire hemisphere.



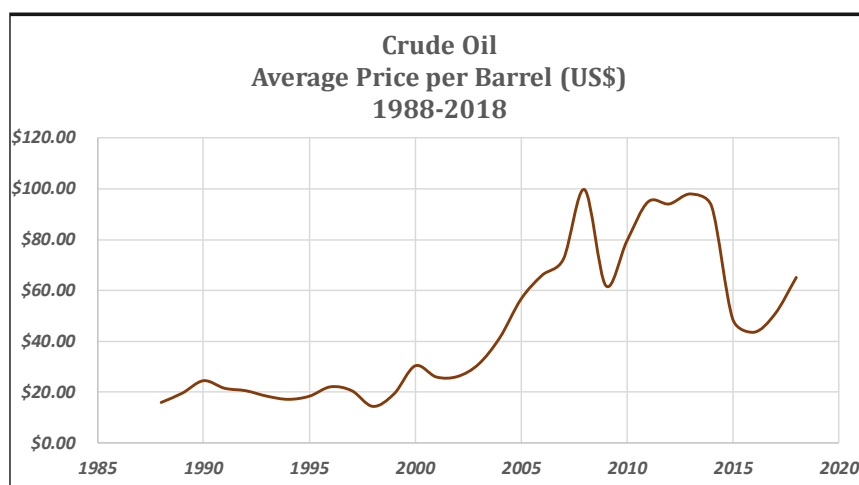
Honourable Members, another lie has been exposed.

Let me turn now specifically to the price for gasoline.

The figures I will cite in this section are provided by the Eastern Caribbean Central Bank, not by our government; they are easily verifiable from ECCB reports.

The average price for a barrel of crude oil in 2015 and 2016 was less than US\$50.00; in 2017 it was just under US\$51.00.

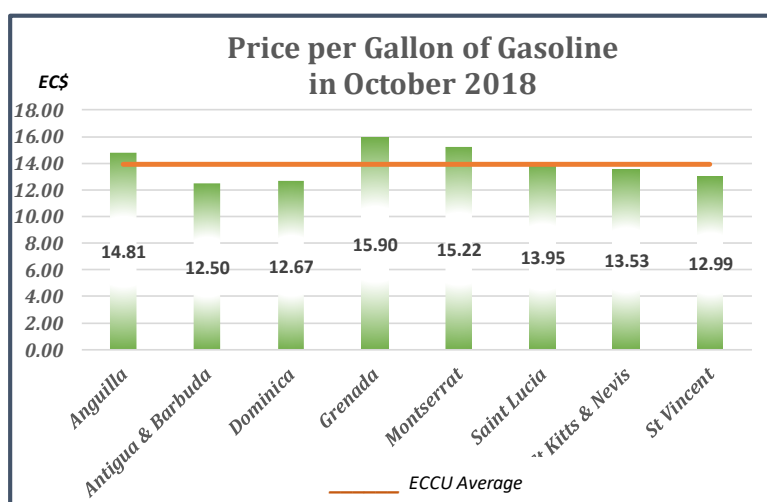
By 2018, the average price per barrel of crude oil was 28 percent higher, at just over US\$65.00.



Source: Macrotrends.net

Despite higher international oil prices, the prices of gasoline, diesel and LPG in our country have not increased.

With regard to gasoline, the average price per gallon in the region is \$13.95; the price in our country is \$12.50.



Source: ECCB

It is cheaper than every other country in the ECCU and Barbados, with no exception.

There can be no doubt that, even though the prices for commodities are set externally, our Government has kept a tight lid on inflation for the benefit of the nation.

Evidence of how our government intervened in the interest of the people, is the fact that revenue to the Treasury from Consumption Tax on fuel reduced by 16 per cent from \$62.5 million in 2017 to \$52.5 million in 2018.

Government absorbed the increase in the international price of oil and thus lost \$10 million in consumption tax revenue. The higher price was not passed-on to the people; government sacrificed the revenue, leaving it in the people's pockets.

Our government cares.

Our government proves that it cares.

Our government delivers, because it cares.

REVENUE VERSUS EXPENDITURE: THE NEED FOR BETTER BALANCE

	2017	Budget 2018	Prelim Estimate 2018
Total Revenue and Grants	821.9	970.6	863.9
Current revenue	809.1	877.1	819.9
<i>of which: Tax revenue</i>	636.4	707.7	667.8
<i>Non Tax Revenue</i>	172.6	169.4	152.1
<i>of which: CIP-NDF</i>	64.9	95.0	61.7
Capital Revenue	10.8	7.0	28.4
Total Expenditure	928.2	1,056.1	951.4
Current expenditure	851.8	859.1	856.1
Wages and salaries	327.2	361.0	394.9
Contribution to SSB & MBS	27.8	29.7	30.1
Goods and services	133.6	155.4	139.1
Interest payments	107.2	105.2	92.6
Pensions, other transfers	256.0	207.8	199.4
<i>of which: Pensions</i>	75.8	79.9	79.9
Capital Expenditure & Net Lending	76.4	197.0	95.3
Current Account Balance	(42.7)	18.0	(36.2)
Primary Balance	0.9	19.7	5.1
Overall Balance	(106.3)	(85.5)	(87.5)

Ministry of Finance - Antigua and Barbuda

Mr. Speaker

Despite economic growth of more than 5 per cent in 2018, the government recorded a current account deficit of \$36 million in 2018. This is an improvement over the deficit of \$42.7 million recorded in 2017.

Expenditure for 2018 is projected to be \$951.4 million, which is only 2.5 per cent above 2017 spending, evidencing prudent expenditure management.

And, a significant portion of the increase in 2018 expenditure is due principally to the implementation of a 5 percent increase in wages and salaries for public servants, and payment of backpay.

Spending on pensions and gratuities also increased by 5 per cent to \$79.9 million in 2018.

However, while expenditure in 2018 should amount to \$951.4 million, revenues are expected to total \$863.9 million, leaving an overall deficit of \$87.5 million.

It is important to point out that the 2018 deficit is less than the deficit of \$106.3 million in 2017, but it is, nonetheless, unsustainable.

TAX YIELD NOT COMMENSURATE WITH ECONOMIC GROWTH

Mr. Speaker, the lower level of revenues, especially tax revenues, occurs, in part, because of revenue leakage due to low taxpayer compliance in some areas.

Further, tax exemptions and waivers to new, as well as existing, businesses contribute to lower revenue yields.

In 2018, tax waivers amounted to an estimated \$330 million; a significant proportion of which was granted to existing and profitable businesses.

This \$330 million mainly represents waivers of customs duties, ABST, Revenue Recovery Charge, Corporation Tax, Unincorporated Business Tax, and Stamp Duties.

Mr. Speaker, Honourable Members

To secure fiscal balance and stability going forward, these levels of concessions cannot continue.

Taxes incurred must be paid and collected so that government can continue to provide the services and benefits everyone expects.

In 2018, our Government made a policy decision to stop granting waivers for property taxes. This policy will be strictly enforced.

Reducing total tax exemptions and strengthening tax administration will be the cornerstone of the Government's fiscal strategy into the medium term. With the revocation of the corporate income tax waivers, a new corporate income tax credit regime will be introduced. If our country is to become an economic powerhouse, capable of sustainable, inclusive growth and creating opportunities for its citizens and residents to generate wealth, it needs to build fiscal resilience with the cooperation of all.

ASSISTANCE FROM INTERNATIONAL PARTNERS

Mr. Speaker

No country in the world, not even the most powerful, can grow and further develop without foreign investment, regardless of how active its local investors are.

Antigua and Barbuda is no different.

In 2018, several countries and institutions invested in our development through technical assistance, grants and loans.

I take this opportunity to thank all who have made contributions of whatever size.

Every cent counts.

And we are very grateful.

Mr. Speaker, it would be wrong of me not to make special mention of three countries that have particularly contributed to our nation's well-being – namely the Bolivarian Republic of Venezuela, the Republic of Cuba and the People's Republic of China.

The Government of Venezuela has agreed to write-off 50 percent of the debt owed to PDVSA for fuel imported under the Petro Caribe Initiative.

This debt write-off amounts to \$250 million.

That is a significant gift to our people, Mr. Speaker, and one that we should acknowledge with great and resounding appreciation.

The people of Antigua and Barbuda will remember the assistance of Venezuela and its people well into the future.

And, we will continue to urge a resolution of the internal differences in Venezuela, and pledge to do whatever we might be able to do to set this country of the liberator, Simon Bolivar, firmly on its feet, in service to all its people.

The Government and people of the Republic of Cuba, despite the continued imposition of the inhumane embargo by the United States, continue to provide educational, medical and technical assistance to countless countries in the region and around the globe.

Antigua and Barbuda has benefitted tremendously from the generosity of the Republic of Cuba. Hundreds of our people have received professional qualifications, free of charge, from the Republic of Cuba and are making meaningful contributions to our state.

We thank the Republic of Cuba for their continued generosity in the field of healthcare, medicine, infrastructural development and education.

Mr. Speaker, in 2018, no other country or institution has contributed more to our development pursuits than the People's Republic of China.

China has committed over \$400 million in grants and concessional loans to fund the development of the St. John's Port, the Knuckle Block Project, the proposed housing development, two polyclinics, and non-lethal military equipment and supplies. They have also provided technical assistance in many areas, including healthcare, education and agriculture.

Support has also been given to the Defence Force in the form of almost US\$6 million in grant aid. Let me make it clear, this help to the Defence Force, includes no weapons of any kind. The donation is for non-lethal material, including buses; over 800 hand held and portable radios; and heavy-duty machinery including forklifts, dump trucks and an excavator.

We have valued our relationship with China, and clearly China has valued its relationship with us, despite the huge difference in size and resources.

The relationship between the People's Republic of China and Antigua and Barbuda, demonstrates that, in international relations, countries are well-served by mutual respect and cooperation.



New Chinese Embassy

Mr. Speaker, the construction of a US\$23 million marquis embassy building and residences at Marble Hill, will strengthen the bonds of friendship between our countries.

STRATEGY FOR DEVELOPMENT- 2019: Building Economic Resilience

Mr. Speaker, I will now broadly set out our Government's strategy for development, in which we will continue to build economic resilience in 2019.

In the interest of time, I will not go into details of all aspects of the strategy, which is fully set-out in the Appendix and to which Ministers will speak in their contributions to the debate on this Budget.

My purpose now is to highlight the main projects and programmes on which government will be spending, and the sources from which it expects to derive revenue.

I will also draw attention to private sector projects that will start or come into operation. These projects will provide employment to our people and much needed revenues to our Treasury.

PRIORITIES FOR ECONOMIC RESILIENCE IN 2019

Mr. Speaker, the Eastern Caribbean Central Bank estimates that in 2019, our economy will grow by a further 5.1 percent.

Our objective is to do better.

We are aiming at achieving 6 per cent.

And we plan to do so on the following broad platforms:

- i. Enhancing performance in tourism
- ii. Promoting Investment, including the Citizenship by Investment Programme, and economic diversification
- iii. Encouraging Entrepreneurship
- iv. Renewing and upgrading critical infrastructure; and
- v. Providing better access to adequate housing,

Enhancing Performance in Tourism

I deal first with tourism in 2019.

The Hodges Bay Resort & Spa is now fully operational.

The Hammock Cove by Elite Island Resorts, which is a 5-star property will also open, as will the 360-room Royalton Beach Resort and Spa, operated by Sunwing.

Additionally, at least fifteen properties will proceed in various stages of construction.

These include: the Marriott Courtyard Hotel at the Airport, the Callaloo Cay project, the Half Moon Bay Resort, Best Western, the Valley Church Wellness Resort, to be operated by Ambassador Calvin Ayre, and the YIDA projects.

In addition, over US\$200 million will be invested in private luxury homes at Windward Beach, Jumby Bay, Mill Reef Club, Galley Bay Heights, Pearn's Point and other locations throughout the island.



Artist Rendering of Baron Thyssen Property

This includes a US\$50 million mansion, for private dwelling at Laurie Bay; that is being constructed by Baron Lorne Thyssen.

Mr. Speaker, these hotel projects will increase Antigua and Barbuda's room stock by more than 3,000 rooms and units.

Further, Sunwing has taken over operations of the Halcyon Cove Hotel to revive it and restore its valuable contribution to our tourism industry. This along with the other new and expanded properties is expected to increase total stayover arrivals in 2019. In fact, we project an additional 50,000 stayover tourist arrivals, which will take Antigua and Barbuda above the 300,000 mark and allow us to break the record set in 2018.

Also, up to 10 acres of the land that forms part of the Halcyon Cove property will be released in 2019, for construction of additional rooms, including residences and villas.

This will be done using investment vehicles to provide opportunities for locals to invest.

Our Government will provide concessions for this project, while Sunwing will manage the properties to secure a good return on investment for local investors.

This model will also be used to develop properties at Shell Beach and Indian Creek.

Our expectation is, that locals will seize the opportunity to build vacation rental properties and small, boutique hotels that can be offered on Airbnb.

We believe that our people must participate as owners in the tourism industry and share in the profits of the industry.

We are providing the opportunity; we are opening the doors; we are giving our people the means to be owners and beneficiaries, not to be only carriers of water and hewers of wood.

That is the compact we made with the nation.

That is the contract our government is fulfilling.

Every Antiguan and Barbudan is being given the chance to thrive.

We promised to do it.

We are delivering on our promise.

Promise made, promise kept.

Our government is a government by the people, of the people, and for the people.

Mr. Speaker, the Government is finalizing a nearly US\$80 million concession agreement with Global Ports, the world's largest, private cruise port operator to transform cruise tourism in our country. The number of cruise passengers is expected to increase dramatically, bringing more spending with every ship.

The project will start in the first half of 2019, involving the completion of the fifth cruise ship pier, development of new commercial properties, as well as renovations of Heritage Quay.

As part of the project, approximately \$60 million in existing debt to the Antigua Pier Group will be eliminated, and Global Ports will allocate \$13.5 million to the development of local entrepreneurship in the tourism sector.

Promoting Investment and Economic Diversification

Mr. Speaker, in 2019, we will add further spokes to our economic wheel, to create more jobs, generate more revenue and continue to build a resilient economy.

