

## **2017 BUDGET STATEMENT**

### ***Building an Economic Powerhouse through Innovation, Creativity and People Participation***

**Honourable Gaston Browne**

*Prime Minister and Minister of Finance and Corporate Governance*

*Government of Antigua and Barbuda*

***Friday, January 20<sup>th</sup> 2017***

#### **INTRODUCTION**

Mr. Speaker

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

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

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

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

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

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

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

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

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

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

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

### **International and Regional Developments**

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

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

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

That is a marvelous achievement by any measure.

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

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

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

In the United States the forecast was for 1.6%.

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

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

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

In the CARICOM area, countries experienced mixed growth results.

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

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

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

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

## **PERFORMANCE OF THE DOMESTIC ECONOMY**

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

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

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

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

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

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

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

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

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

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

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

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

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

And it was worse.

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

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

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

Creditors all blacklisted our nation.

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

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

We owed for power and for water generation.

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

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

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

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

It shows the real and tangible improvements in our economy.

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

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

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

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

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

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

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

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

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

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

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

## **DRIVERS OF GROWTH**

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

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

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

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

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

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

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

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

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

The houses there are 98 to 100% completed.

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

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



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

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

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

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

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

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

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

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

No one will be left behind.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

These figures speak for themselves.

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

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

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

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

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

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

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

## **MACROECONOMIC PERFORMANCE**

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

Today, Antigua and Barbuda is among the best.

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

That is what our work has been all about.

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

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

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

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

We did so in two ways.

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

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

Those surpluses allowed us to use revenues to pay debt.

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

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

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

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

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

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

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

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

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

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

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

That was the UPP way.

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

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

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

Let me make a further point.

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

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

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

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

That, Mr. Speaker, is good government.

It is competent management.

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

## **FINANCIAL SECTOR STABILITY**

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

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

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

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

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

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



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

Therefore, in the interest of those depositors and to safeguard their families and their businesses, my Government decided to offer a benefit to those with balances in excess of \$500,000 equivalent to what they would have received had the Bank not been placed in receivership.

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

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

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

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

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

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

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

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

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

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

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

The DPT made the second payment to beneficiaries on 30<sup>th</sup> November 2016.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

## **STRATEGIC INTERVENTIONS IN 2016**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

We expect them to offer banking at its best.

## **PURSUING OUR DEVELOPMENT STRATEGY**

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

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

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

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

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

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

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

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

### **Development Plans**

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

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

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

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

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

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

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

### **Sea Port**

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

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

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

### **Roads**

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

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

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

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

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

### **Energy**

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

We have already seen the benefits that WIOC provides.

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

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



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

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

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

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

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

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

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

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

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

### **Social Assistance Programmes**

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

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

The Board of Guardians will continue to provide assistance to clients who are unable to take care of their needs through monthly stipends to assist in the provision of necessities; grants to purchase building materials to facilitate home repairs for the elderly; and funeral grants.

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

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

### **Other Major Priorities**

Mr. Speaker, many of our firms are small and operate informally, and this undermines the degree to which they can access financing, attract and build appropriate human resources or benefit from other provisions of the formal economy. In an effort to address this challenge, the Government of Antigua and Barbuda has joined with other regional governments to facilitate the creation of the Eastern Caribbean Partial Credit Guarantee Corporation (ECPCGC). The main objective of this Corporation will be to facilitate access to credit for micro, small and medium enterprises (MSMEs) which have traditionally been unable to access credit through financial institutions because of issues such as insufficient collateral, being perceived as high risk or lacking solvency.

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

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

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

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

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

A third cruise ship pier at Point Wharf to accommodate the world's largest Oasis Class ships at a cost of \$108 million will be completed. This project will ensure that Antigua is able to welcome many more thousands of cruise ship passengers, with every call benefiting vendors, taxi drivers, restaurants, tour operators and the business community. This investment will also help us to reach the target of a million cruise ship passengers within the next two years.

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

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

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

## **FISCAL STRATEGY 2017**

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

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

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

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

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

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

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

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

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

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

#### **Revenue Increasing Measures**

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

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

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

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

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

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

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

### **Assistance from Regional and International Partners**

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

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

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

We appreciate the invaluable and always dependable support of the People's Republic of China. We are eternally grateful for the concessional Port loan and for its grants

totaling \$50 million, which will be utilized to construct several polyclinics and community centres at Knuckle Block, Villa, and Willikies.

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

### **BUDGT PROJECTIONS 2017**

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

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

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

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

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

### **Revenue Projections**

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

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

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

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

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

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

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

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

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

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

Specific interventions will include reclassifying condominiums as commercial properties.

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

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

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



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

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

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

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

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

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

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

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

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

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

### **Tax on the Off-shore Sector**

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

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

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

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

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

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

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

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

These payments are to be made annually by the 31<sup>st</sup> day of March.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

### **Non-tax Revenues**

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

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

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

### **Expenditure Projections**

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

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

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

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

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

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

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

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

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

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

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

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

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

**Allocations for other Ministries**

Budgetary Allocations for the other Ministries are as follows:

<b><i>Ministry of Information, Broadcasting, Telecommunications and Information Technology</i></b>	<b><i>\$14 million</i></b>
<b><i>Ministry of Social Transformation &amp; Human Resource Development</i></b>	<b><i>\$20 million</i></b>
<b><i>Ministry of Foreign Affairs and International Trade</i></b>	<b><i>\$26 million</i></b>
<b><i>Ministry of Agriculture, Lands, Fisheries &amp; Barbuda Affairs</i></b>	<b><i>\$18 million</i></b>
<b><i>Ministry of Public Utilities, Civil Aviation &amp; Transportation</i></b>	<b><i>\$8 million</i></b>
<b><i>Ministry of Trade, Commerce &amp; Industry, Sports, Culture &amp; National Festivals and Community Service</i></b>	<b><i>\$23 million</i></b>

The 2017 budget also includes allocations for:

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

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

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

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

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

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

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

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

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



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

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

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

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

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

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

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

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

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

## **FINANCING**

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

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

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

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

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

## **CONCLUSION**

Mr. Speaker, I now make some concluding remarks.

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

This is not surprising.

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

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

They are doing what they do best.

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

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

They have proven that they have no such skills.

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

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

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

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

We want no economic underclass.

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

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

We will stay the course.

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

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

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

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

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

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

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

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

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

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

## **APPENDICES**

### **2017 Budget Statement**

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

## **APPENDIX 1: INTERNATIONAL AND REGIONAL DEVELOPMENTS**

### **Performance of Global Economy**

2016 has turned out to be a suppressed year for the global economy characterised by a subdued recovery and weak trade. The International Monetary Fund reported in its World Economic Outlook publication for October 2016 that global economic growth is projected to slow to 3.1 percent in 2016 before recovering to 3.4 percent in 2017. Growth outlook for the advanced economies has weakened to 1.6 percent in 2016 and 1.8 percent in 2017. However, growth prospects for emerging and developing markets are expected to strengthen to 4.2 percent in 2016 and 4.6 percent in 2017.

**Table 1.1 Overview of the World Economic Outlook**

		Projections	
	2015	2016	2017
World Output	3.2	3.1	3.4
United states	2.1	1.6	1.8
Canada	1.1	1.2	1.9
United kingdom	2.2	1.8	1.1
Japan	0.5	0.5	0.6
Emerging and Developing Asia	6.6	6.5	6.3
Latin America and the Caribbean	0	-0.6	1.6
CIS Economies	-2.8	0.3	1.4
Sub-Saharan Africa	3.4	1.4	2.9

*Source: IMF: World Economic Outlook October 2016*

This subdued performance in global activity for 2016 can be attributed to Brexit – the June 23, 2016 UK referendum resulting in the decision to leave the European Union, and weaker than expected growth in the United States.

Moreover, slower growth is expected in the United Kingdom since “Brexit”, has resulted in a significant increase in economic, political and institutional uncertainties which

weighs negatively on firms' investment decisions and consumer confidence. Thus growth for the United Kingdom is forecasted at 1.8 percent in 2016 and 1.1 percent in 2017.

In the United States, our major trading partner, growth was forecasted downwards to 1.6 percent for 2016 as the dollar continued to appreciate, business investment remained weak, and increased uncertainty related to the US elections.

In the Euro Area, growth is forecasted to decline to 1.7 percent in 2016 and 1.5 percent in 2017. This decline is due to lower business investment as the uncertainties surrounding Brexit continues to weaken consumer confidence.

China's economy is expected to grow by 6.6 percent in 2016 while the rate of growth is projected to slow to 6.2 percent in 2017.

In Canada, real GDP is forecasted to increase marginally to 1.2 percent in 2016 from the 1.1 percent recorded in 2015. This movement can be attributed to the effects of the earlier exchange rate devaluation. However, the economy of Canada like most of the North American economy, over the period 2016, has been affected negatively by the spillover effects of weak investment in the United States.

For the Latin America and the Caribbean region, the IMF has projected a decline in economic growth to -0.4 percent in 2016, a fall from 0 percent in 2015. Inflation is expected at 5.7 percent in 2016 increasing from 5.5 percent in 2015. The current account deficit, though improving, remained large in most of the countries, contracting from -3.6 percent of GDP in 2015 to -2.8 percent of GDP in 2016. The fiscal deficit of the region also showed some minor improvement.

Economic performance for most of countries of Latin America was stymied by the spillover effects of the lackluster growth of the United States economy and low commodities prices globally. Also, in a number of the Latin American countries such



Brazil and Venezuela, economic performance was affected by their own domestic political developments. In the region, financial conditions have improved with spreads declining and equity prices increasing.