Particularly, we are introducing economic activity that will not be vulnerable to hurricanes and that take advantage of modern technology.

Blockchain Technology

One such activity relates to the use of Blockchain Technology.

Research confirms that the global blockchain market will reach over US\$28 billion by 2025.

The ECCB has launched a pilot project to utilize blockchain technology in support of digital payments and transfers.

As an international financial centre, Antigua and Barbuda needs to be an early mover in the space, so as not to miss an opportunity and get left behind. Our vision is to be the regional centre for blockchain and cryptocurrency. We will collaborate with global oversight bodies in implementing international best practices, that will make our jurisdiction attractive to international business.

Our plans for the development of this exciting fintech space, will unfold in the coming months, as we seek to create the necessary legislative and regulatory structures that will govern the industry.

Crucially, we want to ensure that our young people are trained and ready to meet these new opportunities, including becoming entrepreneurs themselves.

Mr. Speaker, this is not a whimsical notion; the international potential is real.

We, in Antigua and Barbuda, start on more solid ground because, in Blockchain and Cryptocurrency, we already have an important private sector partner in Ambassador Calvin Ayre, who is already a major player in the blockchain and cryptocurrency industry.

He has been a long-time investor in Antigua and Barbuda and is about to complete construction of the US\$25 million project: Canada Place at Woods. This business should begin operations in the first half of 2019, providing employment for over 500 people.

Citizenship by Investment Programme

Mr. Speaker, our Government encouraged and promoted the Citizenship by Investment Programme (CIP) to help diversify our economy and to earn much needed non-tax revenue.

There can be no doubt that, in the years of its operation, the CIP delivered for our people.

In the last quarter of 2018, the number of applications increased, boosting revenues.

We are encouraged by the resilience the industry has shown, even in face of denigration by powerful forces.

Therefore, we will continue to compete vigorously in the world market by promoting it and operating it, in accordance with best international practices, including continued strong vetting of applicants.

Our expectation is that, in 2019, there will be a significant increase above the 672 applications received in 2018, contributing more than \$100 million in revenue to the Consolidated Fund.

Mr. Speaker, we continue to be innovative with respect to the number of investment options available to applicants, and the introduction of the fourth option in 2018, the University of the West Indies Fund, exemplifies this. We intend, through this uniquely crafted option, to partially fund the fourth landed campus of the University of the West Indies.

Medical Cannabis

Mr. Speaker, our jurisdiction has adopted legislation to create a medical Cannabis industry that would allow this nation to access a part of this burgeoning market.

We have received proposals from a number of reputable, international firms that are experienced with medical Cannabis.

One of these firms is willing to partner with the Rastafarian community and our government has agreed that the medicinal Cannabis licensing fee would be waived for businesses owned by members of the Rastafarian community.

Real Estate Investment Trust

Mr. Speaker, our government is continually examining ways in which development projects can be financed jointly by the public sector and private sector, thereby relieving taxpayers of carrying the burden alone.

We are also constantly seeking ways in which local people can participate in investments, getting a meaningful return on their money within a regulated framework that would reduce risk.

One such mechanism is a Real Estate Investment Trust (REIT), which is used globally to encourage investment in income generating real estate.

Our government will introduce legislation to facilitate REIT as an additional opportunity for locals and foreigners alike.

At the outset, we will promote the renewal and revitalization of St. John's, by encouraging businesses and property owners to make use of REITs, to redevelop and expand their properties and diversify their holdings.

Encouraging Entrepreneurship

Mr. Speaker, our Government wants to help create many more Antiguan and Barbudan entrepreneurs.

And, we recognize that, often times, it is not that persons lack the basic acumen, but they lack access to capital and knowledge of sound financial and management techniques.

We want to correct that.

That is why in the last Budget, we announced the Prime Minister's Entrepreneurial Development Programme (EDP), to provide access to funds and training for any citizen who presents a viable business proposition.

In the first quarter of this year, the EDP will be launched with an initial \$10 million provided by government.

The ultimate aim is a Revolving Fund endowed with \$24 million to provide low interest loans for working capital, machinery and equipment, leasehold improvements, among other things.

As indicated before, Global Ports is committed to providing \$13.5 million to fund entrepreneurship in the tourism sector as part of their involvement in our country's economic development.

Mr. Speaker, the EDP will be complemented by the Eastern Caribbean Partial Credit Guarantee Corporation, which will also work with banks and other financial institutions to increase the flow of credit to micro, small and medium sized businesses in the ECCU member territories.

Our Government is determined to give the people of our nation the opportunity to do the same, without regard to race or religion, gender, nationality, or background.

We are building One strong nation, One prosperous people, One resilient future.

Renewing and upgrading critical infrastructure

Mr. Speaker, I need hardly say that physical infrastructure is essential for economic development.

Our country will not remain competitive in the tourism industry, nor will we carve a place for ourselves in global transportation and communications without modern ports and telecommunications infrastructure.

Building a modern road network

An upgraded and expanded road system is crucial for the tourism industry, for commercial activity and for connecting all parts of our country.

This vital infrastructure cannot be built overnight, but it can be constructed steadily and progressively.

And, that is what our government is doing.

While I am aware of complaints about the slow pace of road works, and have raised my own voice in concern, I assure everyone that, in 2019, work on the Sir George Walter Highway and Friars Hill Road will be completed.

This will be achieved with a grant of about US\$18 million from UK-CIF, along with more than \$11 million in government counterpart funding.

The second phase of this road rehabilitation project, at a cost of US\$65 million will accelerate in 2019, resulting in the reconstruction of the Sir Sydney Walling Highway, Anchorage Road, Old Parham Road and Valley Road North.

Funding for this phase is provided through loan financing from the Caribbean Development Bank and from government resources.

A third road development project, to be undertaken with assistance from the CDB, will focus on reconstructing the Darkwood Bridge and upgrading and reconstructing the Potters/Herberts Main Road, the Burma Road, and the Royal Gardens Road.

We have also intensified the community roads project, which has benefitted residents in communities across the country, provided jobs for local contractors, and contributed to the growth in economic output in 2018.

This work will continue in 2019.

Our government made a commitment to ensure that there are passable roads wherever citizens and residents live.

St. John's Port Development

Mr. Speaker, the project to transform the Deep Water Harbour Port into a modern, regional transshipment port is well underway.

With US\$90 million in funding from China Exim Bank, the new Port will have expanded infrastructure and updated systems for operation that will facilitate trade, improve overall security, and enhance profitability.

The new Port will produce new job and career opportunities in maritime, engineering and shipping.

Enhancing Telecommunications Infrastructure

Mr. Speaker, in 2019, we will invest \$80 million in our telecommunications infrastructure, to include acquiring an underwater fibre optic cable. This investment will position APUA to supply the people of Antigua and Barbuda with modern, reliable, high-speed broadband internet services.

It is expected that this initiative will better position the country to explore and ultimately benefit from opportunities in new technologies and will open doors for our people to venture into new internet-based industries.

Additionally, by making this investment, the Government will ensure broadband internet is available to homes across Antigua and Barbuda, just as we have provided access to water and electricity.

We are positioning APUA to set the pace in the race to better technology, lower rates, and faster Internet.

It is a race which we challenge the other telecommunications providers to join.

In keeping with this overall policy, our government has already passed legislation to ensure number portability.

And, we have introduced measures to ensure the equitable redistribution of the 850 spectrum, among the telecommunications companies.

The Internet and high-speed broadband are the digital gateway to the world for new services from Antigua and Barbuda and for the enhancement of all existing businesses.

It is a door our government will throw wide open, so that the people of our country, particularly our young people, can also benefit from a world market, connected seamlessly and instantly.

Other Public Sector Projects

Honourable Members

In addition to the major projects I have just described, our government will complete existing projects and start new ones.

These include:

- Completion of the YASCO track;
- Renovation of the Antigua Recreation Grounds in preparation for hosting CARIFESTA in 2021; and
- Two polyclinics and community centres that are being constructed in Villa and Willikies will be completed, again financed by China Aid

WIOC Expanding Operations

Mr. Speaker, WIOC will continue to renew and expand its operations with a further investment of \$50 million in 2019. This brings investment to over \$120 million, representing a commitment by WIOC to reinvest profits in Antigua and Barbuda.

This will upgrade the marine infrastructure and the construction of a new LPG storage facility, tripling the existing storage capacity.

Additionally, in conjunction with other public corporations, such as NAMCO, WIOC will start construction of a new business park on Friars Hill Road at a cost of \$40 million.

These activities will boost the economy, create new jobs and, simultaneously, increase the wealth of our nation.

It should always be remembered that WIOC is majority-owned by the people and government of Antigua and Barbuda.

It is our collective business from which we earn collective benefits.

Providing Better Access to Adequate Housing

Mr. Speaker, housing development will also move at a faster pace in 2019.

The People's Republic of China has committed \$90 million in grant aid to construct 250 residences at various locations, including the renewal of Booby Alley in Point.

This is a welcome development that will transform a long-depressed area of our country, opening it to greater opportunities in the St. John's harbour area that it closely adjoins.

Three hundred new homes will become available from National Housing.



Dredge Bay Housing Development

Through the company's "Build on Your Own Initiative", construction of 53 homes on parcels owned by individuals should be completed in 2019.

National Housing spent over \$40 million in 2018 on home construction.

It has engaged over 100 contractors, employs 300 individuals directly, and provides jobs indirectly for over 850 persons.

Mr. Speaker, CHAPA will also construct approximately 100 low-income homes at a cost of \$135,000.00 each.

These are land-mark events in the history of our nation.

At no previous time has housing been constructed in this magnitude and of this quality.

In fact, in 2018, there was a nearly 30 per cent increase in new home construction, as reported by the Development Control Authority. There were 501 new homes being constructed in 2017 while the number increased to 667 in 2018.

Critics and political opponents can cast as many barbs as they like; they can sneer and scoff as they wish.

But, they cannot wish-away the obvious and evident reality that our government – the government of all the people of Antigua and Barbuda – is delivering homes in a way, and at a rate, unprecedented in our country's history.

And, again, we do so because we care.

Government as a catalyst for building resilience

Mr. Speaker, one of the most impressive innovations of this Administration, is the creation of the National Assets Management Company Limited (NAMCO), a wholly owned government entity that holds the government's stake in joint ventures and manages the investment proceeds that accrue.

By its participation in the productive sectors of our economy, NAMCO is acting both as a catalyst for economic development and as a meaningful contributor.

In 2018, NAMCO invested \$25 million to help finance the development of a fifth cruise ship pier. With the planned partnership with Global Ports, the pier will be ready for the 2020 tourism season, attracting the oasis class ships.

In 2019, NAMCO will join a private sector partner, to develop Fort James into a multi-million-dollar integrated leisure and entertainment facility.

Further, within the next few weeks, NAMCO will conclude negotiations with the principals of Blue Ocean Marine, a dredging company that acquired the assets of DEVCON TCI.

NAMCO will purchase a 40 percent stake in this dredging company, that is poised to undertake dredging and maintenance work across the Caribbean.

In other words, NAMCO is showing the way for locally-based companies to expand their operations, widen their markets and increase their sources of income and profitability.

Public Utilities

Delivering water

Mr. Speaker, the people of our country expect water when they turn on their taps.

The expectation is as old as Antigua and Barbuda and satisfying it has been a pressing objective of our government from its inception.

Let me lay out the plans for 2019.

We will complete retrofitting all existing Reverse Osmosis (RO) plants with new membranes to further boost production capacity.

A new reverse osmosis plant will be acquired and installed by June 2019 to serve the Deep Water Harbour and the cruise terminals.

The agricultural sector will also benefit from a new plant, supplied by the Japanese Agency, JICA, for installation at Bethesda.

We will continue to re-pipe the water distribution system for Point, Michael's Village, Ovals and Fitches Creek. The result will be a significant improvement in water supply.

Energy costs and supply

Mr. Speaker, our government wants to reduce both the cost of energy and Antigua and Barbuda's carbon footprint.

The Street Light Retrofitting Project, which involves replacing over 14,000 street lights with LED lights, will be completed in the first quarter of 2019, saving the government some \$5.5 million annually.

For the consumer, our government is working to reduce the cost of electricity by adding wind turbines to the generation of electricity by APUA.

Wind turbines, funded by a loan of \$40 million from the Abu Dhabi Fund for Development, have already been procured and are now in Antigua for installation.

Once completed, this project, along with PV Energy Solar plant and the solar energy plant in Barbuda, will bring the aggregate investment in green energy applications to \$127 million.

These plants will generate 18 megawatts of green energy in Antigua and Barbuda, contributing to less costly electricity in the medium to long term.

Rebuilding and Transforming Barbuda

Mr. Speaker, building resilience in Barbuda is integral to building resilience in our country.

The experience of caring for displaced residents of Barbuda and the cost of reconstruction on the island, makes it clear that implementing resilience measures is vital.

We have made significant progress in recovering from the monumental devastation of Hurricane Irma, but there is still a lot of work to be done.

The sheer scale of destruction, by itself, made rebuilding a mountain too steep for anything but a tough and tortuous climb.

The European Union has provided grant funding of five million Euros to reconstruct or repair 150 homes. This project will begin in the first quarter of 2019.

Additionally, there will be construction of new homes funded by the Prince's Trust and Peoples Republic of China.

Mr. Speaker, the prospects for Barbuda are very bright.

Already, the plants of new investment are sprouting, including the PLH Discovery Bay project, and the Paradise Found Resort, which will start before the end of the first quarter of 2019.

Later in 2019, the expanded Dulcina project is expected to start.

All of these will bring permanent and sustainable employment and spin-off business opportunities for Barbudans.

Our government will, itself, invest \$14 million in solar voltaic power in 2019, to make Barbuda the first island to be powered exclusively by green energy. This will start in the second quarter of 2019.

Government will also complete the new Barbuda runway in 2019, opening the island and its residents to greater opportunities.

We wish to express our profound gratitude to all individuals, organizations and governments for the assistance provided to help rebuild Barbuda. In 2019, with grants from the

Governments and people of Canada, the Dominican Republic, the United Kingdom, and loan financing from CDB, we will pursue a number of projects on Barbuda including:

- repair and expansion of Sir McChesney George Secondary School
- Construction of a Multipurpose Centre/Shelter
- Installation of a Reverse Osmosis Plant and Storage Tank
- Louis Hill Infrastructure development
- Construction of the new Holy Trinity Primary School at Louis Hill

Mr. Speaker, our government will continue to work relentlessly to place Barbuda on the path to economic sustainability and climate resilience.

Agriculture and Manufacturing

Before moving on Mr. Speaker, let me say a few words about agriculture and manufacturing. While we do not possess the economies of scale required to make these sectors significant contributors to our GDP, they still have important roles to play in our thrust toward economic diversification and resilience.

The government will continue to pursue strategies to strengthen our food security and nutrition, to help alleviate poverty among vulnerable groups in Antigua and Barbuda.

Also, we recognize that agriculture and manufacturing will enhance opportunities for export to niche markets. Therefore, the government will provide the requisite support to these industries, through the ministries responsible for their development. This includes continuing to provide concessions and incentives to promote growth in agriculture and manufacturing.

Enhancing Security and Promoting Justice

Mr. Speaker

Antigua and Barbuda remains the country in the western hemisphere with the lowest rate of serious crimes. This is not a statistic that this government takes lightly, as even one incidence of criminal activity is one too many.

We have therefore committed to further reduce crime in our nation by further equipping the Royal Police Force of Antigua and Barbuda, ONDCP, Defence Force and other law enforcement agencies, with the human resources, equipment, tools and working environment needed to identify, detect and fight all forms of criminal activity.

With respect to justice, Mr. Speaker, the government has started the process of establishing a Family Court and a Sexual Offences Court in Antigua and Barbuda. These will be model courts in the OECS that will facilitate more timely and efficient delivery of justice in family and sexual offences cases.

The institutions and facilities used to house prisoners are just as important as the institutions and administrative processes used to mete out justice. We have therefore conducted studies, identified a site and have developed plans for the construction of a new prison facility that meets international standards and ensure that the human rights of all prisoners are respected – regardless of the offence.

Since the new prison project will take significant resources and cannot be constructed immediately, the government has decided to establish an interim prison facility at the site of the Prison Farm. It will house individuals on remand, youth offenders, and those serving sentences for non-violent offences. This interim prison will be completed this year.

NEW SPECIFIC TAXES

Tax on sugary beverages

Mr. Speaker, I now announce for this Budget two very specific tax measures.

Antigua and Barbuda is plagued by life-threatening, non-communicable diseases, such as diabetes and hypertension.

Too many of our people die too early from these diseases, that start at an early age, even though they might only manifest themselves in later life.

Certain foods and drinks, particularly sugary beverages, contribute greatly to these diseases. For that reason, and after consultation with national, regional and international stakeholders, including the Pan-American Health Organization, we will implement a tax on sugar sweetened beverages.

The expectation is that, the tax will help to reduce the consumption of sugary beverages and encourage our people to make healthier choices.

Importantly, Mr. Speaker, this will be a revenue neutral tax.

Tax to fund the Antigua campus of UWI

Mr. Speaker, in order to grow the country's economy robustly and to position our people to assume top positions in companies and in the professions, our government has agreed to fund the fourth landed campus of UWI at Five Islands.

This truly transformative endeavor requires a stable and consistent flow of funding in order to be sustainable and successful.

Our government will implement a combination of financing options, in addition to the tuition and fees that normally make up the funding base for tertiary education institutions.

One of these options is a 10% tax on net profits of telecommunications companies, financial institutions – specifically banks and insurance companies and the country's sole petrol distribution company, WIOC.

Based on an analysis of the data, this tax could yield up to \$15 million annually and it will be implemented with effect from this fiscal year for a period of 24 months.

Mr. Speaker, it is our Government's hope that the companies required to contribute to this tax will regard it, not only as an opportunity to contribute to the growth and development of Antigua and Barbuda, but as an investment in creating a body of knowledgeable people, from whom their own enterprises can draw for their advancement.

Public Servants

Mr. Speaker, public servants are essential to the workings of a country in every aspect of its life.

Our government is pleased that we were able to settle past obligations to them and to make an interim pay increase, pending negotiations with their representatives.

In the interest of both public servants and tax payers, our government is determined not to allow the extended accumulation of retroactive pay.

Therefore, it is our hope that negotiations will be completed this year, so that any amounts that may become due can be settled as soon as possible.

Mr. Speaker, my government has become aware of an issue, affecting public servants, that we are committed to addressing urgently.

The issue is the mis-alignment of government's retirement age and Social Security's pensionable age.

This differential in ages means, that some government retirees would have to wait a number of years to receive full pension benefits.

In short, retirement plans of some public servants could be upset through no fault of their own.

Mr. Speaker, our government could not let this unfortunate circumstance stand.

Cabinet has agreed that a policy of parity between the retirement and pensionable ages should be implemented.

Consequently, my Government will bring the enabling legislation before Parliament, to amend the relevant laws and thereby give legal effect to its policy of parity.

Finally, Mr. Speaker, efficient service delivery by public servants to every sector of society is crucial to a more productive economy.

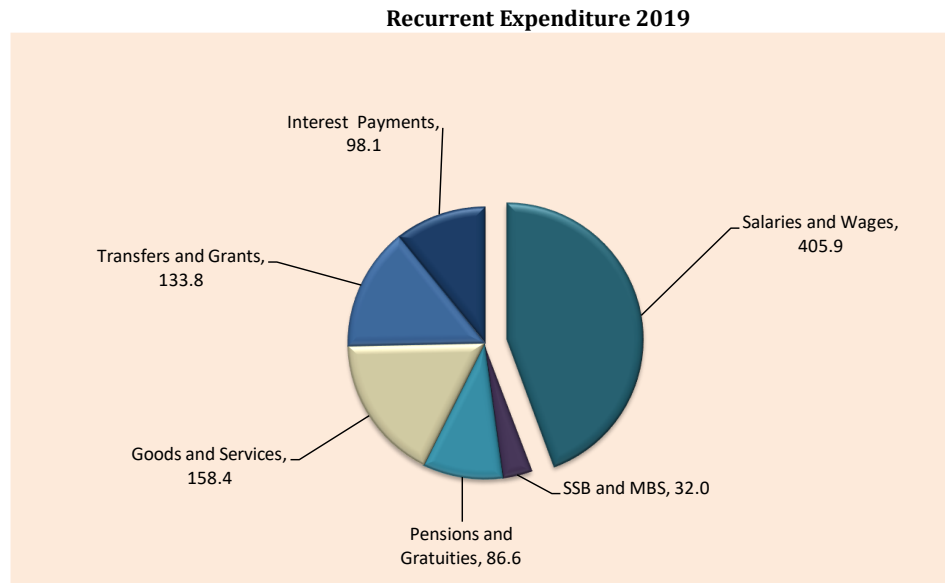
Our Government has fulfilled its undertakings to public servants and anticipates that the thousands of workers, employed in all the ministries, will resolve to play the productive and vibrant role our nation requires.

BUDGET PROJECTIONS 2019

Mr. Speaker, I turn now to the Budget projections for 2019.

Detailed figures of all revenues and expenditure, including their sources are provided in the Appendix.

Recurrent expenditure excluding principal payments for Fiscal Year 2019 is estimated at \$914.9 million, while recurrent revenue is estimated at \$932.2 million.

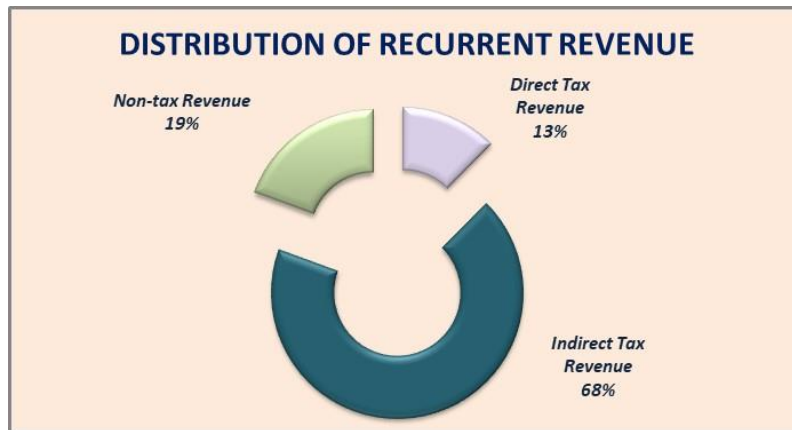


Therefore, a current account surplus of \$17.3 million is projected.

This compares with a similar current account surplus in Budget 2018.

Revenue Projections

Recurrent Revenue for Fiscal Year 2019 is budgeted at \$932.2 million.



This is about 14 per cent above the \$819.9 million collected in 2018.

Revenue in 2019 is expected to be higher because of increased economic activity along with improved tax administration.

As part of the latter, our Government will implement its policy to significantly reduce the amount of revenue forgone through tax exemptions.

Tax revenue is projected to be \$751.2 million or about 81 per cent of recurrent revenue.

Non-tax revenue makes up the remaining 19 per cent of recurrent revenue and is estimated at \$181.0 million in Budget 2019.

Direct taxes are expected to yield \$116.1 million in 2019.

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

The Corporate Income Tax is projected to yield \$77.5 million in 2019, while the Property Tax is expected to yield \$28 million.

The Unincorporated Business Tax is estimated to yield \$9.4 million, which is \$2.4 million above the amount collected in 2018.

Indirect taxes are expected to yield \$635.1 million, which is about 85% of tax revenue.

A total of \$285.3 million or 45% of the revenue from indirect taxes will be generated from the ABST.

This represents a 10% increase over the ABST yield for 2018.

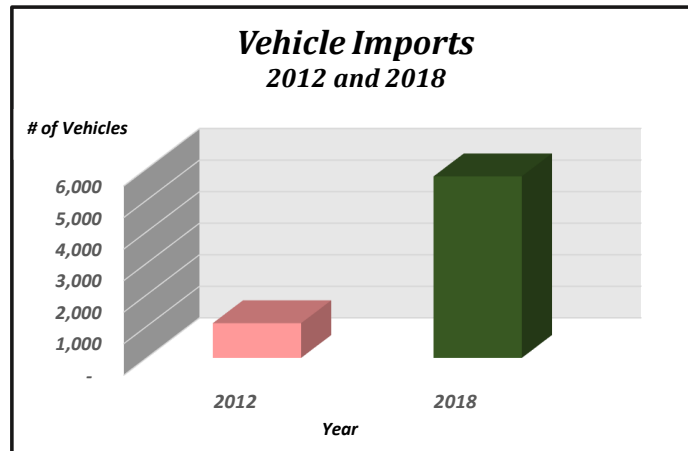
Revenue from the import duty is budgeted at \$102.4 million, while the Revenue Recovery Charge is projected to yield \$90.2 million in 2019.

With our projection of 6 per cent economic growth in 2019 and the government's focus on controlling exemptions, the yield from these border taxes will be higher this year compared to 2018.

It should be noted that concessions for new development projects that will have a significant impact on economic growth and employment will continue.

Also, this Administration will continue to provide support to individuals seeking to purchase a vehicle for personal use. While our government will encourage our people to purchase reliable vehicles, there shall be no ban on the importation of used vehicles.

The Government's policy over the past four and a half years has made vehicle ownership more affordable. This resulted in the importation of approximately 20,000 vehicles during the period. Vehicle imports in 2012 amounted to 1,100. By 2018, this increased more than five times to 5,754 vehicles.



Source: Antigua Port Authority

Revenue from stamp duties is expected to be \$52.5 million in 2019, which is a 25 per cent increase over the amount collected in 2018.

Included in the category of indirect taxes are the tax on offshore banks, the insurance levy and the Gambling Tax. These taxes are forecast to yield \$2 million, \$5.7 million and \$4.2 million respectively in 2019.

Finally, the revenue from Travel Tax is projected to be \$12 million, which is a 73 per cent increase over the amount collected in 2018. This increase is expected because the government will revamp the mechanism for collecting the tax, which has been abused in the past. The rate of the tax will not change, it will remain at 10 percent.

Non-tax Revenues

Of the \$181.0 million budgeted for non-tax revenue, \$100 million represent NDF receipts from the Citizenship by Investment Programme.

The amount budgeted for capital receipts is \$7 million, while grant funding for Fiscal Year 2019 is budgeted at \$26.9 million.

The sources of the grant funds include the CDB, CARICOM Development Fund, the European Union, China, Canada, Compete Caribbean, and the United Kingdom.

Expenditure Projections

Mr. Speaker, I turn now to the budgetary allocations for 2019.

The full details of all sums allocated to each Ministry, and the purposes for which they will be used, are set out in the Appendix.

In typical fashion, Parliamentary Representatives with responsibility for Ministries, will explain the programmes and priorities with which they are tasked, when they contribute to the debate on this Budget.

However, I will now highlight the allocations made in Budget 2019 for each ministry.

In keeping with our government's deep and abiding commitment to the education of our people, and the development of persons capable of competing globally, the Ministry of Education, Science and Technology has the single highest allocation at \$119.4 million.

The second largest allocation goes to the Ministry of Health, Wellness and the Environment, with an allocation of \$109.9 million.

On the health side, these resources will be dedicated to improving the delivery of all aspects of healthcare and to continue installation of equipment and modern technology.

With regard to environmental sustainability, the Ministry will continue to implement and enforce policies designed to protect our environment, and ensure Antigua and Barbuda upholds its commitment to vigorously fight climate change.

Mr. Speaker, in an effort to raise awareness of the dangers of plastic pollution, an international concert will be held in Antigua at the end of April this year. The concert will be sponsored by the United Nations, the Government of Norway and other partners, and will

bring a number of international performing artists, international media, and many visitors to our shores.

The Office of the Attorney General, Ministry of Justice and Legal Affairs, Public Safety and Labour has the third highest allocation at \$99.3 million, to be used to enhance the security of residents and visitors alike.

The Ministry of Works is allocated \$80.2 million in Budget 2019, to continue to manage and maintain public infrastructure, including government buildings from which the public is served.

The Ministry of Tourism and Economic Development is allocated \$27.3 million in Budget 2019, to continue the job that they did so impressively in 2018.

In addition to the Ministry's allocation, is two and a half percent of the ABST, provided by the government for tourism promotion.