## **Performance of ECCU/CARICOM Economies**

### CARICOM

The CARICOM region continued to experience mixed growth results with the growth prospects increasing in the tourism reliant countries while that of the commodities exporting countries deteriorated. In the tourism based countries growth average at 1.6 percent in 2016. Growth for the commodities exporting countries declined from 2.1 percent in 2015 to 0.7 percent in 2016.

On average, economic recovery in the CARICOM region remained weak in 2016. Most of the countries have strengthened the fiscal balance but public debt remains high. Inflation throughout the region remained relatively low with the exception of Haiti where double digit numbers persist.

In Jamaica, economic growth is projected at 2.2 percent in 2016 which is double the growth performance of 2015. Inflation is forecasted to decline to a historically low rate of 3 percent in 2016, which is down from 7.2 percent in 2015. Also, the current account deficit is projected to improve by 71.1 percent in 2016. This improved economic performance by the Jamaican economy can be attributed to the reforms implemented under the IMF Extended Fund facility programme.

In Barbados, the economy grew by 2.1 percent in 2016 which is an improvement over the 0.5 percent growth recorded in 2015. Inflation is expected to remain subdued at 0.4 percent in 2016 reflecting a sharp reduction in import prices.

In Guyana, Real Gross Domestic Product (RGDP) is projected to expand by 3.4 percent in 2016 as compared to 3 percent in 2015. This improvement in the rate of economic

growth can be attributed to the opening of two large gold mines in the last quarter of 2015. Inflation in Guyana is projected to remain low at 2.1 percent.

The economy of Trinidad and Tobago is forecasted to decline by 2.3 percent in 2016. This is the third consecutive decline in economic activity and is a result of the weakened petroleum and non-petroleum sectors.

### The ECCU Region

The Eastern Caribbean Currency Union (ECCU) has benefited from the recovery in the global economy, lower oil prices, successful implementation of policies for resolving indigenous banks, and improvements in fiscal discipline. The Union has been on an ongoing recovery path and has persistently recorded growth in output over the past five years.

The Eastern Caribbean Central Bank online publication of GDP estimates, updated 10<sup>th</sup> October 2016, reported that forecasted average growth for the ECCU increased marginally to 2.62 percent in 2016 from 2.59 percent in 2015 and with a prospect of 3 percent growth in 2017. Though the improvement may seem marginal, it must be emphasized that 2016 is projected to be the first year since 2007 that every ECCU economy has expanded. Leading the way are Anguilla and Antigua and Barbuda which grew robustly by 4.30 percent and 4.12 percent, respectively.

## **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 for the fifth consecutive year with a growth of 4.12 percent. This strong performance in growth is due mainly to the construction sector, wholesale and retail sector and the hotel and restaurant sector.

The construction sector's gross value added (GVA) at basic prices increase by 12 percent or \$29.3 million to \$273.7 million in 2016. This improvement was boosted by the government's housing program. The Wholesale and Retail Sector GVA at basic prices increase by 8 percent or \$29m to \$401.8 million. For the Hotel and Restaurant Sector, GVA at basic prices increased by 6.3 percent or \$24.5 million to \$408.4 million.

### **Money and Credit**

At the end of December 2015, the Eastern Caribbean Central Bank (ECCB) reported that broad money supply (M2) amounted to \$3.1 billion in Antigua and Barbuda. At the end of September 2016, money supply was about 2.5 percent higher at \$3.2 billion. This was mainly a result of a 9.5 percent or \$66.2 million increase in Narrow Money (M1). Narrow money incorporates measures of cash at commercial banks, currency in circulation and private sector demand deposits.

At \$2.42 billion, Quasi money at end September 2016 was marginally higher than at end December 2015 as a \$75 million increase in private sector savings deposits was mostly offset by decreases in private sector time deposits and private sector foreign currency deposits.

Domestic Credit at the end of September 2016 was essentially the same as the total credit at the end of December 2015. Domestic credit at end December 2015 was \$2.45 billion while domestic credit at the end of September 2016 was \$2.42 billion. The rate of decline in domestic credit has slowed however there has been no increase in credit to the private sector and credit to the Government has declined by 7.5 percent. Despite a

very high level of liquidity commercial banks continue to be quite conservative in their lending practices and private and public sector projects that could stimulate economic activity are not implemented for lack of funding. In 2017, the Government intends to dialogue more closely with the Bankers' Association to determine a suitable and responsible strategy to resolve this situation.

There was a 7 percent decline in the Net Foreign Assets of the Banking System during the period under review. In nominal terms, Net Foreign Assets decreased from \$1.5 billion at end December 2015 to \$1.4 billion at end September 2016.

Loans and advances as a ratio of total deposits amounted to 68.6 percent at end December 2015. The ratio was slightly higher at 70.6 percent at end September 2016.

The interest rate spread between commercial banks' prime lending rate and their maximum rate on savings deposits 8.5 per cent in September 2016 which is a slight increase over the 8.4 percent spread recorded in December 2015.

The weighted average lending rate decreased slightly from 9.30 percent at end December 2015 to 9.16 percent at end September 2016 – a decrease of some 0.14 percentage points.

### **APPENDIX 3: BILATERAL RELATIONS AND MULTILATERAL COOPERATION**

During 2016, Antigua and Barbuda continued to operate diplomatic Missions in Washington, New York, London, Cuba and Canada, along with a cadre of Non-Resident Ambassadors operating from the Ministry headquarters in Antigua and Barbuda. The Ministry of Foreign Affairs has been able to successfully engage our foreign development partners in a very effective and productive way, particularly in the areas of Agriculture, Education, Disability, Health, Community Development and Renewable Energy to a value of approximately \$18.9 million.

The Republic of Kazakhstan, Japan, Republic of China, Republic of Korea, Cuba, Bolivian Republic of Venezuela, India, United Kingdom, the United States of America, Mexico, Columbia, Morocco, Russia, Malaysia and Qatar are countries that have provided bilateral grant support to Antigua and Barbuda in 2016.

#### **Venezuela and PetroCaribe:**

In June, the Government of Antigua and Barbuda recognised the 11<sup>th</sup> anniversary of the PetroCaribe Energy Cooperation Agreement. The Honourable Asot Michael represented Antigua and Barbuda at a meeting commemorating the occasion. For Antigua and Barbuda, the arrangement has assisted in leveraging resources which have been used for various purposes. For the eleven year duration of this initiative, the Government of Antigua and Barbuda has been allowed to promote a meaningful outreach to facets of society that were in need of social programmes related to improving access to food for the eradication of hunger, access to energy at a concessionary rate and access to basic infrastructural services.

The PetroCaribe Agreement and initiative represent the principles embedded in the excellent relations between the Governments of Antigua and Barbuda and the Bolivarian Republic of Venezuela, principles of respect, solidarity, cooperation, fair trade, and the fight against poverty.

**Japan:**

The Government of Antigua and Barbuda continues to benefit from its relationship with the Government of Japan and the Japan International Cooperation Agency, JICA. In 2017, Antigua and Barbuda will benefit from \$1.6 million (US\$600,000) in grant support for the acquisition of a Reverse Osmosis plant for the agricultural sector.

**Canada:**

Canada has provided approximately \$405,000.00 in military and defense training. In addition, assistance has been given in the areas of debt management as well as training in leadership programmes for senior public servants.

**Republic of Korea (South Korea):**

In December, the Ministry of Foreign Affairs was successful in securing \$189,000.00 (US\$70,000.00) in Grant Aid from the Government of the Republic of Korea. This grant is to be utilized by the Ministry of Health and the Environment to facilitate the execution of the Ministry's national mandate to make eye care accessible to all members of society.

The Ministry of Health and the Environment is in the process of expanding the Eye Screening Program at the Mount Saint John's Medical Centre Outpatient Clinic to be fully optimized to serve those individuals with limited financial means. The grant aid assistance from the Republic of Korea will provide equipment towards this effort.

**Cuba:**

At present, sixty-nine (69) students of Antiguan and Barbudan nationality are pursuing studies in Cuba. Areas of studies include: Accounting, Psychology, Architecture, Physical Education, Electrical Engineering, Informatics, Spanish as a second language, and General Medicine. Medical Specialties include General Surgery, Urology, Oncology, Pediatrics and Imagenology.

In addition, there are currently fifty-one (51) Cuban nationals working within the Cuban Medical Brigade here in Antigua and Barbuda. Healthcare practitioners include physicians, stomatologists, biomedical engineers, pharmacists, nurses, amongst others. Additionally, two (2) Cuban engineers are currently working with the Ministry of Public Works within the context of the Road Programme; and two (2) Cuban engineers and four (4) Cuban electricity workers are assisting the Antigua and Barbuda Public Utilities Authority (APUA).

His Excellency Mr. Peter Benjamin, Resident Ambassador for Antigua and Barbuda in Havana, continues to play an important role in seeking cooperation initiatives with the Republic of Cuba and to ensure the safety, security and welfare of our students.

**China:**

The Peoples' Republic of China has provided approximately \$4 million for the Grays Green Community Complex Buildings. Additionally, approximately 50 public servants were afforded short term training in various areas of discipline in China, at an estimated value of US\$400,000.

**Kazakhstan:**

One hundred and thirty five thousand dollars (US\$50,000) has been provided towards the improvement of the protocol fleet of vehicles and equipment upgrade in the Foreign Ministry.

**The United States of America:**

The US Government has provided the Government of Antigua and Barbuda with assistance in defense mechanisms of approximately \$1.5 million (US\$550,000 - \$600,000). This assistance has been in the area of training, education in defense-related areas and logistical and maritime support.