Allocations for other Ministries

Budgetary Allocations for the other Ministries are as follows:

Ministry of Information, Broadcasting, Telecommunications and Information Technology - \$16.6 Million

Ministry of Housing, Lands and Urban Renewal - \$6.1 million

Ministry of Foreign Affairs, International Trade, and Immigration - \$39.2 million

Ministry of Social Transformation, Human Resource Development, Youth and Gender Affairs - \$24.8 million

Ministry of Agriculture, Fisheries and Barbuda Affairs - \$16 million

Ministry of Civil Aviation, Energy and Transportation - \$8.4 million

Ministry of Sports, Culture, National Festivals and the Arts - \$24 million

The 2019 budget also includes allocations for:

- Office of the Governor General - \$2.3 million
- The Legislature - \$2.2 million
- The Cabinet - \$4.1 million
- The Judiciary - \$2.3 million
- The Service Commissions - \$908,000
- Audit - \$1.3 million
- Pensions and Gratuities - \$84 million
- Electoral Commission - \$4.5 million
- Ombudsman - \$630,000
- Charges on Public Debt - \$458.8 million

Mr. Speaker, the Office of the Prime Minister is allocated \$31.7 million and the Ministry of Finance, Corporate Governance and Public Private Partnerships will receive \$110.9 million. Again, the details of the programmes for which these funds are earmarked can be found in the Appendix.

However, I take this opportunity to say that, among the many activities which will be undertaken this year are:

- i. strengthening the capacity of the Customs Enforcement arm and its K9 Unit;
- ii. increasing revenues from registered flagship vessels;
- iii. training senior public sector officials in good governance; and
- iv. considerably improving the system at Customs for importers, shippers, brokers and others.

CAPITAL BUDGET

Mr. Speaker, the sum of \$130 million has been allocated for capital expenditure in the Budget.

This is about \$35 million more than the amount spent in 2018, and it includes \$500,000.00 to repair and retrofit the General Post Office building, for the benefit of the persons who work in it, and for the public that they serve.

Mr. Speaker, \$74.9 million of the capital budget will be spent on the road development programme, while over \$15 million has been allocated for major repairs and maintenance of critical government buildings.

In addition, \$9.3 million is allocated for expansion and rehabilitation of schools in 2019.

FINANCING THE BUDGET

Mr. Speaker, for 2019, the budget estimates revenue and grants will be \$966.2 million, while total expenditure, excluding principal payments, will be \$1.04 billion.

This means we are facing an overall deficit of \$78.8 million.

Additionally, total principal payments amount to \$360.1 million

This along with the \$78.8 million overall deficit and the \$10 million allocated to reduce arrears to local contractors and suppliers, bring the financing requirement for 2019 to \$448.9 million.

To satisfy this requirement, our Government will raise \$274.8 million from Securities issued on the Regional Government Securities Market; and access loans and advances of \$174.1 million.

Building a Prosperous Economy and a Vibrant Society

In conclusion, Mr. Speaker, our nation has come a long way on the road to progress, but there is still much to be done, if we are to build the resilience that will ensure the future of this generation and the others yet unborn.

This Administration is determined to make Antigua and Barbuda an economic powerhouse and will do so by ensuring the economy is strong and resilient.

We will build resilience by:

- i. promoting broader domestic ownership;

- ii. diversifying the economy so we do not rely on tourism alone;
- iii. ensuring we meet our commitment to climate resilience;
- iv. promoting the health and wellbeing of our people;
- v. building human capital by providing access to high quality education;
- vi. pursuing fiscally responsible policies that ensure a sustainable level of debt; and
- vii. ensuring a greater proportion of profits generated in Antigua and Barbuda are retained and reinvested in the country for the benefit of our people.

Mr. Speaker, Honourable Members, regardless of their political stripe, our people have long laboured to improve our conditions and achieve a higher standard of living.

Today, we have an option to build a society where progress is the common cause of us all. Or, we could continue with a society where old prejudices and outdated practices continuously set back our advancement.

I firmly believe, Mr. Speaker, that our people will choose the former, they will seize the opportunity to move not only forward to a prosperous economy, but upward to a strong, robust and resilient society.

Mindful of the biblical teachings in Hebrews Chapter 12, verse 1: I call on all in our nation to throw off everything that hinders and any sin that so easily entangles, and let us run with perseverance the race marked out for us.

I thank the Minister of State and staff members in the Ministry of Finance and my Cabinet colleagues for their continued commitment to the goal of Building a more resilient Antigua and Barbuda.

I commend it to this Honourable House.

APPENDICES

2019 Budget Statement

Building a More Resilient Economy

APPENDIX 1: INTERNATIONAL AND REGIONAL DEVELOPMENTS

Performance of Global Economy

According to the October 2018 publication of the International Monetary Fund's World Economic Outlook, global growth is expected to remain steady at 3.7 percent in 2018 and 2019. However, economic prospects are threatened by increased use of trade-restricting measures, policy uncertainties, continuing geopolitical tensions and ongoing conflict between major economies, and rising oil prices.

Growth in Selected Countries and Regions			
	2017	Proj. 2018	Proj. 2019
World	3.7	3.7	3.7
United States	2.2	2.9	2.5
United Kingdom	1.7	1.4	1.5
Canada	3.0	2.1	2.0
Germany	2.5	1.9	1.9
Japan	1.7	1.1	0.9
China	6.9	6.6	6.2
Euro Area	2.4	2.0	1.9
CIS*	2.1	2.4	2.4
LAC**	1.3	1.2	2.2
Sub-Saharan Africa	2.7	3.1	3.8

Source: IMF World Economic Outlook Report, October 2018

** Commonwealth of Independent States*

*** Latin America and the Caribbean*

Growth in the advanced economies is projected to improve marginally from 3.3% in 2017 to 3.4% in 2018. For emerging market and developing economies, growth in 2018 is projected to be 4.7%, the same as in 2017.

The IMF notes in the October 2018 edition of the WEO that the global economic recovery has positively impacted employment, income, fiscal performance, and businesses. However, it stressed the importance of growth in trade to “preserve and extend the global expansion.”

Economic growth prospects in Antigua and Barbuda's main trading partners was mixed. In the United States, economic growth is expected to improve by 0.7 percentage points from 2.2% in 2017 to 2.9% in 2018. This outturn is underpinned by rising employment, increased fiscal stimulus, and generally favourable financial conditions. On the other hand, economic growth in the United Kingdom is projected to be 1.4% in 2018 compared to 1.7% in 2017. Ongoing uncertainties regarding Brexit and the related impact on investment and the business climate remain a drag on UK growth prospects, despite government efforts at a fiscal stimulus. Future growth in the UK will largely depend on the Brexit resolution and the pace and nature of the ensuing economic adjustment.

Growth in the Euro Area was 2.4% in 2017 and is projected to be 2.0% in 2018. According to the IMF, this slower rate of growth is attributed to low productivity and uncertainties surrounding Brexit. Also, ongoing political uncertainties and tensions between the EU and other major capitals are expected to constrain economic performance into 2019.

The rate of growth in China is projected to decline from 6.9 percent in 2017 to 6.6 percent in 2018. This, according to the IMF, is mainly due to the economic drag created by the trade war between the US and China in 2018. To help offset the impact on its domestic economy, the Chinese government could pursue policies to stimulate domestic demand.

After turning out to be a top performer among the advanced economies in 2017, Canada's growth in 2018 is projected to be 2.1% compared to the 3.0% achieved in the previous year. This decline in the rate of growth of output is associated with housing market challenges, rising interest rates and unresolved trade issues with the United States.

For the Latin America and the Caribbean region, the IMF has projected growth of 1.2% in 2018, which is down from 1.3% in 2017. According to the Fund, economic recovery in the region has stalled amidst heightened trade tensions, volatile commodity markets and less favorable financial conditions. While the overall outlook for the region has slowed compared to performance in 2017, there are positive results in some countries within the

grouping. The Caribbean faces improved economic prospects given global growth and a stronger US economy. It is expected that growth in 2019 will also be supported by efforts to rebuild following the aftermath of the 2017 hurricane season and favourable conditions for commodity exporting countries.

As noted by the IMF, economic growth in countries like Chile, Colombia and Peru, is strong and is due to improved business and consumer confidence, higher oil prices, and robust external demand for exports respectively. On the other hand, political uncertainties, macroeconomic instability, tighter financial conditions, and an unresolved trade agreement have constrained economic performance in the larger economies of Argentina, Brazil, and Mexico. The IMF projects an 18% decline in the Venezuelan economy in 2018, continuing a trend of significant economic contraction since 2015. This is accompanied by hyperinflation and a marked increase in public sector debt. The debt to GDP ratio is expected to increase from 38.9% in 2017 to 159% in 2018. The public sector primary deficit narrowed slightly from 31.5% of GDP in 2017 to 29.8% in 2018. Also, the surplus on the external current account is likely to widen further from 2% of GDP in 2017 to 6.1 of GDP in 2018.

Performance of ECCU/CARICOM Economies

CARICOM

According to the IMF Regional Economic Outlook Report for Latin America and the Caribbean, published in October 2018, growth in the commodity exporting countries is projected to be stronger than in the tourism-reliant countries. Real economic growth in the tourism dependent countries is projected to be 1.4% in 2018 compared to 1.1% in 2017. The economies of the commodity exporting countries are expected to move from a 1.3% contraction in 2017 to 1.4% growth in 2018. Conversely, inflation is projected to decrease in the tourism depended countries from a rate of 3.8% in 2017 to a rate of 2.8% in 2018. For the commodity exporters, inflation in 2018 should increase by 0.5 percentage points to 2.9%.

In the tourism-dependent economies, the primary surplus fell from 2.2% of GDP in 2017 to 1.7% of GDP in 2018. For the region's commodity exporters, the primary deficit in percent of GDP narrowed from -4.6% in 2017 to -2.5% in 2018. Public sector debt for the countries is projected to improved somewhat while the balance on the external current account – deficit for tourism economies and surplus for the commodity exporters – is expected to remain unchanged in 2018.

Economic output in Jamaica is projected to grow moderately from 0.5% in 2017 to 1.2% in 2018. The public sector primary surplus fell from 7.4% of GDP in 2017 to 7% in 2018. At the same time, the country's debt position continues to improve as the debt to GDP ratio is projected to decline for a fourth straight year. The ratio is set to fall below 100% in 2018 - from 101% in 2017 to 97.4%. On the external side, the current account deficit is projected to widen from 4.6% of GDP in 2017 to 4.9% in 2018. Finally, inflationary pressures are projected to ease in 2018 as the rate of growth in prices moderate from 5.2% in 2017 to 3.5%.

Barbados continued to tackle growth and fiscal challenges in 2018 but the Extended Fund Facility program agreed with the IMF is expected to bring about much needed fiscal reform and support economic growth going forward. Economic output is expected to contract by a further 0.5% in 2018 following a decline of 0.2% in 2017. On the other hand, the 6.6% inflation rate recorded in 2017 is to be followed by zero inflation in 2018. In terms of fiscal performance, the public sector primary surplus is projected to be 3.3% of GDP in 2018, the same as in 2017. The debt to GDP ratio is expected to decline from 157.3% in 2017 to 123.6% in 2018. In terms of the external sector, the current account deficit is projected to narrow from 3.8% of GDP in 2017 to 3.1% in 2018.

In Guyana, output is projected to grow in real terms by 3.4% in 2018 – a strong improvement over growth of 2.1% in 2017. The deficit on Guyana's external current account is expected to fall from 6.7% of GDP in 2017 to 6.1% in 2018. Consumer prices are projected to increase as reflected in the upward movement in the inflation rate from 1.5% in 2017 to 2.2% in 2018. The fiscal position worsened as the public sector primary

deficit widened from 3.3% of GDP in 2017 to 4.2% in 2018. Also, the debt to GDP ratio is set to increase from 52.2% in 2017 to 57% in 2018.

In 2018, the Trinidad and Tobago economy is expected to grow by 1% following two consecutive years of economic decline. The inflation rate is projected to rise from 1.3% in 2017 to 2.3% in 2018 and the surplus on the external account is expected to increase from 10.2% of GDP in 2017 to 10.7% in 2018. The debt to GDP ratio is forecasted to increase from 41.8% in 2017 to 42.7% in 2018. Finally, the public sector primary deficit is expected to narrow significantly in 2018. A deficit of 8.1% of GDP was recorded in 2017 while a deficit of 3.1% is projected for 2018.

The ECCU Region

Economic recovery in the countries of the Eastern Caribbean Currency Union (ECCU) is bolstered by relatively strong global growth and a robust US economy. After averaging 3.1% between 2014 and 2016, the real economic growth in the Union amounted to 1.3% in 2017. This slower rate of growth was mainly due to the impact of hurricanes Irma and Maria which affected the ECCU countries to varying degrees. In 2018, the beginning of post-disaster reconstruction and a strong tourism season yielded real growth of 2.4% in the ECCU.

The Eastern Caribbean Central Bank online publication of GDP estimates, updated 31st December 2018, indicate that economic performance in all but two of the ECCU countries was positive. Growth in St. Vincent, Montserrat, and St. Lucia amounted to 2.4%, 1.3% and 0.3% respectively while Grenada and St. Kitts and Nevis experienced growth of 4.9% and 3.7% respectively. In the wake of the devastation caused by hurricane Maria in 2017, the Dominican economy continues to struggle with output contracting by nearly 5% in 2018. Output in Anguilla also contracted by 0.9%. At 5.3%, real economic growth in Antigua and Barbuda was the highest in the ECCU in 2018.

**Economic Growth in the ECCU
2017 to 2019**

	Real GDP Growth		
	Proj 2017	Proj 2018	Proj 2017
ECCU AVERAGE	1.2	2.4	3.9
Anguilla	-10.8	-0.9	5.2
Antigua and Barbuda	3.5	5.3	5.1
Dominica	-10.5	-5.0	9.7
Grenada	4.6	4.9	4.1
Montserrat	-2.6	1.8	1.2
St. Kitts and Nevis	2.1	3.7	3.0
St. Lucia	3.3	0.3	2.7
St. Vincent and the Grenadines	0.7	2.4	1.2

Source: Eastern Caribbean Central Bank

Also, the deficit on the external current account widened from 8% of GDP in 2017 to 11.6% in 2018. The public sector primary surplus fell from 2.3% of GDP in 2017 to 0.6% of GDP in 2018. This tightening of fiscal conditions in the ECCU is indicative of increased Government spending in several of the economies; partly for post-disaster reconstruction. At 75%, the debt to GDP ratio remains high and unsustainable. To achieve debt sustainability, the ECCU countries need a combination of strategies to secure fiscal stability and boost economic growth.

APPENDIX 2: PERFORMANCE OF THE DOMESTIC ECONOMY

Real Sector

According to the latest estimates of the ECCB, the Antiguan and Barbadian economy is projected to grow by 5.3 percent in 2018, the highest rate of growth for any of the ECCU countries for the year. Growth in 2018 was driven by an expansion all the major sectors of the economy. Tourism, represented by hotels and restaurants, the construction sector, wholesale and retail sector, the transport sector, manufacturing and public administration recorded solid growth in 2018.

In 2018 hotels and restaurants, a proxy for the tourism sector, grew by 5.2% following a nearly 2% contraction in 2017. This growth is attributed to increased stayover and cruise arrivals. Actual figures for the period January to October 2018 indicate total cruise arrivals of 544,687 – a 13.5% increase over the cruise arrivals (480,029) for the same period in 2017. For the period January to November 2018, stay over arrivals amounted to 239,797 – this is over 9% above the 219,893 stay over tourist arrivals for the same period in 2017.

The construction sector grew by 8% or about \$28 million to \$383 million in 2018. This performance was due to continued construction and renovations in the tourism sector as well as work on major Government infrastructure projects, including the road development program. For the Wholesale and Retail Sector, gross value added (GVA) at basic prices increase by 6.3% or \$24 million to \$405 million. For the Transport, Storage and Communications sector, GVA at basic prices increased by almost \$22 million or 7.1% to \$325 million. The main drivers of the increase in value added in this sector were road, sea, and air transport which grew by 9%, 10% and 6% respectively. Of particular note is a 13.5 percentage point rebound in the air transport sector in 2018 following a 7.5% reduction in output in 2017.

Also, the real estate, communications and government sectors experienced growth of 7.1% 2.0% and 2.2% respectively.

Money and Credit

During 2018, Broad Money Supply (M2) increased by 5.93%, from \$3.5 billion at end December 2017 to \$3.7 Billion at end September 2018. This increase was attributable to an increase of Quasi Money of 8.15% or \$207.5 million during the same period. Quasi Money measures Private Sector: Savings; Time and Foreign Currency Deposits, each of which increased according to the Eastern Caribbean Central Bank. Quasi money and Narrow Money are the components of Broad Money.

By contrast, there was a slight decrease in Narrow Money (M1) of 0.2%. M1 incorporates measures of: cash at commercial banks; currency in circulation and private sector demand deposits.

There was a marginal increase in domestic credit between December 2017 and September 2018 of 0.5%. Domestic credit stood at \$2.34 billion at September 2018. Credit to the private sector increased by 2.2%, while net credit to the General Government increased by 1.7%.

Between December 2017 and September 2018, Net Foreign Assets of the banking system decreased by 5.3%. In nominal terms, Net Foreign Assets decreased from \$1.9 billion at December 2017 to \$1.8 billion at September 2018.

Liquid assets as a percentage of total assets in commercial banks increased marginally from 57.1% to 58.0%. Meanwhile, liquid assets as a percentage of total deposits moved marginally from 98.5% in December 2017 to 99.0% in September 2018. The ratio of Total Loans and Advances to Total Deposits declined from 65.7% at December 2017 to 63.0% at September 2018.

This loan to deposit ratio falls outside the ECCB range of 75% to 85% indicating that banks are not growing loan portfolio. Without an appropriate level of growth in loans, the banks risk reduction in profits and the trend of increasing fees to supplement income will likely continue. Simply put, banks need to lend to help increase economic activity and generate growth. The current conservative lending policies do not benefit the economy and could impact the banks' ability to generate profits and remain viable over the long-term. The Government recognizes that there are risks that must be considered and is willing to work with the banks to create a more conducive environment that can help to unlock credit.

The interest rate spread between commercial banks' prime lending rate and their maximum rate on savings deposits was 8.5% during 2018.

The weighted average lending rate declined from 9.02% at end December 2017 to 8.53% at end September 2018, - a decrease of 0.48 percentage points.

Employment

According to Antigua and Barbuda Social Security, the total number of registered employees increased steadily between 2013 and 2018. In 2013, the number of registered employees was 38,069. By 2018, the number increased by over 4,600 persons to 42,682 registered employees. This represents an average increase of over 900 persons per year.

Antigua and Barbuda Social Security
Employment Data: 2013-2018

Income Bands	2013	2014	2015	2016	2017	2018p
	Total # of Employees	Total # of Employees	Total # of Employees	Total # of Employees	Total # of Employees	Total # of Employees
<\$3000.00	24,653	23,920	25,660	26,538	26,875	26,031
\$3,000.00 - \$5,999.99	10,627	11,644	11,633	12,147	12,215	13,069
\$6,000.00 - \$9,999.99	1,938	2,298	2,085	2,243	2,238	2,540
\$10,000.00 - \$14,999.99	587	625	586	581	621	626
\$15,000.00 - \$19,999.99	168	186	216	220	213	211
\$20,000.00 - \$24,999.99	40	62	65	67	66	114
>=\$25,000.00	56	54	77	67	84	91
Total # of Employees	38,069	38,789	40,322	41,863	42,312	42,682

APPENDIX 3: BILATERAL RELATIONS AND MULTILATERAL COOPERATION

During the year in review the Government continued to nurture existing bilateral relationships and pursued new opportunities for cooperation. Areas of cooperation include Agriculture, Education, Urban Development, Disability, Health, Community Development and Renewable Energy. Over the past year, Antigua and Barbuda established formal diplomatic relations with the Republic of San Marino, Romania, Serbia and the Principality of Liechtenstein. Also, we established diplomatic missions in Jordan and Spain as the country seeks to broaden Antigua and Barbuda's diplomatic reach and exposure in Europe.

The Government and People of Antigua and Barbuda are extremely grateful for the decades of cooperation and direct support that we have received from the countries with which we have formal bilateral relations. We appreciate the years of development assistance and technical contributions received from all our diplomatic partners which include Canada, the United Kingdom, the United States, Mexico, the Republic of Korea, Japan, and Venezuela. Our people have also benefitted from short term training generously provided by many countries and institutions including the Republic of India, the Republic of Chile, the World Trade Organization, the Russian Federation, the Republic of Singapore, Romania, the Republic of Indonesia, Germany, Pakistan, and the Japan International Cooperation Agency. Antigua and Barbuda continues to engage and receive technical and financial support from a number regional and international institutions including the Eastern Caribbean Central Bank, the OECS Secretariat, Caribbean Development Bank, Caricom Development Fund, Pan American Health Organization, World Bank, International Monetary Fund, the European Union, and several of the UN Agencies including FAO, UN-ECLAC, and UNDP.

Special mention is made of three countries that have particularly contributed to our nation's well-being – namely the Bolivarian Republic of Venezuela, the Republic of Cuba and the People's Republic of China.

The Government of Venezuela has agreed to write-off 50 percent of the debt owed to PDVSA for fuel imported under the Petro Caribe Initiative. This debt write-off amounts to \$250 million. The people of Antigua and Barbuda will remember the assistance of Venezuela and its people well into the future. We will continue to urge a resolution of the internal differences in Venezuela, and pledge to do whatever we might be able to do to set this country of the liberator, Simon Bolivar, firmly on its feet, in service to all its people.

The Government and people of the Republic of Cuba, despite the continued imposition of the inhumane embargo by the United States, continue to provide educational, medical and technical assistance to countless countries in the region and around the globe. Antigua and Barbuda has benefitted tremendously from the generosity of the Republic of Cuba. Hundreds of our people have received professional qualifications, free of charge, from the Republic of Cuba and are making meaningful contributions to our state.

We thank the Republic of Cuba for their continued generosity in the field of healthcare, medicine, infrastructural development and education.

In 2018, no other country or institution has contributed more to our development pursuits than the People's Republic of China. China has committed over \$400 million in grants and concessional loans to fund the development of the St. John's Port, the Knuckle Block Project, the proposed housing development, two polyclinics, and non-lethal military equipment and supplies. They have also provided technical assistance in many areas, including healthcare, education and agriculture.

Support has also been given to the Defence Force in the form of almost US\$6 million in grant aid. Let me make it clear, this help to the Defence Force, includes no weapons of any kind. The donation is for non-lethal material, including buses; over 800 hand held and portable radios; and heavy-duty machinery including forklifts, dump trucks and an excavator.

We have valued our relationship with China, and clearly China has valued its relationship with us, despite the huge difference in size and resources. The relationship between the People's Republic of China and Antigua and Barbuda, demonstrates that, in international relations, countries are well-served by mutual respect and cooperation. The construction of a US\$23 million marquis embassy building and residences at Marble Hill, will strengthen the bonds of friendship between our countries.

APPENDIX 4: FISCAL REVIEW 2018

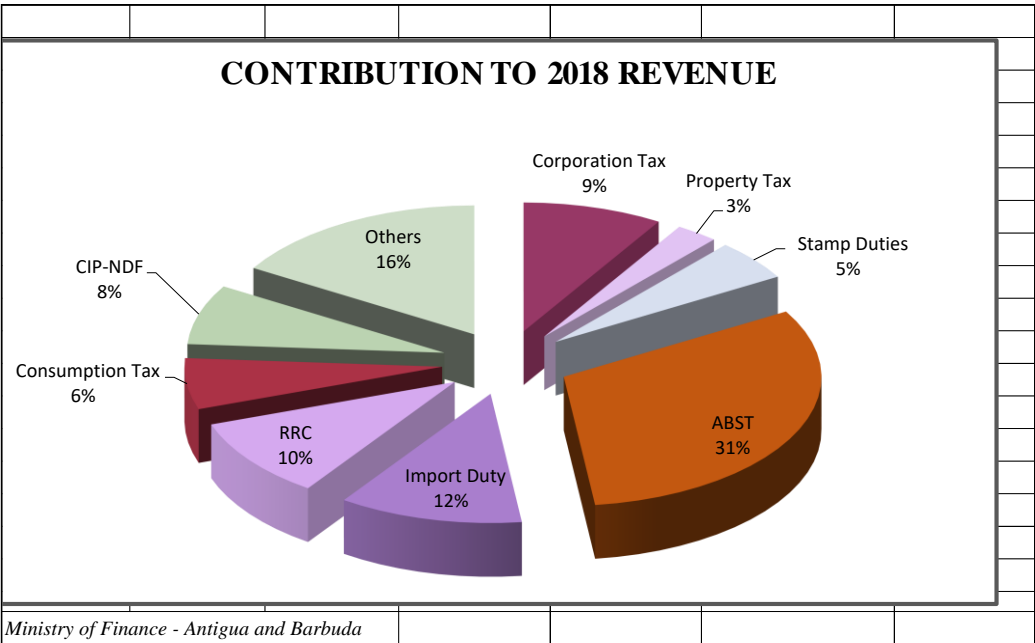
The following table presents fiscal performance in 2017, the estimates for Budget 2018 and the projected outcome for 2018.

	2017	Budget 2018	Prelim Estimate 2018
Total Revenue and Grants	821.9	970.6	863.9
Current revenue	809.1	877.1	819.9
<i>of which: Tax revenue</i>	<i>636.4</i>	<i>707.7</i>	<i>667.8</i>
<i>Non Tax Revenue</i>	<i>172.6</i>	<i>169.4</i>	<i>152.1</i>
<i>of which: CIP-NDF</i>	<i>64.9</i>	<i>95.0</i>	<i>61.7</i>
Capital Revenue	10.8	7.0	28.4
Total Expenditure	928.2	1,056.1	951.4
Current expenditure	851.8	859.1	856.1
Wages and salaries	327.2	361.0	394.9
Contribution to SSB & MBS	27.8	29.7	30.1
Goods and services	133.6	155.4	139.1
Interest payments	107.2	105.2	92.6
Pensions, other transfers	256.0	207.8	199.4
<i>of which: Pensions</i>	<i>75.8</i>	<i>79.9</i>	<i>79.9</i>
Capital Expenditure & Net Lending	76.4	197.0	95.3
Current Account Balance	(42.7)	18.0	(36.2)
Primary Balance	0.9	19.7	5.1
Overall Balance	(106.3)	(85.5)	(87.5)
<i>Ministry of Finance - Antigua and Barbuda</i>			

As seen in the table, revenue performance in 2018 is estimated to improve compared to 2017 but will fall short of the amount forecasted in the 2018 Budget. Total revenue for 2018 is expected to be \$863.9 million, which is \$42 million or about 5 percent above the amount collected in 2017. This increase in revenue is mainly due to an increase in tax revenues and higher capital revenue. Though tax revenue will be \$40 million below Budget, the \$667.8 million expected for 2018 will be 5% more than tax revenue generated in 2017. With respect to capital revenue, the actual outturn for 2018 is expected to quadruple the amount forecasted in Budget 2018 and more than double the amount collected in 2017. Capital revenue is projected to be \$28.4 million for 2018 compared to

\$7 million in Budget 2018 and \$10.8 million collected in 2017. This main driver of the yield from capital revenue is the sale of land to a developer for investment purposes.

Current revenue is estimated to amount to \$819.9 million in 2018. This is about 1 percent above the amount collected in 2017 and 6.5 percent below the amount projected in Budget 2018. The main components of current revenue are the ABST, Stamp Duties, Revenue Recovery Charge (RRC), Import Duty, Corporate Income Tax, Property Tax, Consumption Tax, and Citizenship by Investment receipts. The chart below shows the percentage contribution of these sources to revenue generated in 2018:



Revenue collected from the ABST is expected to increase by \$21.3 million or 9 percent from \$236.9 million in 2017 to \$258.2 million in 2018. Further, the actual performance of the ABST for 2018 is 7 percent or \$20 million below the \$278.1 million that was projected in Budget 2018. Robust growth and a much-improved tourism sector in 2018 contributed to the uptick in ABST revenue performance.