**United Kingdom:**

Antigua and Barbuda has begun to benefit from the United Kingdom's grant to support infrastructure development in the region. Through the UK Caribbean Infrastructure Fund (CIF) we received a grant of £13.9 million to finance a road rehabilitation project. The preparatory work on this project started in 2016 and construction will begin in 2017.

**Malaysia:**

The government of Malaysia has provided scholarships for tertiary education for Antiguan and Barbudans to pursue courses of study in a wide range of subjects.

**Multilateral Organizations:**

Within Multilateral Institutions like the Organization of American States (OAS), United Nations, United Nations Economic Commission for Latin America and the Caribbean (UN ECLAC), World Trade Organization (WTO), International Maritime Organization (IMO), and the Bureau of International des Expositions (BIE), the Hon. Charles Fernandez and our Ambassadors have been making significant contributions in shaping the decision making process on critical issues that could affect our region and at the same building the profile of Antigua and Barbuda.

**UN ECLAC:**

The Honourable H. Charles Fernandez, Minister of Foreign Affairs, International Trade and Immigration interacted closely with the United Nations Economic Commission for Latin America and the Caribbean (UN ECLAC), and was elected as Vice-Chair of the Bureau of the Caribbean Development and Cooperation Committee (CDCC) at the Twenty-Sixth Session of the Committee, which convened in the Federation of St. Christopher and Nevis in April. Numerous development issues were discussed, namely building economic resilience to manage the effects of natural disasters; preparations for the aging of Caribbean populations; and the overall economic outlook for the Caribbean. Minister Fernandez maximized on the opportunity to advocate for assistance from UN ECLAC in relation to the collection of relevant data to assist with charting development progress in Caribbean countries.



**United Nations:**

His Excellency Mr. Walton Aubrey Webson and his staff at the Permanent Mission of Antigua and Barbuda to the United Nations has been able to make significant inroads in the negotiations on the International Tax Cooperation Committee, enabling it to expand its membership to include developing countries. The Mission continues to be active on matters relating to climate change, issues on women, youth and persons with disabilities and matters related to decolonization.

Ambassador Dwight Gardner, our Representative to the International Maritime Organization and also the Association of Caribbean States, is currently a candidate for a seat on the IMO Council. He is also Vice-Chair of the Executive Board of the Ministerial Council of the ACS.

**Organization of American States:**

His Excellency Sir Ronald Sanders continues to play a leading role at the Organization of American States (OAS). Ambassador Sanders led an OAS delegation to Haiti that addressed issues relating to constitutional and political stability.

**CARIFORUM-EU Economic Partnership:**

Through the efforts of His Excellency Dr. Clarence Henry, Antigua and Barbuda continues the implementation of the CARIFORUM-EU Grant Agreement to finance a project entitled *“Enhancing Private Sector Development through the implementation of the CARIFORUM-EU Economic Partnership Agreement”*. The Project, valued at \$632,489.00 (US\$234,255.00) is being implemented by the Office of the NAO over an 18-month period. The Caricom Development Fund has also approved funding of US\$1.8 million for the St. John’s Development Corporation to help finance a project to revitalise the city of St. John’s particularly Heritage Quay and Redcliffe Quay and the surrounding areas. The Government has already received over US\$200,000 thousand to undertake the preparatory work for this project.

**Regional Integration Organizations:**

The Ministry is actively involved in regional integration organizations like CARICOM, Organization of Eastern Caribbean States (OECS), Association of Caribbean States (ACS), the Bolivarian Alliance of the Americas (ALBA) and the Community of Latin American and Caribbean States (CELAC).

A strong regional country profile and high-level engagement with our regional and international partners has allowed Antigua and Barbuda the opportunity to host a series of regional and international meetings in 2017. This will include the CARICOM- Mexico Summit and the Cuba-CARICOM Summit.

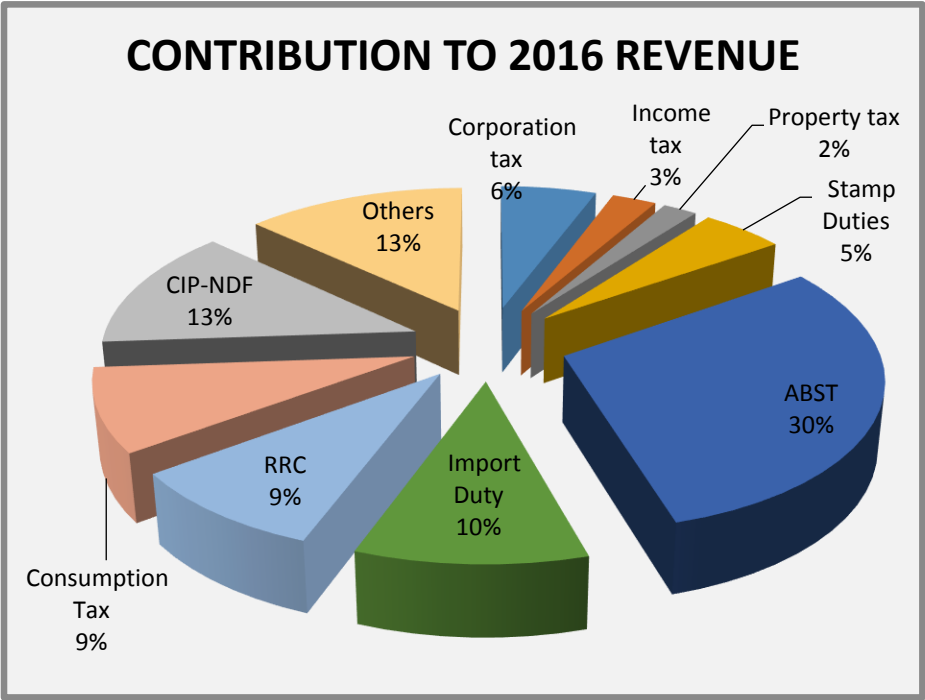
## **APPENDIX 4: FISCAL REVIEW 2016**

The following table presents fiscal performance in 2015, the estimates for Budget 2016 and the preliminary outcome for 2016.

	2015	Budgeted 2016	Prelim Estimate 2016
<b>Total Revenue and Grants</b>	<b>869.9</b>	<b>1,013.3</b>	<b>978.6</b>
Current revenue	782.9	852.1	798.0
<i>of which: Tax revenue</i>	622.6	651.7	652.2
<i>Non Tax Revenue</i>	160.3	200.4	145.9
<i>of which: CIP-NDF</i>	126.4	117.0	72.1
Capital Revenue	65.9	94.7	180.1
<i>of which: Forfeiture Funds</i>	-	89.2	177.4
<b>Total Expenditure</b>	<b>792.8</b>	<b>923.3</b>	<b>890.7</b>
Current expenditure	741.9	731.8	777.4
Wages and salaries	307.2	319.6	322.3
Contribution to SSB & MBS	24.2	27.5	24.4
Goods and services	106.6	127.4	124.0
Interest payments	90.7	93.2	93.5
Pensions, other transfers	213.2	164.1	213.1
<i>of which: Pensions</i>	63.4	63.9	65.0
<b>Capital Expenditure &amp; Net Lending</b>	<b>50.8</b>	<b>191.5</b>	<b>113.4</b>
<b>Current Account Balance</b>	<b>41.0</b>	<b>120.3</b>	<b>20.6</b>
<b>Primary Balance</b>	<b>167.8</b>	<b>183.2</b>	<b>181.4</b>
<b>Overall balance</b>	<b>77.1</b>	<b>90.0</b>	<b>87.9</b>

As seen in the table, revenue performance has improved compared to 2015 though total revenue for 2016 is projected to be about 3 percent less than forecasted in the 2016 Budget. Total revenue for 2015 is expected to be \$978.6 million, which is an increase of \$108.7 million or 12.5 percent over the amount collected in 2015. This growth in revenue was due to a 5 percent increase in tax revenue from \$622.6 million in 2015 to \$652.2 million in 2016 and a \$114.2 million or 173 percent increase in capital revenue from \$65.9 million in 2015 to \$180.1 million in 2016. The improved performance in capital revenue in 2016 is a result of a windfall in forfeiture funds amounting to \$177.4 million.

The main components of current revenue are the ABST, Stamp Duties, Revenue Recovery Charge (RRC), Import Duty, Corporate Income Tax, Personal 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 2016.



Revenue from the ABST is expected to increase by \$26.5 million or 11 percent from \$231.6 million in 2015 to \$258.1 million in 2016. Further, the actual performance of the ABST for 2016 is 9 percent or \$20.9 million above the \$237.2 million that was projected in Budget 2016. This growth in revenue from the ABST is indicative of improved economic activity over the past twelve months. The strong performance of revenue from Stamp Duties is also a good indicator of enhanced economic activity. Based on the preliminary estimates for 2016, Stamp Duties should generate revenue of \$42.7 million, which is 26 percent above the \$33.9 million collected in 2015 and 39 percent above the \$30.7 million projected in Budget 2016.

The Revenue Recovery Charge (RRC) is projected to yield \$78.9 million in 2016, a 5 percent or \$3.6 million increase compared to the \$75.3 million collected in 2015. On the other hand, the yield from the RRC is expected to be 24 percent or \$24.5 million less than the \$103.4 million forecasted in Budget 2016. The difference between the amount budgeted for the RRC and the expected outturn for 2016 is mainly due to the Government's decision to not increase the RRC rate as a compensatory measure for the removal of the Personal Income Tax.