			Performance of Key Revenue Items				
	Actual 2017	Budget 2018	Prelim 2018	Prelim 2018 vs 2017 Change (\$)		Prelim 2018 vs Budget 2018 Change (\$)	
				Change (%)		Change (%)	
Corporation Tax	67.1	70.1	72.1	5.0	7	2.0	3
Property Tax	20.1	27.1	21.8	1.7	8	(5.3)	(20)
Stamp Duties	50.0	52.5	41.9	(8.1)	(16)	(10.6)	(20)
ABST	236.9	278.1	258.2	21.3	9	(19.9)	(7)
Import Duty	87.7	95.1	94.8	7.1	8	(0.3)	(0.3)
RRC	75.1	80.3	82.3	7.2	10	2.0	2
Consumption Tax	62.5	62.6	52.5	(10.0)	(16)	(10.1)	(16)
CIP-NDF Receipts	64.9	95.0	61.7	(3.2)	(5)	(33.3)	(35)
Ministry of Finance - Antigua and Barbuda							

Based on the preliminary estimates for 2018, Stamp Duties should generate revenue of \$41.9 million, which is 16 percent below the \$50 million collected in 2017 and 20 percent below the \$52.5 million projected in Budget 2018. Revenue from taxes on property is projected to be 8% in 2018 than in 2017. Property Taxes yielded \$20.1 million in 2017 and should yield \$21.8 million in 2018. However, this source generated 20% less revenue than was budgeted for 2018. The Inland Revenue Department will continue to utilize legal and administrative mechanisms to increase the yield from this revenue source to at least \$25 million per year. Also, the Government made a policy decision in 2018 to discontinue property tax waivers; a decision that is expected to improve revenue collected from this tax going forward.

The Revenue Recovery Charge (RRC) is projected to yield \$82.3 million in 2018, which is 10% above the \$75.1 million collected in 2017. It should be noted that the yield from this revenue source was 2% above the \$80.3 million that was forecasted in Budget 2018. Revenue from the Import Duty is projected to be 8% above the amount collected in 2017 and just \$300,000.00 below the amount estimated in Budget 2018. The yield from import duty is expected to be \$94.8 million in 2018 compared to \$87.7 million in 2017. Again, the improvement in performance of these border taxes reflects a buoyant economy in 2018.

Revenue from the Consumption Tax is expected to fall by 16% from \$62.5 million in 2017 to \$52.5 million in 2018. This reduction in revenue from the Consumption Tax is a result of higher international oil prices in 2018 compared to the previous three year. The average price for a barrel of crude oil was less than US\$50.00 in 2015 and 2016 and was just under US\$51.00 in 2017. In 2018, the average price per barrel of crude oil was 28% higher at just over US\$65.00. The chart below presents the average price per barrel of crude oil over the past 30 years.

Despite an increase in the average price of oil over the past few years, the prices of gasoline, diesel and LPG in Antigua and Barbuda have not been adjusted to reflect this change. The price per gallon of diesel in Antigua and Barbuda is \$12.20. It is below the ECCU average of \$13.09 and is the third lowest in the region. In terms of LPG, the prices in Antigua and Barbuda are lower than all other ECCU countries except St. Kitts and Nevis. The average price of the 20lb cylinder in the ECCU is \$36.35 while the price in Antigua and Barbuda is \$32.00. In terms of the 100lb cylinder, the ECCU average for is \$184.27 while the local price is \$155.00.

The chart below shows the prices for gasoline in all ECCU countries as at October 2018. The average price per gallon in the region is \$13.95 while the price in Antigua and Barbuda is \$12.50.

Finally, revenue from non-tax sources is projected to be \$152.1 million in 2018. This is about 12% below the \$172.6 million collected in 2017 and about \$17 million less than the amount included in Budget 2018 for Non-Tax Revenue. One factor accounting for the higher non-tax revenue in 2017 is the one-off \$18.4 million received from the Caribbean Catastrophe Risk Insurance Fund (CCRIF) following Hurricane Irma. The single largest contributor to non-tax revenue is the Citizenship by Investment Programme – National Development Fund (CIP-NDF). In 2017, the amount collected from this source was \$64.9 million. The amount projected for 2018 is \$61.7 million, which is about 5% below the amount collected in 2017 and \$33 million less than forecasted in Budget 2018. The effect

of this on the overall yield for non-tax revenue compared to the budgeted amount was offset by dividend receipts from West Indies Oil Company and State Insurance Corporation.

Total expenditure for 2018 is projected to be \$951.4 million which is \$23.2 million or 2.5% above the \$928.2 million recorded in 2017. When compared to Budget 2018, total expenditure is expected to be 10% less than the projected \$1.05 billion. Expenditure on wages and salaries is projected to amount to \$394.9 million in 2018. This is \$67.7 million or 21% more than the amount spent on personnel costs in 2017 and is 9% above the amount allocated in Budget 2018. This significant jump in expenditure on wages and salaries is due to a combination of factors to include additional employment; the implementation of a 5% increase for public servants pending the outcome of negotiations with collective bargaining agents; and payment for backpay and other wage related obligations to public servants. The retroactive payments to public servants account for more than 50% of the difference between the amount spent on wages and salaries in 2018 versus the amount spent in 2017.

Spending on pensions and gratuities is expected to increase by 5% from \$75.8 million in 2017 to \$79.9 million in 2018. The anticipated expenditure on pensions and gratuities should be the same as the amount allocated for this purpose in Budget 2018. This increase is indicative of the increase in the number of individuals leaving the service through attrition and the associated cost of terminal benefits.

Spending on other transfers is expected to be \$199.4 million in 2018. This is about \$61 million or 34% less than the \$180.2 million spent in 2017 and 6% below the \$127.9 million forecasted in Budget 2018. Included in this category of expenditure are payments to recipients of the Prime Minister's Scholarship; transfers to the Mount St. John Medical Centre; National Solid Waste Authority (NSWA); and the Barbuda Council. In 2017, transfer payments were higher than in previous years because of the additional resources needed for post-hurricane clean-up and hurricane relief for Barbudans. Interest payments are projected to amount to \$92.6 million in 2018. This is just \$14.6 million less than the

amount spent in 2017 and 12% below the amount allocated in Budget 2018. The reduction in total interest obligation is due in part to renegotiation of interest rates on a number of Government loans and a reduction in the overall interest rate on securities issued on the Regional Government Securities Market.

Expenditure on goods and services is expected to be \$139.1 million in 2018. This is \$5.5 million or about 4 percent above the \$133.1 million spent in 2017 and about 10% less than forecast in Budget 2018. Finally, capital expenditure is estimated to be 25% higher in 2018 than in 2017. Spending on capital works in 2018 is expected to be \$95.3 million, which is about \$19 million more than the \$76.4 million spent in 2017. This increase reflects the Government's efforts to expand road construction and rehabilitation activities into communities. The increased expenditure is also indicative of movement on the major road rehabilitation projects.

The overall deficit in 2018 is expected to be \$87.5 million compared to the deficit of \$106.3 million recorded in 2017 and is just \$2 million above the deficit forecasted in Budget 2018. Also, the primary surplus is projected to move from about \$1 million in 2017 to \$5.1 million in 2018. This small, positive movement in the fiscal balances was mainly due to external grants rather than any significant improvement in structural revenues. Essentially, Antigua and Barbuda continues to struggle with underperforming revenues as actual revenue collection is expected to be 11% below the budget forecast. The effect therefore is, a persistent and unsustainable gap between total revenue and total expenditure, which has implications for fiscal stability in the long-run.

Despite economic growth of more than 5% in 2018, the Government did not generate enough revenue to meet the current cost of its operations. This is evidenced by the current account deficit of \$49 million in 2018, which is slightly above the deficit recorded in 2017. At a minimum, the aim is to ensure that adequate revenue is generated to cover non-debt expenditure and to meet the day to day expenses of government operations. Public sector expenditure remains about 22 percent of GDP and is not the driving force behind the revenue-expenditure divide. To secure fiscal balance and stability going

forward, revenue underperformance must be addressed. Output¹ in Antigua and Barbuda expanded by almost \$300 million from \$4.1 billion in 2017 to \$4.4 billion in 2018. On the other hand, current revenue grew by just over \$10 million over the same period, while tax revenue increased by \$31 million. As indicated in the past, a 1 percentage point increase in economic growth should yield a more than 1 percent increase in tax revenue. However, in Antigua and Barbuda there continues to be no commensurate increase in tax revenue compared to the level of economic growth. This challenge is further compounded by the level of revenue leakage due to low taxpayer compliance in some areas and tax exemptions and waivers to new, as well as existing businesses. In 2018, total tax waivers amounted to an estimated \$330 million; a significant proportion of which was granted to existing and profitable businesses. This \$330 million mainly represents waivers of customs duties, ABST, Revenue Recovery Charge, Corporation Tax, Unincorporated Business Tax, and Stamp Duties.

In order to help close the fiscal gap and secure additional revenue to finance critical infrastructure and other developmental projects in Antigua and Barbuda, the Government is determined to reduce the level of tax exemptions for existing businesses. This policy decision was taken late in 2018 and will be implemented in 2019. Reducing total tax exemptions and strengthening tax administration will be the cornerstone of the Government's fiscal strategy into the medium term.

¹ Gross Domestic Product at Market Prices in Current Prices (ECCB Official Website)

APPENDIX 5: IMPROVING REVENUE PERFORMANCE AND STRENGTHENING PFM

One critical area for intervention in 2019 is that of tax exemptions and concessions. While the Government will continue to encourage investment by offering tax incentives for new projects that will have sizeable impact on growth and employment, we cannot continue the practice of open-ended tax exemptions for well established businesses that are generating profits. The practice of waiving import duties, corporation tax, property tax and other taxes for businesses that have been in operation for decades or those that are operating profitably, has negatively impacted revenue performance. As indicated earlier, total exemptions were about \$330 million in 2018. Even if the Government were only able to retain one-third of these taxes to fund its operations, the impact on fiscal performance and long-term macroeconomic stability would be enormous. Hence, by rolling back some of these exemptions, the Government expects to generate additional revenue of at least \$100 million in 2019. With the revocation of the corporate income tax waivers, a new corporate income tax credit regime will be introduced to more directly link any tax concession to investment and job creation.

In addition to streamlining exemptions, the Government will move to strengthen tax administration by implementing the provisions of the recently updated and enacted Tax Administration Procedure Act (TAPA). The TAPA will have the effect of improving compliant taxpayers' interaction with the Inland Revenue Department and with the tax system on a whole. It will also close loopholes that facilitate tax avoidance and empower the IRD to more effectively collect tax revenue. Tax administration will also be strengthened through several initiatives that will be implemented under an EU funded Public Financial Management and Tax Administration project. This project will begin in 2019 and include:

- i. Automation of tax collection by implementing or enhancing electronic filing systems and electronic payment systems at IRD and the Customs and Excise Division.
- ii. Improving exemptions management and duty-free/warehousing arrangements through activation of additional modules in ASYCUDA World.

- iii. Pursuing specialized audits of the hotel, telecommunications and financial sector.
- iv. Developing a comprehensive plan for the establishment of a Revenue Court in Antigua and Barbuda.

While efforts are made to increase revenue, the Government will continue to strengthen public financial management. This will involve revamping institutional arrangements for public sector procurement and modernizing procurement practices to secure better value for the tax dollar. The EU funded project will also include initiatives to support improved public financial management. Activities will include revising and strengthening the financial administration legislation and regulations; providing training and capacity building to public officers with responsibility for PFM across government; and advancing efforts toward introduction of public debt legislation. Two areas of priority in 2019 will be:

- i. Improving budget execution and significantly reducing the use of special warrants.
- ii. Rationalizing operations of major statutory corporations and improving their financial performance to reduce their reliance on Central Government for transfers. The main statutory corporations and bodies, excluding those tasked with responsibility for health care and pension, have over \$1.5 billion in assets under management. The Government's position is that these assets should be managed in a way to ensure the entities can generate surpluses and be net contributors to the consolidated fund.

APPENDIX 6: DEBT MANAGEMENT

The Medium-term Debt Management Strategy for the period 2016-2020 aims to fulfil some specific debt management objectives to include:

1. maintaining a satisfactory and prudent debt structure consistent with the Government's payment capacity;
2. refinancing high cost loans and credit facilities;
3. reducing debt servicing and adjusting the maturity profile of Central Government Debt in a way that balances lower financing cost and risk;
4. supporting the development of a well-functioning domestic and regional market;
5. improving transparency.

The Strategy was originally presented to parliament as part of the budget estimates for 2016 and will be updated in 2019.

Our current operational targets set for the risk indicators are as follows:

- Non – USD denominated loans should be less than 20% of the debt portfolio;
- Debt maturing in less than a year should be less than 15%; and
- Average Time to Maturity (ATM) would be less than or equal to 8.2 years

The Government intends to continue prioritizing external financing on concessional terms from multilateral and bilateral creditors, while at the same time developing the domestic capital markets. The Regional Government Securities Market will continue to be a viable source of funds for debt financing and cash flow management throughout the period.

Debt Servicing

Public sector debt, which includes all central government and government guaranteed loans totalled \$3.24 billion or 74% of GDP as at December 2018. This figure represents an increase of 5% from \$3.08 billion at the end of 2017. The total Domestic Debt accounted for \$1.75 billion or 54% of the portfolio while the External Debt totalled \$1.49 billion and accounted for 46% of the portfolio. Over the course of 2018, the government completed payments on some liabilities to both domestic and external creditors totalling \$27 million. The creditors included Caribbean Union Bank, Antigua Commercial Bank, National Commercial Bank of Dominica and Bank of Nova Scotia on the domestic side. On the external side payments were concluded on some debts owed to the Caribbean Development Bank and on the Stand by Arrangement to the International Monetary Fund. During the reporting period, the government received \$179.5 million in disbursements from domestic and external sources. This compares to \$85.5 million in 2017. The disbursements were used to fund various projects and investments such as the Street Lighting Retrofitting project, the Basic Education II project, the Road Rehabilitation project as well as general expenditure related to post-disaster recovery following the 2017 hurricane season.

The Government proposes to make a total of \$458.2 million in debt service payments in 2019. This includes principal payments of \$360.1 million and interest payments of \$98.1 million. At the end of 2019, the public sector debt is projected to total \$3.36 billion or 72% of GDP.