Revenue from the Consumption Tax is expected to grow by 13 percent from \$63.6 million in 2015 to \$71.9 million in 2016. Further Consumption Tax Revenue collected in 2015 is \$11.5 million or 19 percent greater than the amount projected in Budget 2016. Import Duty is projected to yield \$86.9 million in 2016, a 6 percent increase compared to the \$82.2 million generated in 2015. The amount projected for 2016 is 4 percent less than the \$90.6 million forecasted in Budget 2016.

	Performance of Key Revenue Items						
	Actual 2015	Budget 2016	Prelim 2016	Prelim 2016 vs 2015		Prelim 2016 vs Budget 2016	
				Change (\$)	Change (%)	Change (\$)	Change (%)
Corporation Tax	52.2	48.2	48.7	(3.5)	(7)	0.5	1
Income Tax	37.3	0	22.7	(14.6)	(39)	22.7	100
Property Tax	17.7	24.7	17.5	(0.2)	(1)	(7.2)	(29)
Stamp Duties	33.9	30.7	42.7	8.8	26	12.0	39
ABST	231.6	237.2	258.1	26.5	11	20.9	9
Import Duty	82.2	90.6	86.9	4.7	6	(3.7)	(4)
Revenue Recovery Charge	75.3	103.4	78.9	3.6	5	(24.5)	(24)
Consumption Tax	63.6	60.4	71.9	8.3	13	11.5	19
CIP-NDF Receipts	126.4	117	72.1	(54.3)	(43)	(44.9)	(38)

For 2016 the Corporate Income Tax and Personal Income Tax are expected yield less revenue than the actual amount generated in 2015. Revenue from the Corporate Income Tax is projected to be \$3.5 million or 7 percent below the \$52.2 million generated in 2015 and about 1% above the \$48.2 million included in Budget 2016. The Personal Income Tax is expected to yield \$22.7 million in 2016, which is \$14.6 million or 39 percent less than PIT revenue generated in 2015. This decline reflects PIT revenue for the period January to June 2016, since the PIT was eliminated with effect from July 1, 2016.

Finally, revenue from the Property Tax is projected to decrease by 1 percent from \$17.7 million in 2015 to \$17.5 million in 2016. Property tax collection in 2016 is also projected to be \$7.2 million or 29 percent below the amount projected in Budget 2016. Under performance of the property tax is mainly due to delays in implementation of a number of amendments to the Property Tax Act that are intended to widen the tax net while the rate remains unchanged. It is expected that the adjustments to the Property Tax will take effect in 2017.

Total expenditure is projected to increase by \$97.9 million or about 12 percent from \$792.8 million in 2015 to \$890.7 million in 2016. When compared to Budget 2016, total expenditure is expected to be \$32.6 million or 3.5 percent less than forecasted. Expenditure on wages and salaries is projected to amount to \$322.3 million in 2016. This is an increase of \$15.1 million or about 5 percent compared to spending on wages and salaries in 2015. Pensions and gratuities are expected to increase by 2.5 percent to \$65 million in 2016 compared to \$63.4 million in 2015. When compared to Budget 2016, spending on pensions and gratuities is expected to be about 1.7 percent higher than originally forecasted. The increase reflects additional resources required to meet the cost of terminal benefits for individuals leaving the Government service through attrition.

Spending on other transfers is expected to be \$148.1 million in 2016. This is a 1 percent decline from the \$149.8 million spent in 2015 and a 48 percent increase compared to the \$100.2 million projected in Budget 2016. This increase is driven mainly by additional transfers made to the National Solid Waste Authority (NSWA) and transfers to the St. John's Development Corporation for expansion of the cruise ship pier. Interest payments are projected to increase by \$2.8 million or 3 percent from \$90.7 million in 2015 to \$93.5 million in 2016 and are projected to be on par with the amount forecasted in Budget 2016.

Expenditure on goods and services is expected to be \$124 million in 2016. This is a \$17.4 million or about 16 percent increase over the \$106.6 million spent in 2015 and

about 3 percent less than the amount projected in Budget 2016. Finally, capital expenditure is expected to amount to \$113.4 million in 2016. This is \$78.1 million or 41 percent less than the amount included in Budget 2016 but is \$62.6 million or 123 percent above the \$50.8 million spent on capital projects in 2015. The Government was able to enhance expenditure in critical infrastructural development areas because of the windfall in revenue from the forfeiture funds. These investments were made in relation to housing, road development and capital equipment.

Preliminary projections for the year indicate that the Government has further strengthened its fiscal position by building on the performance achieved in 2015. Antigua and Barbuda experienced a considerable fiscal adjustment between 2014 and 2015 as the primary balance improved from a deficit of \$6 million to a surplus of \$168 million or 4.6 percent of GDP. The overall fiscal balance also changed from a deficit of \$97 million in 2014 to a surplus of \$77 million in 2015. While much smaller than the magnitude of the adjustment between 2014 and 2015, the primary balance is expected to improve by 8 percent or \$13.6 million in 2016 resulting in a surplus of \$181 million or 4.8 percent of GDP. The overall balance, which is the difference between total revenue and total non-debt expenditure, is expected to improve by about 14 percent or \$11 million to a surplus of \$88 million. Though revenue in 2016 was \$35 million less than budgeted and expenditure was \$33 million less than budgeted, actual fiscal performance in 2016 is expected to be in line with the projections in Budget 2016.

A surplus on the Government's fiscal accounts in any given year indicates that the revenues generated by the Government exceed the expenditure in that same year. This means that in 2015 and in 2016, Government's income was greater than the expenses it incurred. Therefore the \$181 million primary surplus and the \$88 million overall fiscal surplus generated for 2016 only represents the Government's net position following the transactions that originated and ended in 2016. When balances and liabilities from previous years are taken into account, the comprehensive financial position indicates that Government's annual revenues are insufficient to cover all of its obligations, which include principal payments that are due on the total debt stock. In

Budget 2016, the total financing requirement was \$367.5 million. Once the operational surplus of \$88 million is taken into account, the balance of resources needed to fund the year's operations and meet principal payments was \$277.5 million. This \$277.5 million liability was funded through securities issued on the Regional Government Securities Market, drawdown of Government deposits, and new loans and advances.

A fiscal surplus does not mean that there are no cash flow difficulties. The basic challenge of balancing many competing demands in the face of resource constraints is not eliminated with the realisation of a fiscal surplus. Indeed, it is the very fact that there are limited resources available to meet all the public sector expenditure needs that demands that the Government strives to secure operational surpluses on an annual basis.

By generating fiscal surpluses, the Government reduces the rate of increase in the debt stock thereby reducing the debt burden over time. For the period 1997 to 2014, the Government consistently generated fiscal deficits such that, on average, the debt stock increased annually by 7 percent of GDP or \$223 million. The fiscal surpluses generated in 2015 and 2016 mean that instead of adding to the debt, the Government's fiscal operations have contributed to a reduction in the public debt stock. This is evidenced by the reduction in the debt stock from \$3.11 billion in 2014 to \$2.91 billion in 2016.

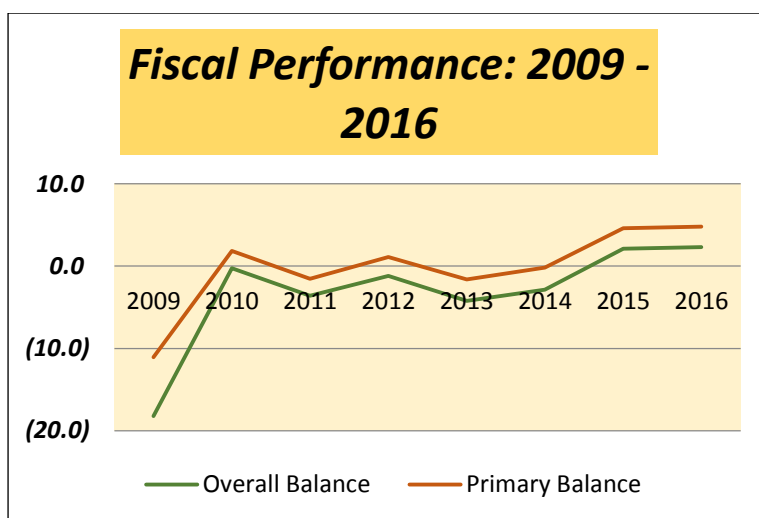
Finally, the outturn for 2016 is indicative of the Government's continued commitment to long term fiscal stability and to ensure Antigua and Barbuda attains debt sustainability by reaching the ECCU debt to GDP ratio of 60 percent by 2030. This will involve a multi-pronged approach that focuses on gradual but persistent improvements in revenue administration and expenditure management along with a proactive debt management strategy.



## **APPENDIX 5: FISCAL STRATEGY FOR 2017**

Since assuming office in June 2014, this Administration has focused on improving macroeconomic performance with particular emphasis on economic growth and employment creation. These overarching objectives have been pursued on the basis of a policy mix that seeks to restrict the rate of increase in the debt stock and secure fiscal stability while incentivizing critical private sector developments. These efforts have begun to yield results as is evidenced in the average real economic growth rate of 4.2 percent for the period 2014 to 2016. To understand the significance of this level of growth over the past three years, one must consider that in the midst of the global financial crisis, the economy of Antigua and Barbuda contracted in real terms by 10.7 percent in 2009, 8.4 percent in 2010, and 1.8 percent in 2011, a cumulative decline of about 21 percent. This, by any measure, is a remarkable swing in economic performance in less than 5 years.

Additionally, there has been a marked improvement in fiscal performance in Antigua and Barbuda. The graph below presents a summary of our nation's fiscal path.



It is important to note that, in 2009, the first year of impact of the financial crisis and the base year for the start of the country's fiscal adjustment, the overall fiscal deficit was 18

percent of GDP and the primary deficit was 11 percent of GDP. This was the backdrop for the IMF-supported fiscal consolidation effort between 2010 and 2013. While there was some improvement in the fiscal balances during this period, low economic growth and continuing financial pressures prevented any lasting change to the Government's fiscal accounts as the primary balance remained in flux from deficit to surplus and back to deficit. By 2015, a major shift had occurred with a 20 percentage point turnaround in the overall balance from the deficit of 18 percent recorded in 2009 to a surplus of 2.1 percent of GDP. The primary balance has also improved markedly from the 11 percent deficit in 2009 to a surplus of 4.6 percent in 2015 – a nearly 16 percentage point adjustment between 2009 and 2015. Further, the Government should record a primary surplus of 4.8 percent of GDP in 2016 while an overall surplus of 2.3 percent of GDP is projected. This is unquestionably indicative of a significant fiscal effort.

This feat is even more compelling given that, in less than a decade, the Government of Antigua and Barbuda had to fund two bank resolutions at a cost of more than \$380 million or 10 percent of GDP. Fiscal improvement was achieved despite the Government's having to manage and finance bank resolutions to ensure maintenance of financial sector stability. The successful resolution of the Bank of Antigua and the ABI Bank as well as the intervention to strengthen the Caribbean Union Bank required significant fiscal resources and meant that critical capital and social investment projects could not be implemented. Though important, the opportunity cost of stabilizing and securing the banking sector cannot be overstated.

While there has been significant fiscal adjustment over the past two years, the Government recognizes that further effort is needed to secure fiscal stability and achieve the objective of debt sustainability. However, it is understood that the pursuit of fiscal and debt sustainability must be balanced against the developmental imperatives of economic growth, job creation, social and infrastructural investment. The objective of Government's fiscal strategy is therefore to ensure a gradual reduction in the debt burden such that the debt to GDP ratio will decline to 60 percent by 2030. In order to achieve this, the annual fiscal operations will be managed to ensure that an underlying

or structural primary surplus of between 2 to 3 percent of GDP will be achieved each year. Also, the focus will be on balancing the budget or generating small overall fiscal surpluses over the medium term. In any event, the overall balance will at all times fall within the ECCB indicative target of a deficit of less than 3 percent of GDP.

The underlying or structural primary surplus refers to the fiscal outturn that excludes extraordinary expenditure – such as the expenditure related to bank resolution – and revenue sources that may not be considered traditional or may be susceptible to significant external shocks that would not ordinarily affect other revenue streams. To illustrate this, the projected primary surplus for 2016 is 4.6% of GDP. This includes revenue from the CIP and reflects the Government's \$30 million investment in the Caribbean Union Bank (CUB). The underlying or structural primary surplus after CIP revenue and investment in CUB are excluded is projected to amount to 2.68 percent of GDP which exceeds the 2.65 percent target agreed with the IMF and Caribbean Development Bank. This fiscal target was agreed as a condition of the US\$50 million financial sector stability loan provided to the Government in 2015 to assist with the ABI resolution.

This fiscal target was attained because of the one-off spike in capital revenue that resulted from the judgment in favour of the Government which yielded forfeiture funds in the amount of \$177.4 million or 4.5 percent of GDP. These resources were used mainly for capital investment projects which would otherwise not have being made. The investments include cruise ship pier expansion, APUA telecommunications infrastructure development and reverse osmosis plant, housing development, expansion and refurbishment of school plant, purchase of equipment and vehicles for road construction and maintenance, and purchase of equipment and vehicles for the police force. It must be noted that all these investments were one-off and will help to enhance the productive capacity and efficiency of the economy, promote growth, and create employment. This in turn will generate increased revenue from tax and non-tax sources in 2017 and beyond.

If the forfeiture funds and the associated expenditure were removed from the 2016 fiscal numbers, then the projected underlying or structural primary surplus would be 2.5 percent of GDP.

In 2017, the fiscal stance will be balanced and pragmatic: securing long term sustainability while at the same time ensuring economic activity is not thwarted by fiscal policies that are too conservative. Essentially a primary surplus that ensures the Government can finance its current operations in 2017 will be the target. This means generating sufficient revenue and managing expenditure such that (i) Government will have sufficient revenue to meet its current operational expenditures, (ii) containing the overall fiscal deficit to less than \$20 million or 0.5 percent of GDP, (iii) achieving an underlying primary surplus of at least \$80 million or 2 percent of GDP, and (iv) making current payments to the majority of our creditors. Over the medium term, this fiscal stance will also allow the Government to gradually reduce arrears and become current on payments to all of its domestic and external creditors.

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

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

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

Further, the Government will undertake a number of initiatives that will increase revenue yield by about \$66 million. These interventions will focus on strengthening tax administration rather than the introduction of new tax measures. At the heart of this effort will be enactment of an updated Tax Administration Procedures Act (TAPA), which will include a garnishing provision in relation to the collection of ABST revenue. The Inland Revenue Department will also implement a plan to collect tax arrears, which will involve taking decisive legal action against non-compliant taxpayers. The IRD will also work more closely with other Government agencies, through the establishment of MOUs, to complete the circle of information regarding activities of taxpayers to help improve tax assessments and revenue collection. There will also be a cap placed on discretionary tax waivers particularly in respect of the import duty and the Revenue Recovery Charge. Also, the revenue collection from these and other border taxes will be bolstered by the implementation of ASUCYDA World. These interventions will result in an increase in the yield from Property Tax, the Unincorporated Business Tax, Stamp Duties, the Import Duty, Revenue Recovery Charge, Antigua and Barbuda Sales Tax, and the Corporate Income Tax.

The Government is of the view that this is a feasible fiscal strategy that represents an attainable level of fiscal effort for 2017. It is a credible indication of Antigua and Barbuda's commitment to pursuing a prudent and responsible fiscal path towards debt sustainability without sacrificing economic growth, employment and improving the standard of living of the population.

The efforts to improve revenue performance will continue in 2018 and over the medium term through further rationalization of the tax incentives system based on recommendations that are expected to emanate from the report on the International Finance Corporation (IFC) tax expenditure review exercise. Additional interventions include the introduction of a Revenue Court, gradual reduction of the work experience programme as the economy expands, and improving the technological and technical capacity of the revenue agencies. The Government will also reduce rental costs through completion and conversion of the car park into office space and completion of

the State Insurance Corporation and the Department of Marine Services buildings. These will help to secure achievement of a primary surplus of 3 percent of GDP by 2018.

The Government cannot successfully traverse the path of fiscal stability and debt sustainability without the support of its bilateral, regional and multilateral partners. Over the years these partners have contributed to improving macroeconomic performance by providing significant technical and financial assistance to Antigua and Barbuda. We are grateful for the assistance of the Eastern Caribbean Central Bank, the Caribbean Development Bank, the Governments of Canada and the United Kingdom, the European Union, Caribbean Technical Assistance Centre, the IMF and the World Bank and look forward to continued and mutually beneficial collaboration in the coming years.

Another critical aspect of the Government's strategy for 2017 is to make a significant effort to become current with its Paris Club creditors. Except for France and Japan, payments will be made to the creditors with whom the Government is not engaged in negotiations. Once the obligation to the IMF is satisfied in 2018, the Government will then move to satisfy its obligation to other Paris Club creditors. It should be noted that by the end of December 2016, the Government would have paid about \$187.7 million or 5 percent of GDP to the IMF. It should be noted that the majority of this amount was paid using CIP receipts. A further \$65 million will be paid in 2017 and about \$20 million in 2018. Once the IMF is fully repaid, this would create fiscal space to allow for payment to other major external creditors.

Also in 2017 the Government will focus on reducing arrears to external and domestic creditors with the intention of bringing the stock of arrears below 5 percent of GDP by 2020. An important part of the arrears reduction strategy will be the development and execution of a plan for the settlement of the stock of intra-agency payables in the public sector. Additionally, the Government will implement a plan to rationalize and formalize the floating debt stock. The floating debt is government debt due to suppliers and contractors that has been outstanding for decades. In 2017, this stock of debt will be

addressed through a decisive programme that will seek to reduce floating debt by fifty percent.

The foregoing represents the Government's strategy to ensure fiscal and debt sustainability while pursuing its aggressive growth agenda. The fiscal effort that will be made in 2017 will send the appropriate signals to the market that the Government is pursuing a credible fiscal path and should lead to even greater confidence in Antigua and Barbuda's ability to generate the resourced needed to meet all of its domestic and external obligations.

## **APPENDIX 6: DEBT MANAGEMENT 2017**

The Debt Management Unit continues to work towards ensuring that debt management is consistent with economic and fiscal policies, while ensuring that Government's financing needs and obligations are met on a timely basis, in a cost effective manner and with a prudent management of risk, and at the same time developing and maintaining amicable relationships with all stakeholders.

At the end of 2015, the total debt stock amounted to \$3.1 billion and the government made debt service payments totaling \$506.7 million. Of this amount \$409.0 million represented principal payments and \$97.7 million represented interest payments. The debt stock is projected to decline to \$2.9 billion in 2016 with central government debt accounting for \$2.5 billion and government guaranteed debt accounting for about \$400 million. Central Government debt is comprised of \$1.2 billion in external debt and \$1.3 billion in domestic debt. Central Government debt service in 2016 amounted to \$483.8 million representing interest payments totaling \$93.5 million and principal payments totaling \$390.3 million.

### ***New Financing for 2017:***

In the area of negotiations for new financing, the government completed negotiations with China Exim Bank for the Port of St John's Renovation and Extension Project.