APPENDIX 7: PROCUREMENT

My government understands in very concrete ways that procurement systems have advanced across the world and are now transformative catalysts within today's most successful private corporations and progressive governments.

Procurement has grown by light years, moving-on from the “wooden box” as the symbolic standard for bid submissions, to adopting electronic procurement platforms that encompass so much more. Modern procurement has a wider scope that not only encompasses price reduction, open and transparent competition but also incorporates a system of highly sophisticated methods to manage business processes and enhance the value chain. Innovations have introduced radical procurement-to-pay methods that are ruthlessly efficient and lightening quick and led to highly sophisticated platforms of e-procurement of several variants. Buyers and sellers in the global context demand split-second transactions that guarantee the best product and services, while being assured of fair standards and maximum profit.

Antigua and Barbuda participated in the Global Procurement Conference in Washington DC under the theme, *Towards the Digital Frontier*, in September 2018. The conference underscored how today's procurement innovations actively incorporate disruptive technologies such as blockchain and e-procurement taking it beyond its usual context of securing funds-transfers, using the technology to exploit cutting-edge automation for administrative processes in ways that enhance return on investment. IBM has pursued “speed to market” within procurement by using blockchain technology to see all transactions along the procurement cycle, including fulfilling the order, while remaining compliant with all procurement standards. The European Commission has referenced the digital procurement life cycle in eight stages from e-Notice to e-Payment and implements the “The Once-Only Principle”, ensuring electronic procurement reduces administrative burden and stops unfair bidding². A study by KPMG³ entitled “*Procurement in the year*

² https://ec.europa.eu/growth/content/electronic-public-procurement-will-reduce-administrative-burden-and-stop-unfair-bidding-0_en

³ [https://assets.kpmg.com/content/dam/kpmg/pdf/2016/04/kpmg-studie-future-proof-procurement-sec.pdf /](https://assets.kpmg.com/content/dam/kpmg/pdf/2016/04/kpmg-studie-future-proof-procurement-sec.pdf/)
<https://home.kpmg.com/sa/en/home/insights/2016/06/procurement-in-the-year-2035.html>

2035", presents various advanced scenarios where procurement innovation actively uses artificial intelligence to balance human and automated interactions in a way that maximizes business functions.

These are real global procurement trends that are seen to be within my government's reach, having hosted a blockchain technology workshop on 31 August 2018, earlier this year. Marrying e-procurement systems, blockchain and artificial intelligence to revolutionize public procurement is possible, practical and profitable. Whereas Governments have always mandated there be assurances of transparency, it is also important to note that suppliers sometimes are out-wittingly cunning when they "*bid to win but manage for profit*" through the issuance of excessive change orders that subsequently drives prices upwards, against the interests of the government. We have real experience of these occurrences and are committed to respond in ways that secure the people's interest. Modern procurement technologies and the high level of analysis it offers can reduce this risk and ensure Governments achieve better savings.

My government is committed to pursuing these forms of advancements and has forged stronger relationships with the Caribbean Development Bank (CDB), the Organization of Economic Corporation and Development (OECD), the Inter-American Network on Government Procurement (INGP) and the World Bank.

In 2019 these relationships will help achieve key requirements to educate procurement personnel responsible for purchasing on the fundamentals of business processes and supplier engagement; modify our legislative agenda; encourage supplier innovation; improve bidder capacity and engage buyer analysis in ways to support a modern procurement administration.

APPENDIX 8: A NEW STATE INSURANCE

Over the years, the Government-owned State Insurance Corporation has proven that it is possible for a public sector institution to operate profitably and with excellence. This entity was established in 1977 and, for over 30 years, has provided quality insurance services to our people and businesses. Like all other insurance companies in Antigua and Barbuda, it is regulated by the Financial Services Regulatory Commission and is held to the same standards as the other insurers. It offers a range of life and non-life insurance products; has the confidence of international reinsurers; has made significant contribution to the economy in terms of employment; and continues to invest in the development of sports, education, culture and the arts.

This Corporation has made net contributions to the Consolidated Fund for many years. In fact, for the period 2015 to 2017 the Corporation's dividend payment to the Government amounted to almost \$17 million. This is the kind of performance that is expected from all public sector corporations: to take the initial injection of Government resources and operate in such a way as to generate income and profits that can be reinvested in the entity and provide a return to the Government for the benefit of citizens and residents.

State Insurance is a business of which the Antiguan and Barbudan people can be proud. It is to be a key element of the Government's plan to encourage our people to participate in the ownership of profitable national assets. The first step in this process is the transitioning of the corporation into State Insurance Company Limited. Today, the Board, Management and staff of State Insurance are poised to move the new State Insurance forward and will be launching its new tag line ***"Live in a better State of Mind"***. With this comes the assurance that this national institution will continue to offer quality service and relevant insurance products that benefit our people. Also, an important strategy of the new State Insurance will be to expand its operations outside our borders thereby making this magnificent organization a major player within the region.

2018 promises to be yet another profitable year with revenue of \$50.4 million and profit of \$11.6 million. In 2019, State Insurance Company will introduce new financial products including short- and long-term loans and is expected to generate revenue of \$61 million.

APPENDIX 9: SOCIAL DEVELOPMENT

According to the United Nations, Antigua and Barbuda is counted among the countries with high human development. The United Nations Development Programme (UNDP) describes human development as expanding the richness of human life by focusing on improving the lives of people; enhancing their freedom to live lives they value; and providing increased choice and opportunities for people to develop their full potential. Antigua and Barbuda continues to lead its ECCU counterparts in the UN Human Development Index ranking.

The 2018 UN HDI Report indicates that our nation recorded an HDI value of 0.780 in 2017, which is a small improvement in its HDI value of 0.778 in 2016. This is particularly noteworthy given the devastating hurricane season in 2017. While our high human development ranking is to be celebrated, there is much work to be done to secure even greater opportunities and more abundance for our people. Our pursuit of economic and social resilience is growing ever more urgent and remains the single driving force of this Administration's policy interventions. We are determined to ensure that Antigua and Barbuda can effectively respond to external shocks – whether natural or manmade.

Our people, individually and collectively, will be well positioned to face the challenges that will inevitably come and recover swiftly; whether help from the outside is quick in coming or not. As so aptly stated in the Caricom Strategy (2015 to 2019), we will build the “capacity of our people to be more generative during times of stability and to adapt, re-organise and grow in response to disruption.” The Government is committed to the goal of ensuring that, in the next decade, Antigua and Barbuda is listed among the countries with very high human development.

Health and Wellness

Our citizens and residents need to be healthy and have access to superb healthcare in order to take full advantage of what life has to offer. This Administration recognizes this fact and has made it a priority to invest in health infrastructure and enhance the quality and quantity of healthcare services available to our people. Over the past few years, Antigua and Barbuda has seen increased care for thousands of patients requiring kidney treatment, including dialysis; heart treatment; routine and specialist eyecare; chemotherapy; and radiation. We have also made it possible for our people to access specialist care and surgery from doctors out of the United Kingdom, North America, Cuba and China.

The Republic of Cuba has provided doctors and nurses who work at the Mount St. John Medical Centre and the People's Republic of China continued to provide specialist eye care and surgery for over 350 Antiguan and Barbudans in 2018. Additionally, over 4,000 persons in Antigua and Barbuda were privileged to be examined and treated by a world-class team of medical professionals on board the Chinese hospital ship, the Ark Peace, in October of 2018. Our people had access to experts in fields such as neurology, cardiovascular medicine, gynecology and obstetrics, pediatric medicine, ophthalmology, dermatology, orthopedic medicine and many others. We again convey our deepest gratitude for this and the continued developmental support provided by the government and people of China.

Mr. Speaker, we continue to take the steps necessary to meet the demand for dialysis services in Antigua and Barbuda. At the same time, we have begun to expand our infrastructure and invest in additional equipment that will allow Antigua and Barbuda to become a regional centre for dialysis care. As indicated in my last statement, this Government is determined to move aggressively and boldly to arrest and reverse the increased incidence of kidney disease and other communicable diseases in Antigua and Barbuda. Black people have been found to have higher incidences of diabetes, hypertension and heart diseases, and these are conditions that are directly related to our lifestyle, including the foods we consume. In the United States, former first Lady Michele Obama was instrumental in making sweeping changes to nutrition labels on foods and

the kinds of foods provided in schools in the United States. Her “*Let’s Move*” campaign emphasized healthy eating, exercise, and reduced sugar intake to help fight obesity, especially in children and the lifestyle diseases that inevitably follow.

Recognising the role of certain foods and substances in perpetuating these lifestyle diseases, we will amplify our strategy by implementing a tax on sugar sweetened beverages. This intervention is the culmination of much research and consultation with national, regional and international stakeholders, including the Pan-American Health Organisation. The expectation is that the tax will help to dissuade the consumption of sugary beverages and encourage our people to make healthier choices. Also, the revenue generated from this tax will be placed in a special fund to help improve the delivery of fresh, locally grown foods through the school meals programme. The revenue will also help to deliver improved care for persons battling diseases such as hypertension, diabetes, and kidney disease and increase public awareness of the dangers of excessive consumption of sugary and other foods. We recognize the work done by many business, civil society, and NGO groups to promote healthy living, to support those dealing with non-communicable diseases and to encourage use of screening and early detection services. The Government applauds these groups and looks forward to their support on this strategy to reduce consumption of sugar sweetened beverages.

Building Human Capital

Mr. Speaker, the heights to which this nation will soar depends on the ingenuity, creativity, and innovative prowess of our people. At the core of any effort to inculcate these traits in a people are institutions and systems that ensure access to knowledge and build human capital. Simply put, our future development depends on the investments made today to educate our people. It was not happenstance that this Administration invested whatever it took to construct the Sir Novelle Richards Academy over the summer break in 2017. The millions spent annually on scholarships and low interest student loans also demonstrate our commitment to training our people and providing access to knowledge in as many fields as possible. This is precisely what we mean when we speak of providing opportunity and increased choices in the context of human development.

In this fiscal year, investment in education will continue with renovation and rehabilitation of existing school infrastructure and the construction of a new primary school in Barbuda. With funding from the Caribbean Development Bank, work will continue on the expansion and rehabilitation of the Irene B. Williams Secondary School, the St. Mary's Secondary School, and the Sir McChesney George Secondary School. In addition to these physical works, the project will focus on enhancing education management and instructional effectiveness by providing training to principals, teachers and other professionals working in the education sector at primary, secondary and tertiary levels. In 2019, the Government will access additional resources from the CDB to fund the second phase construction on Sir Novelle Richards Academy and finance expansion of the Antigua Girls' High School, Ottos Comprehensive School and the Pares Secondary School. This project will also include expansion of the Antigua Barbuda Institute of Continuing Education (ABICE) and preparatory work towards enhancing delivery of special needs education at the national level.

The Learning Resource Center (LRC) located at the Antigua State College, will be commissioned by the Ministry of Education and finally be operational in 2019. This project was funded by a grant from the Caricom Development Fund (CDF) and, after years of delay, responsibility for construction was handed over to National Housing in 2018. National Housing will complete the remaining work by March 2019 and hand over the facility to the Ministry. Also in the first quarter of 2019, National Housing will complete construction of a school building for the Rastafarian Community at Creek Side. This is historic and indicative of this Government's commitment to ensuring all people, regardless of their beliefs can access services provided by the state.

Social Protection

This Administration continues to improve social infrastructure and the system of social safety nets for the less fortunate in our society. We continue to work with UNICEF and regional partners such as the Caribbean Development Bank to identify pockets of poverty and develop programmes to deliver relief to the most vulnerable in society. This applies

to the elderly, the orphaned, the disabled, and any individual who, for whatever reason, has fallen on hard times. In addition to making changes to social policy and the legal framework governing the delivery of social assistance, we have taken specific steps to provide tangible and lasting relief to many in society. Nearly 600 adults and children rely on and receive ongoing support through the Board of Guardians. The programme will be revamped and strengthened when the new social policy framework is introduced so that the benefit delivered to the recipients can be increased. Assistance is also provided to individuals who are victims of gender-based violence and to persons struggling with substance abuse problems. Also, through the PDVCAB, the Government provides monthly benefits through food vouchers to nearly 1,850 Antiguan and Barbudans and a utility subsidy to over 7,000 Antiguan and Barbudans.

Another initiative introduced by this Government is the Home Advancement Programme for the Poor and Indigent (HAPPI). Through this programme, the Government repairs and upgrades the homes of elderly, indigent, disabled and other vulnerable persons in society. Also, those whose homes have been ravaged by disaster, such as fire, and on their own are unable to afford the cost of repairing or rebuilding, can receive assistance through HAPPI. The interventions include fixing roofs, floors, and exterior walls, and upgrading electrical, plumbing, and sanitation for these homes. The Minister responsible for Social Transformation along with her team must be commended for their efforts to improve the living conditions of these sometimes-neglected segments of our population.

APPENDIX 10: MINISTRY ALLOCATIONS – 2019

The following highlights the budgetary allocations for the various Ministries.

Ministry of Education Science & Technology

The **Ministry of Education, Science and Technology** is allocated **\$119.4 million for Recurrent Expenditure** and **\$15.7 million for Capital Expenditure**. In 2019, the ministry will initiate the UWI Campus – Antigua, expand schools under the Basic Education Project 2, Upgrade of the Headquarters of the National Accreditation Board and the National Training Agency, and the Antigua State College Learning Resource Centre.

Ministry of Health, Wellness and the Environment

The **Ministry of Health, Wellness and the Environment (MHWE)** will be provided in Budget 2019 **\$109.9 million for Recurrent Expenditure** and **\$2.3 million for Capital Expenditure**. The Ministry will focus its attention on providing access to health care at primary, secondary and tertiary levels and ensuring that environmental protective services are effectively and efficiently delivered. Special emphasis will be placed on upgrading the Community Health Clinics and institutions and the acquisition of an Oral maxilla- facial surgical kit to repair and restore good health to patients who experience major oral of facial damage.

Ministry of Works

The **Ministry of Works** has been allocated **\$80.2 million for its Recurrent Expenditure** and **\$80.5 million for its Capital Expenditure** to carry out its mandate in 2019. The ministry will continue to design, construction and maintain the nation's roads infrastructure with the assistance of CDB and UKCIF; design, construct and maintain government-owned buildings.