The amount of the loan is Renminbi Six Hundred Million (¥.600,000,000) or approximately \$233,968,808. The loan has an interest rate of 2 percent, a grace period of 5 years and a repayment period of 15 years. The Government is concluding negotiations with the United Arab Emirates' Abu Dhabi Fund for Development to secure a US\$15 million concessional to fund a renewable energy project. It is also anticipated that disbursement from the CDB for a US\$6.75 million loan to fund a street lighting project.



Following the signing of a new financial agreement with the Kuwait Fund for Arab Economic Development in 2015, to restructure longstanding arrears and regularize amortization payment, we have been making payments toward settlement of the outstanding debt. The Government hopes to advance discussions for new financing in 2017 and looks forward to welcoming a delegation from Kuwait to negotiate funding for a sewage project for the city. Finally, the Government will maintain a strong presence on the Regional Government Securities Market (RGSM).

We thank our investors who continue to show support for our issuance of securities on the Regional Government Securities Market (RGSM) and we look forward to your continued support. Throughout 2016, each of Antigua and Barbuda's securities issued on the RGSM was oversubscribed. The Government of Antigua and Barbuda's total stock of securities debt at the end of 2016 was \$588.9 million.

In 2015, the Government of Antigua and Barbuda issued securities totaling \$182 million and received approximately \$206 million. In 2016 \$178.3 million was issued and \$200 million was received. This continued oversubscription of securities issued on the RGSM demonstrates that interest in Antigua and Barbuda securities remains strong even as the average interest rate has fallen between 6 percent and 6.5 percent to under 5 percent. We thank our investors who continue to show support for our issuance of securities on the Regional Government Securities Market (RGSM) and we look forward to their continued support in 2017.

In 2017, the Debt Management Unit will focus on improving the way debt data is communicated to the public and various other stakeholders. To this end the Unit will complete annual debt portfolio reviews and publish quarterly debt bulletins. An update to the Medium Term Debt Strategy will help guide the Government's policies toward ensuring that by 2020 a debt to GDP ratio of 70 percent is achieved and that the ECCU target of 60 percent is attained by 2030. One of the key objectives of the Government over the medium term is to secure more financing from bilateral and multilateral sources

on the external side and mainly from the RGSM on the domestic side. The Debt Management Unit will also spearhead the Government's efforts to settle all intra-governmental liabilities; reconcile and transfer all remaining over-the-counter securities to the ECSE; and resolve the floating debt owed to suppliers and contractors. The pursuit of these objectives aims to significantly reduce the Government's cost of borrowing, ultimately reducing the debt service ratio while at the same time actively managing the potential risks of contingent liabilities. At the end of 2016, the Debt to GDP ratio is estimated to be 76 percent. This key macroeconomic indicator will decline further to 74 percent by the end of 2017.

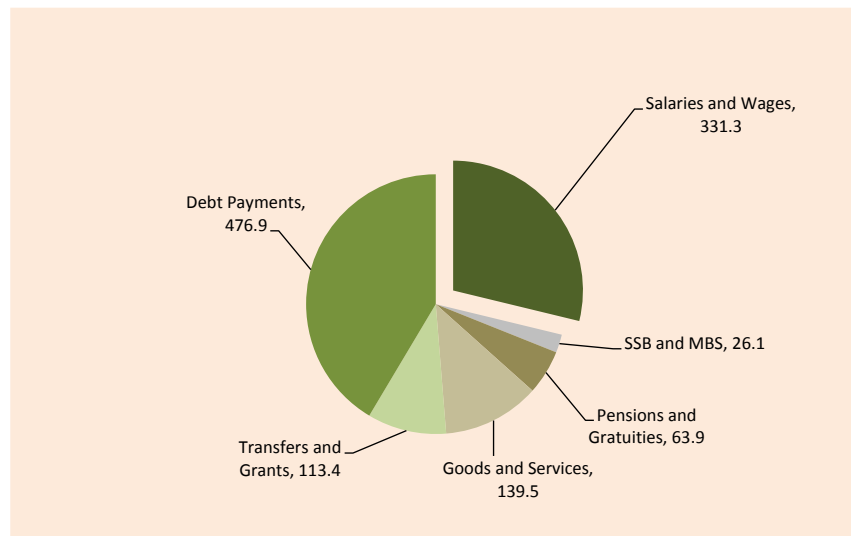
## **APPENDIX 7: BUDGET PROJECTIONS – 2017**

Recurrent expenditure for fiscal year 2017 is estimated at \$ \$769.5 million while recurrent revenue is estimated at \$935.4 million.

Recurrent expenditure including principal payments is estimated at \$1,151.0 million, which is about 6.6 percent above the \$1,079.4 million estimated in Budget 2016.

Accordingly, we project a current account surplus of \$165.3 million for fiscal year 2017. This compares with a current account surplus of \$120.2 million in Budget 2016.

Recurrent Expenditure comprises the following categories:



- Salaries, wages and allowances, budgeted at \$331.3 million
- Contributions to Social Security and Medical Benefits, budgeted at \$26.1 million
- Pensions and Gratuities, budgeted at \$63.9 million
- Goods and services including utilities, budgeted at \$139.5 million
- Transfers and grants, budgeted at \$113.4 million
- Debt service payments, budgeted at \$476.9 million

## **Budgetary Allocations:**

The following highlights a number of policies and programmes that will be undertaken by selected Ministries.

### **Ministry of Education Science & Technology**

The Ministry of Education, Science and Technology is allocated **\$91.8** million in this year's Budget.

These resources will be used to will pursue the following priorities and strategies:

- i. Establishing additional partnership agreements and MOUs between Antigua and Barbuda International Institute of Technology (ABIIT) and Universities in Canada and the United States to increase opportunities for students to access scholarships and transfer credits to their universities of choice.
- ii. Allowing the National Training Agency to assist with introducing the Caribbean Vocational Qualification (CVQ) in all secondary schools in Antigua and Barbuda.
- iii. Training Assessors and verifiers to effectively deliver the CVQ.
- iv. Relocation of the Antigua and Barbuda Institute of Continuing Education and increasing the number of courses offered by the Institute.
- v. Continuing Adult Literacy classes at the National Public Library.
- vi. Continuing work on the upgrade and expansion of several school plant in Antigua and Barbuda and commencing construction of a new secondary school at Tomlinson's and a new pre-school and Early Childhood Development centre in Buckleys.
- vii. Continuing emphasis on teacher training and professional development.
- viii. Re-opening the school of Pharmacy.

The Government continues to provide scholarships and concessional loans to Antiguan and Barbudans to pursue various training and educational programmes nationally, regionally and internationally. The Government has spent in excess of \$20 million in 2016 for this purpose. In 2017, the Board of Education, the Prime Minister's Scholarship Fund and the National Student Loan Fund will continue to provide financing for the development and empowerment of our young people.

### **Ministry of Health and the Environment**

The budgetary allocation for the Ministry of Health and the Environment (MHE) in Budget 2017 is **\$89.1 million**.

Priority areas for this Ministry include:

- i. Advancing programmes to reduce risk factors for Non-Communicable Diseases;
- ii. Enacting the Tobacco Control legislation;
- iii. Improving and augmenting the services offered by the Mount St. John Medical Centre, including performing kidney transplant surgery;
- iv. Developing proposal for the creation of National Health Insurance;
- v. Improving physical and human resource capacity of Central Medical Stores and install an electronic warehouse management system;
- vi. Upgrading the facilities that house the Fiennes Institute, Clarevue Psychiatric Hospital, and Emergency Medical Services;
- vii. Increased training for HIV/AIDs counselors and enhanced HIV outreach programme for Barbuda;
- viii. Improving access to nutritional and psychosocial services for persons living with HIV;
- ix. Developing policies and programmes to promote human rights, including gender equality;
- x. Refurbishing and re-opening the Judges Hill, Pares, and Old Road clinics;

- xi. Continuing to develop and implement programme to ensure Antigua and Barbuda meet its climate change obligations and sourcing funding to support adaptation and mitigation projects;
- xii. Enactment of a number of legislation including the Food Safety Act, Quarantine Act, the Litter Act, the Public Health Act and regulations for the Environmental Protection and Management Act.

Antigua and Barbuda will continue its efforts to reduce carbon emissions through a number of initiatives including tax waivers on the importation of electric vehicles and other green energy products. In addition, with a concessional loan from the United Arab Emirates, the Government will undertake a renewable energy project that will make use of both solar and wind energy. This will provide power to Government offices and public sector corporations and, like the solar energy plant at the V.C. Bird International Airport, will further reduce the country's reliance on fossil fuels.

### **Ministry of Works and Housing**

The Ministry of Works and Housing has been allocated **\$72.6 million** to carry out its mandate in 2017.

This Ministry's strategic priorities include:

- i. Continuing to maintain all the major roads into the city of St. John's and to upgrade critical secondary roads;
- ii. Implementing a comprehensive plan for the upgrade and rehabilitation of the road infrastructure which will include a major community road project;
- iii. Completing a National Housing Policy and Strategic Plan;
- iv. Completing the upgrade of the Materials Laboratory;
- v. Strengthening the engineering and architectural functions of the ministry to support the infrastructural development projects that will be undertaking in 2017.

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

The Office of the Attorney-General and the Ministry of Justice and Legal Affairs, Public Safety, and Labour, has been allocated **\$73.1 million** in Budget 2017.