Ministry of Tourism and Economic Development

The **Ministry of Tourism and Economic Development** has an allocation of **\$27.3 million for Recurrent Expenditure** and **\$0.6 million for Capital Expenditure**. The ministry in 2019 will continue to enhance and develop the product offering – restoration of selective heritage sites, and establishing licensing standards for properties and providers.

Ministry of Social Transformation, Human Resource Development and Youth and Gender Affairs

The allocation for the **Ministry of Social Transformation, Human Resource Development and Youth and Gender Affairs in Budget 2019** is **\$24.8 million for Recurrent Expenditure**. The Ministry will use these resources along with support from external agencies to continue work in a number of areas including improving the beneficiaries programs, developing a comprehensive system to promote and measure gender equality, enhancing institutional support for comprehensive disaster management and strengthening the human resource capacity.

Ministry of Information, Broadcasting, Telecommunications and Information Technology

The allocation for the **Ministry of Information, Broadcasting, Telecommunications and Information Technology** is **\$16.6 million for Recurrent Expenditure** and **\$2.0 million for Capital Expenditure**. In 2019, the Ministry will continue to replace the aging IT network infrastructure in central government while at the same time increasing investment in broadband infrastructure by creating a modern ICT regulatory framework.

Office of the Prime Minister and Ministry of Finance and Corporate Governance

The allocation for the **Office of the Prime Minister** is **\$31.7 million** while the allocation for the **Ministry of Finance and Corporate Governance** is **\$110.9 million**.

In 2019, these ministries will focus on a wide range of strategies and programmes including:

- i. Exploring opportunities for further collaboration with the EU, specifically through the Shock Absorber Mechanism and the Horizon 2020 programme.
- ii. Leveraging relationships with CDB, OECD, the Inter-American Network on Government Procurement and the World Bank to provide training on the fundamentals of business processes and supplier engagement; encourage supplier innovation; improve bidder capacity; and assist with modifying legislation and procedures for procurement administration.
- iii. Introducing the “Stamp and Trace” Excise programme to reduce smuggling of alcohol and tobacco products.
- iv. Working with the World Customs Organisation to implement Trade Facilitation measures that will ultimately help to improve our doing business ranking.
- v. Advance the process towards establishing a National Single Window that will link importers, shippers, brokers, licensing authorities, and other stakeholders through ASYCUDA.
- vi. Activating the post-clearance audit module in ASYCUDA.
- vii. Strengthening the capacity of the Customs Enforcement arm and its K9 Unit to prevent the movement of narcotics and other illicit substances along with bulk cash across our borders.
- viii. Increasing revenue yield from registered Antigua and Barbuda flagship vessels.
- ix. Providing governance training to senior public sector officials.
- x. Conducting forensic audits on major businesses in key sectors. Strengthening audit controls for revenue collection centers.

- xi. Conducting a diagnostic assessment of tax administration (TADAT) in Antigua and Barbuda to help enhance the capacity of the Inland Revenue Department.
- xii. Implementing the EU funded Public Financial Management project that will strengthen tax administration in Inland Revenue and Customs departments and provide technical assistance for continued advancements in public financial management.

Ministry of Foreign Affairs, International Trade and Immigration

In 2019, the **Ministry of Foreign Affairs, International Trade and Immigration** was allocated **\$39.2 million for Recurrent Expenditure** and **\$1.3 million for Capital Expenditure**. This allocation would be used to activate Antigua and Barbuda's diplomatic initiatives for economic and social development, review negotiation and communication strategy in settlement of the Antigua and Barbuda US/WTO matter and improve the efficiency and service provision of the Ministry.

Ministry of Housing, Lands and Urban Renewal

This newly created ministry, **Ministry of Housing, Lands and Urban Renewal**, an amalgamation of existing departments, was allocated **\$6.1 million for Recurrent Expenditure** and **\$1.5 million for Capital Expenditure**. The ministry will identify areas to allocate and sell crown lands, computerize the development application process with assistance from Compete Caribbean, and continue the expansion of an electronic data sheet/registry map process.

Ministry of Agriculture, Fisheries and Barbuda Affairs

The allocation for the **Ministry of Agriculture, Fisheries and Barbuda Affairs** is **\$16.0 million for Recurrent Expenditure** and **\$8.0 million for Capital Expenditure**. Special emphasis will be placed on the Barbuda reconstruction and rehabilitation, reducing of the food import bill, improvement of Abattoir and Meat Market Facility, and enforcement of laws against illegal fishing.

Ministry of Energy, Civil Aviation and Transportation

In 2019, the **Ministry of Energy, Civil Aviation and Transportation** is allocated **\$8.4 million for Recurrent Expenditure** and **\$0.2 million for Capital Expenditure**. The ministry will continue its staff training and certification for Air Traffic Controllers and Met Officers and also the upgrading and modernization of the Air Traffic Control Tower Cab.

Attorney General's Office and Ministry of Legal Affairs, Public Safety and Labour

The allocation for the **Attorney General's Office and Ministry of Legal Affairs, Public Safety and Labour** is **\$99.3 million for Recurrent Expenditure** and **\$10.8 million for Capital Expenditure**. The Ministry will use these resources to enhance its crime prevention strategy, to renovate and retrofit existing facilities, to enhance human trafficking education, to review existing legislations to support the functions of government in a competitive business environment and to update land folio.

Ministry of Sports, Culture, National Festivals and the Arts

In 2019, the **Ministry of Sports, Culture, National Festival and the Arts** is allocated **\$24.0 million for Recurrent Expenditure**. The Ministry will use these resources to develop the cultural and performance arts in Antigua and Barbuda – establishment of a local food restaurant, strengthening arts and crafts department – and improve the amenities and esthetics of sporting facilities.

Electoral Commission

The allocation for **Electoral Commission** is **\$4.5 million for Recurrent Expenditure** and **\$0.2 million for Capital Expenditure**. The Ministry will continue to decentralize the registration units on a phased basis, and increase its ongoing educational campaign.

Office of the Governor General is allocated **\$2.3 million for Recurrent Expenditure**. In 2019, the office will focus on the ongoing restoration of Government House and staff development.

Legislature is allocated **\$2.2 million for Recurrent Expenditure**. The department continues to work on improving its service delivery and support to Parliament.

Cabinet is allocated **\$4.1 million for Recurrent Expenditure**. In 2019, the Secretariat will more effectively facilitate the business of Cabinet while strengthening the governance framework for the management of public policy.

Service Commission is allocated **\$0.9 million for Recurrent Expenditure**. The commissions will continue to ensure that personnel matters are dealt with as expeditiously as possible and in keeping with the requisite laws. This was allocated as follows - Public Service Commission - \$0.5 million; Police Service Commission - \$0.3 million; Public Service Board of Appeals - \$0.09 million.

Audit Department is allocated **\$1.9 million for Recurrent Expenditure**.

Office of the Ombudsman is allocated **\$0.6 million for Recurrent Expenditure**.

Judicial is allocated **\$2.3 million for Recurrent Expenditure**.

Pensions and Gratuities is allocated **\$84.1 million for Recurrent Expenditure**.

Public Debt is allocated **\$458.8 million**.

APPENDIX 11: CAPITAL EXPENDITURE 2019

Budget 2019 contains an allocation of \$130 million for capital spending, of which \$74.9 million will be spent on roads. Other projects to be funded in 2019 include:

Projects	Amount Allocated
Barbuda Rehabilitation/Reconstruction	\$6.6 million
Computerisation of Government Offices, upgrade of Public Safety Communications Network	\$2.0 million
Learning Resource Centre Antigua State College (funded by CARICOM Development Fund)	\$1.5 million
Renovation/Upgrade of Police Headquarters and Bolans Police Stations, Computerisation of Police Stations, Renovation and Outfitting of Canine Unit, Establishment of Evidence Recovery Unit, Purchase of Security Equipment, Renovation of High Court, Upgrade of Forensic Science Laboratory, Purchase of Fire Tender	\$10.8 million
Basic Education Project 2 (funded by CDB)	\$9.3 million
Renovation & Upgrade of Military Facility	\$1.3 million
Introduction of E Passports	\$3.5 million
Upgrade of Government Buildings, including the Magistrates Court	\$2.5 million

APPENDIX 12: EXPENDITURE ALLOCATIONS

DESCRIPTION	Recurrent Expenditure (\$)
Office of the Governor General	2,316,072
Legislature	2,242,525
Cabinet	4,134,860
Judicial	2,277,314
Service Commissions	908,646
Audit	1,284,269
Pension and Gratuities	84,053,600
Public Debt	458,757,659
Electoral Commission	4,521,897
Office of the Prime Minister and Prime Minister's Ministry	31,717,667
Ministry of Foreign Affairs, International Trade and Immigration	39,169,409
Ministry of Housing, Lands and Urban Renewal	6,120,843
Ministry of Finance, Corporate Governance and Public Private Partnerships	110,885,950
Ministry of Agriculture, Fisheries and Barbuda Affairs	16,024,742
Ministry of Health, Wellnes and the Environment	109,919,065
Ministry of Education, Science and Technology	119,421,967
Ministry of Energy, Civil Aviation and Transportation	8,438,635
Ministry of Works	80,221,591
Ministry of Social Transformation, Human Resource Development and Youth and Gender Affairs	24,846,373
Attorney General's Office and Ministry of Legal Affairs, Public Safety, and Labour	99,277,269
Office of the Ombudsman	630,889
Ministry of Tourism, and Economic Development	27,254,537
Ministry of Sports, Culture, National Festivals and the ARTS	24,042,660
Ministry of Information, Broadcasting, Telecommunications and Information Technology	16,595,376
TOTAL EXPENDITURE	1,275,063,815

APPENDIX 13: SELECTED FISCAL DATA

	2017 EC\$ Million	Budget 2018 EC\$ Million	Est. 2018 EC\$ Million	Budget 2019 EC\$ Million
TOTAL REVENUE AND GRANTS	821.9	970.6	863.9	966.1
Current Revenue	809.1	877.0	819.9	932.2
Tax Revenue	636.4	707.7	667.8	751.2
Direct Taxes	94.2	102.8	102.5	116.1
<i>of which: Corporation tax</i>	67.1	70.1	72.1	77.5
<i>Personal Income Tax</i>	1.9	-	1.6	-
<i>Unincorporated Business Tax</i>	5.0	5.5	7.0	9.4
<i>Property tax</i>	18.5	25.4	20.0	28.0
Indirect Taxes	542.2	604.9	565.3	635.1
<i>of which: Stamp duties</i>	50.0	52.5	41.9	52.5
<i>Gambling Tax</i>	-	5.0	-	4.2
<i>Antigua and Barbuda Sales Tax</i>	236.9	278.1	255.3	285.3
<i>Import duty</i>	87.7	95.1	94.8	102.4
<i>Revenue Recovery Charge</i>	75.1	80.3	82.3	90.2
<i>Tax on Income of Offshore Banks</i>	0.3	2.0	0.4	2.0
<i>Consumption duties</i>	62.5	62.6	52.5	65.0
Nontax revenue	172.6	169.3	152.1	181.0
<i>of which: Work Permits</i>	4.5	4.9	4.4	4.4
<i>CIP-NDF Receipts</i>	64.9	95.0	61.7	100.0
<i>Surplus funds and Dividends</i>	84.0	50.8	60.5	57.9
Total Capital Revenue	12.8	93.6	44.1	33.9
Capital Receipts	10.8	7.0	28.4	7.0
<i>of which: Land sales</i>	10.8	7.0	28.4	7.0
Capital grants	2.0	86.6	15.7	26.9
TOTAL EXPENDITURE	928.2	1,056.1	951.3	1,044.9
Primary Expenditure	821.0	950.9	858.8	946.8
Recurrent Expenditure	851.8	859.1	856.1	914.9
Salaries and Wages	327.2	361.0	394.9	405.9
Statutory Contributions (S.S and MBS)	27.8	29.7	30.1	32.0
Goods and Services	133.6	155.4	139.1	158.4
Transfers and Grants	256.0	207.8	199.4	220.4
<i>of which: Pensions and Gratuities</i>	75.8	79.9	79.9	86.6
Total Capital Expenditure	76.4	197.0	95.3	130.1
Interest Payments	107.2	105.2	92.6	98.1
<i>External Interest</i>	29.5	34.6	30.7	33.0
<i>Domestic Interest</i>	77.7	70.6	61.8	65.1
CURRENT ACCOUNT BALANCE	(42.7)	17.9	(36.2)	17.3
PRIMARY BALANCE	0.9	19.7	5.1	19.3
OVERALL BALANCE	(106.3)	(85.5)	(87.4)	(78.8)

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APPENDIX 14

Selected Macroeconomic Indicators						
Indicator	2014	2015	2016	2017	2018	2019
<i>(Eastern Caribbean Dollars)</i>						
GDP Market Prices (\$ Million)	3.46	3.68	3.94	4.10	4.38	4.71
GDP Per Capita (Current Prices)\$	39,118	41,263	43,674	45,430	46,156	48,451
Total Debt Stock (\$ Billion)	3.24	3.19	3.05	3.08	3.24	3.36
<i>of which: Central Government (\$Billion)</i>	2.78	2.73	2.59	2.62	2.80	2.92
<i>Government Guaranteed (\$Million)</i>	465.76	456.14	457.66	465.47	440.01	441.18
Central Government External Debt (\$ Billion)	1.21	1.28	1.24	1.25	1.38	1.53
Central Government Domestic Debt (\$Billion)	1.57	1.45	1.35	1.37	1.42	0.919
Debt Service(\$Million)	288.08	474.52	485.68	429.41	345.60	458.25
<i>of which: Interest Payments (\$Million)</i>	74.57	84.34	77.89	88.96	92.60	98.12
<i>(Percent)</i>						
Debt to GDP ratio	94%	86%	77%	75%	74%	71%
Debt Service to GDP	8%	13%	12%	10%	8%	10%
Interest Payments to Revenue	11.0%	10.8%	10.0%	11.0%	11.3%	10.5%
Primary Balance to GDP	-0.2%	5%	2%	0.8%	0.1%	0.4%
Overall Fiscal Balance to GDP	-3%	2%	-0.1%	-2%	-2.0%	-1.7%

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