These resources will be used to fund a number of critical programmes in 2017 to include:

- i. Creating a Crown Prosecution Service;
- ii. Digitization of all instruments filed with the Land Registry prior to 2005;
- iii. Continued automation of the Intellectual Property Registry;
- iv. Creating a Family Court to address all family matters that are now handled by the High Court and the Magistrates' Court;
- v. Establishing a Labour Market Information System with the assistance of the CARICOM Secretariat;
- vi. Implementing the CARICOM Secretariat Online Application and Database System to allow for online applications, verification and granting of CARICOM Skilled National Certificates.
- vii. Launching the Training Programme and continuing the Temporary Employment Programme both of which form part of the World Bank-funded Antigua and Barbuda Skills Training and Empowerment Programme (ABSTEP);
- viii. Conducting a Labour Force Survey and an Employer Skills Demand Survey;
- ix. Acquisition of a Fire Safety Boat and equipment for the Fire Department;
- x. Creating a Fire Code for Antigua and Barbuda;
- xi. Completing the upgrades at Her Majesty's Prison;
- xii. Establishing a Farmer's Market for the sale of surplus produce from the Prison Farm;
- xiii. Ensuring Antigua and Barbuda remains compliant with international requirements by executing policies to prevent human trafficking;
- xiv. Completing the National Action Plan to combat trafficking in persons;

An amount of \$32.5 million has been allocated to the Police Force in Budget 2017. This is 2.8 percent above the amount budgeted in 2016 and will serve to enhance the Police's ability to investigate, apprehend, and secure the successful prosecution of the criminal element in our society. Some of the priority areas include:

- i. Improving investigative techniques of Police Officers, with particular emphasis on investigating and ultimately prosecuting money laundering offences.
- ii. Continuing to assist communities to establish and operate Neighborhood Watch programmes.
- iii. Acquiring equipment and protective gear for the Police.
- iv. Purchasing firearm and ammunition and enhancing the firearm safety training programme.
- v. Training an additional 50 recruits in 2017.
- vi. Expanding and upgrading the Police Canine (K-9) Unit with additional dogs and new officers.
- vii. Collaboration between the K-9 Unit and Customs Department: Officers from both agencies are currently receiving canine handling training and will be able to improve detection of illicit substances at our borders.
- viii. Providing ongoing training and development for officers, including a targeted development programme for officers who will be promoted to senior positions. This forms part of a wider succession planning initiative to ensure that as positions become vacant due to retirement, there are well trained and capable officers who can fill these posts.
- ix. Introducing new traffic measures to prevent or curtail speeding and thus reduce the number of accidents and road fatalities.
- x. Construction of Bolans Police Station.



### **Ministry of Tourism, Economic Development, Investment and Energy**

The **Ministry of Tourism, Economic Development, Investment and Energy** has an **allocation of \$31.5 million.**

Some highlights of the strategies to be pursued in 2017 are:

- i. Continuing to enhance marketing and product development programmes to increase the awareness and competitiveness of the Antigua and Barbuda brand;
- ii. Implementing a strategy for the development and expansion of the Information technology-enabled services/Business Process Outsourcing (ITES/BPO) sector;
- iii. Continuing efforts to rebrand and revitalize the yachting industry;
- iv. Implementing the one – stop –shop (hassle free) business registration project;
- v. Promoting the use of green technology and renewable energy to improve energy efficiency.

### **Ministry of Social Transformation & Human Resource Development**

The allocation for the Ministry of Social Transformation and Human Resource Development in Budget 2017 is **\$20.9 million.**

The Ministry will use these resources along with support from external agencies to continue work in a number of areas including:

- i. Creating the Youth Cadet Disaster Management Corps and completing the National Disaster Risk Reduction strategy;
- ii. Enhancement of existing Social Protection Programmes and developing new programmes to support the vulnerable in society;

- iii. Enhancing training and development programmes to build capacity in the public sector;
- iv. Disaster Mitigation and Management and continuing work on the Search and Rescue training facility at Crabbs;
- v. Development of entrepreneurial and empowerment initiatives;
- vi. Strengthening the legal and regulatory framework to support Child Rights Convention and Policy on Institutional Care;
- vii. Creating a Vagrancy Control Programme in collaboration with Faith Based Organisations, Community Based Organisations and the Private Sector.

**Ministry of Information, Broadcasting, Telecommunications**  
**and Information Technology**

The allocation for the **Ministry of Information, Broadcasting, Telecommunications and Information Technology** is **\$14.98 million**.

These resources will be used in 2017 to pursue several projects and programmes. These include:

- i. Launching an eGovernment Expo to showcase Antigua and Barbuda's eGovernment initiatives;
- ii. Collaborating with APUA to distribute high speed internet to all Ministry headquarters;
- iii. Working with the Passport Office to implement E-Passports;
- iv. Creating a modern ICT regulatory framework and introducing a new licensing regime;
- v. Developing a Gigabit Fibre to Home (FTH) network for Antigua and Barbuda;
- vi. Continuing the ICT Cadet Programme
- vii. Improving cyber security awareness in the public sector by establishing a Cyber Security Incident Response team.

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

The allocation for the **Office of the Prime Minister** is **\$27.7 million** while the allocation for the **Ministry of Finance and Corporate Governance** is **\$96.8 million**.

These Ministries' strategic focus continue to be the following:

- i. Promoting the Citizenship by Investment Programme to further increase global interest and strengthening due diligence processes to maintain the integrity of the Antigua and Barbuda programme;
- ii. Increasing the number of registered Antigua and Barbuda flagship vessels, and increasing revenues, through the work of the Antigua and Barbuda Department of Marine Services (ADOMS);
- iii. Developing a Corporate Governance policy and implementing governance training programmes;
- iv. Implementing an effective fiscal and debt management strategy to ensure fiscal and debt sustainability targets are achieved. The success of this strategy is evidenced in the strong fiscal performance over the past two years and the continued decline in the debt to GDP ratio.
- v. Continuing to implement legislative and institutional reforms for tax administration, this will include enhancing the Tax Administration and Procedure Act;
- vi. Overseeing operations of the Project Management Unit of the restructured World Bank Public and Social Sector Project;
- vii. Increasing monitoring and reporting on the performance of statutory corporations, this includes making use of the Operations Manual for oversight of statutory corporations that was developed under the Public Financial Management project funded by the EU's Economic Development Fund (EDF);
- viii. Ensuring timely preparation of Government's annual financial statements;
- ix. Improving the accounting structure and systems in all Government Accounts departments;

- x. With grant funding from the Caribbean Development Bank, establish appropriate arrangements for implementing, reviewing and updating the Medium Term Development Strategy (MTDS);
- xi. Strengthening internal revenue collection procedures and enhancing collection enforcement;
- xii. Creating a Revenue Court for more efficacious resolution of tax matters;
- xiii. Implementing the Automated Systems for Customs Data (ASYCUDA) for Customs trade facilitation and enforcement;
- xiv. Continuing to improve arrangements for procurement and contract administration with assistance from the Commonwealth Secretariat;
- xv. Implementing incentives-based performance improvement plans to ensure delivery of professional and cost effective service and achievement of key objectives;
- xvi. Launching a new Public Financial Management (PFM) reform project with funding from the European Union; and
- xvii. Conducting internal audits of a number of key Government departments using the expertise in the Internal Audit Unit.

### **Capital Expenditure:**

Capital Expenditure is budgeted at **\$105.9 million**.

This is about \$3.2 million more than the \$102.7 million spent in 2016 and \$85.6 million less than the \$191.5 million budgeted in 2016. It should be noted that of the \$191.5 million budgeted in 2016 for capital expenditure, \$54 million represented the road works to be funded by the UK-CIF grant. Much of the preparatory work for this project was undertaken in 2016 while the actual capital works will begin in 2017.

The Government has prioritised road development and road repair and maintenance for 2017. Therefore, 57.2 percent or \$60.6 million of the resources allocated for capital expenditure will be spent on road works.

The other major projects to be undertaken in 2017 include:

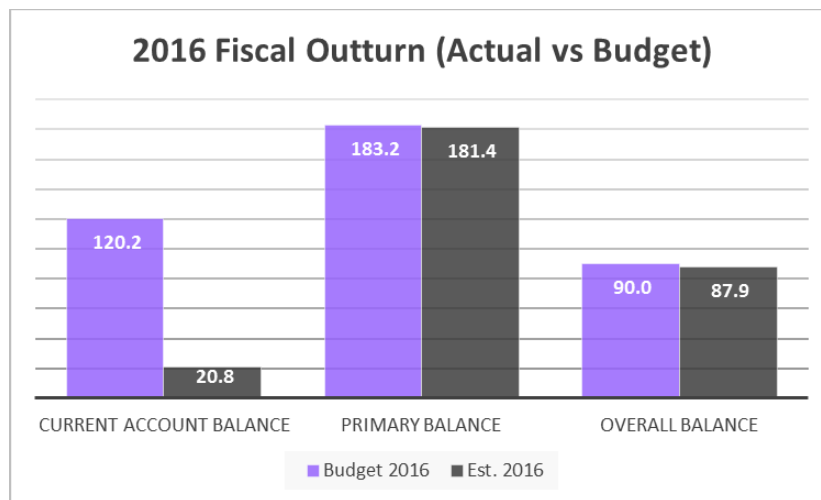
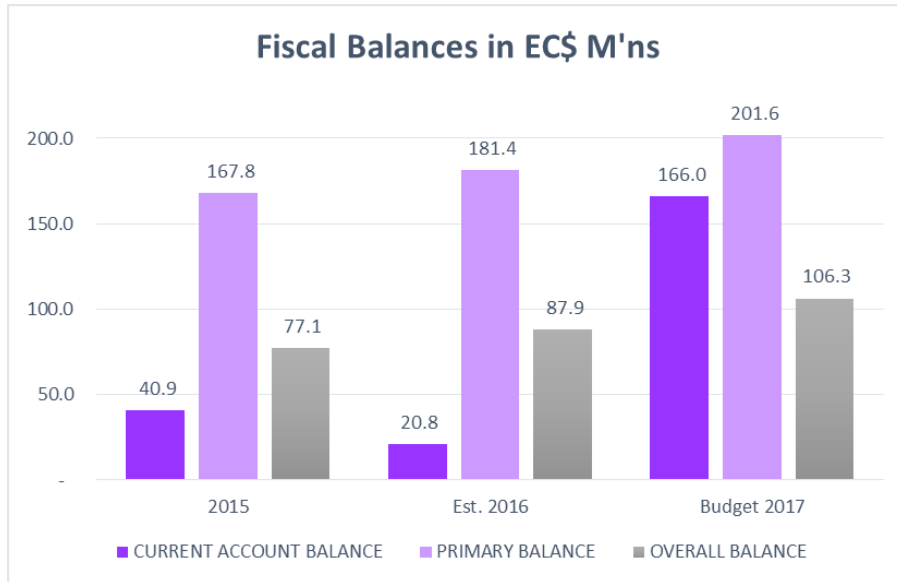
<b>Projects</b>	<b>Amount Allocated</b>
Barbuda Justice Complex	\$1 million
Airport Radar Restoration	\$3.9 million
Learning Resource Centre Antigua State College (funded by Caricom Development Fund)	\$5.9 million
ASYCUDA Implementation (partly funded by EU)	\$1.1 million
Renovation/Upgrade of Police Headquarters and Bolans Police Stations, Computerisation of Police Stations, Renovation and Outfitting of Canine Unit, Establishment of Forensic Science Laboratory	\$1.98 million
Basic Education Project 2 (funded by CDB)	\$6.4 million
Renovation & Upgrade of Military Facility	\$1.0 million
Electoral Commission Establishing Registration Centres	\$0.7 million
Introduction of E Passports	\$0.95 million
Upgrade of Government Buildings	\$1.3 million

## **APPENDIX 8: EXPENDITURE ALLOCATIONS**

<b>Expenditure Allocations - 2017</b>	<b>Amount Allocated (\$)</b>
Office of the Governor General	<b>2,189,553</b>
Legislature	<b>2,115,082</b>
Cabinet	<b>3,892,707</b>
Judicial	<b>2,182,334</b>
Service Commissions	<b>814,335</b>
Audit	<b>1,107,752</b>
Pension and Gratuities	<b>61,353,600</b>
Public Debt	<b>476,911,430</b>
Electoral Commission	<b>4,381,403</b>
Office of the Prime Minister and Prime Minister's Ministries	<b>27,669,078</b>
Foreign Affairs, International Trade and Immigration	<b>26,692,028</b>
Ministry of Finance and Corporate Governance	<b>96,813,768</b>
Ministry of Agriculture, Lands, Fisheries and Barbuda Affairs	<b>18,521,688</b>
Ministry of Health and the Environment	<b>89,136,433</b>
Ministry of Education, Science and Technology	<b>91,752,120</b>
Ministry of Public Utilities, Civil Aviation and Transportation	<b>8,446,222</b>
Ministry of Public Works and Housing	<b>72,615,360</b>
Ministry of Social Transformation and Human Resource Development	<b>20,880,673</b>
Attorney General's Office and Ministry of Legal Affairs, Public Safety, and Labour	<b>73,090,682</b>
Office of the Ombudsman	<b>509,669</b>
Ministry of Tourism, Economic Development, Investment and Energy	<b>31,455,387</b>
Ministry of Trade, Commerce and Industry, Sports, culture and National Festivals and Community Service	<b>23,572,351</b>
Ministry of Information, Broadcasting, Telecommunications and Information Technology	<b>14,981,284</b>
<b>TOTAL EXPENDITURE</b>	<b>1,151,084,939</b>

## APPENDIX 9: SELECTED FISCAL DATA AND INDICATORS

	2015	Budget 2016	Est. 2016	Budget 2017
	<i>EC\$ Million</i>			
<b>TOTAL REVENUE AND GRANTS</b>	<b>869.9</b>	<b>1,013.3</b>	<b>978.6</b>	<b>981.6</b>
<b>Current Revenue</b>	<b>782.9</b>	<b>852.0</b>	<b>798.1</b>	<b>935.4</b>
<b>Tax Revenue</b>	<b>622.6</b>	<b>651.7</b>	<b>652.2</b>	<b>742.2</b>
<b>Direct Taxes</b>	<b>107.8</b>	<b>82.4</b>	<b>91.8</b>	<b>92.3</b>
<i>of which: Corporation tax</i>	52.2	48.2	48.7	54.1
<i>Personal Income Tax</i>	37.3	-	22.7	-
<i>Unincorporated Business Tax</i>	-	8.0	2.1	12.0
<i>Property tax</i>	17.7	24.7	17.5	25.4
<b>Indirect Taxes</b>	<b>514.8</b>	<b>569.3</b>	<b>560.4</b>	<b>649.9</b>
<i>of which: Stamp duties</i>	33.9	30.7	42.7	49.1
<i>Gambling Tax</i>	-	-	-	5.0
<i>Antigua and Barbuda Sales Tax</i>	231.6	237.2	258.1	287.5
<i>Import duty</i>	82.2	90.6	87.0	104.0
<i>Revenue Recovery Charge</i>	75.3	103.4	78.9	95.2
<i>Tax on Income of Offshore Banks</i>	-	12.5	-	10.0
<i>Consumption duties</i>	63.6	60.4	71.9	77.0
<b>Nontax revenue</b>	<b>160.3</b>	<b>200.3</b>	<b>145.9</b>	<b>193.2</b>
<i>of which: Work Permits</i>	2.9	2.5	4.5	4.5
<i>CIP-NDF Receipts</i>	126.4	117.0	72.1	117.0
<i>Surplus funds and Dividends</i>	8.5	63.3	52.5	54.3
<b>Total Capital Revenue</b>	<b>87.0</b>	<b>161.3</b>	<b>180.6</b>	<b>46.2</b>
Capital Receipts	65.9	94.7	180.1	4.0
<i>of which: Land sales</i>	4.0	4.0	1.3	4.0
<i>Other (Forfeited Proceeds, etc)</i>	61.8	89.2	177.4	-
Capital grants	21.1	66.6	0.5	42.2
<b>TOTAL EXPENDITURE</b>	<b>792.8</b>	<b>923.3</b>	<b>890.7</b>	<b>875.3</b>
<b>Primary Expenditure</b>	<b>702.1</b>	<b>830.1</b>	<b>797.2</b>	<b>780.0</b>
<b>Recurrent Expenditure</b>	<b>742.0</b>	<b>731.8</b>	<b>777.3</b>	<b>769.4</b>
Salaries and Wages	307.2	319.6	322.3	331.3
Statutory Contributions (S.S and MBS)	24.3	27.5	24.4	26.1
Goods and Services	106.6	127.4	124.0	139.5
Transfers and Grants	213.2	164.1	213.1	177.2
<i>of which: Pensions and Gratuities</i>	63.4	63.9	65.0	63.9
Total Capital Expenditure	50.8	191.5	113.4	105.9
Interest Payments	90.7	93.2	93.5	95.3
<i>External Interest</i>	16.9	25.9	28.2	29.1
<i>Domestic Interest</i>	73.8	67.3	65.3	66.2
<b>CURRENT ACCOUNT BALANCE</b>	<b>40.9</b>	<b>120.2</b>	<b>20.8</b>	<b>166.0</b>
<b>PRIMARY BALANCE</b>	<b>167.8</b>	<b>183.2</b>	<b>181.4</b>	<b>201.6</b>
<b>OVERALL BALANCE</b>	<b>77.1</b>	<b>90.0</b>	<b>87.9</b>	<b>106.3</b>



Fiscal ratios					
Years	IMF Target		GOAB Actual/Forecast		
	Underlying Primary Balance*		Underlying Primary Balance		
	EC\$ Million	% of GDP	EC\$	% of GDP	
<b>2016</b>	100.9	2.7	102.1	2.7	
<b>2017</b>	106.0	2.7	94.6	2.4	

Note: \* Underlying Primary Balance represents non-debt Government operations without taking into account transactions related to Citizenship by Investment revenue



## **APPENDIX 10: SELECTED DEBT DATA AND INDICATORS**

	2014	2015	2016	2017
<b>Total Government Debt</b>	<i>(in EC\$ billions)</i>			
Debt Stock (Including arrears)	3.11	3.13	2.91	2.98
<i>of which, Central Government</i>	2.66	2.68	2.51	2.61
<i>of which, Government Guaranteed</i>	0.46	0.44	0.40	0.37
<b>Central Government Debt</b>				
Debt Stock (Including arrears)	2.66	2.68	2.51	2.61
<i>of which, External Debt</i>	1.21	1.29	1.16	1.21
<i>of which, Domestic Debt</i>	1.45	1.40	1.36	1.40
	<i>(in EC\$ millions)</i>			
Total Debt Service	0.23	0.50	0.49	0.43
<i>of which, Principal</i>	0.08	0.09	0.41	0.34
<i>of which, Interest</i>	0.15	0.41	0.08	0.08
<b>Key Debt Ratios</b>				
	<i>(in EC\$ millions)</i>			
GDP	3.40	3.60	3.80	4.00
	<i>(in % of GDP)</i>			
Total Debt-to-GDP	91.61%	86.84%	76.58%	74.43%
Central Government Debt Service	6.77%	13.85%	12.88%	10.63%

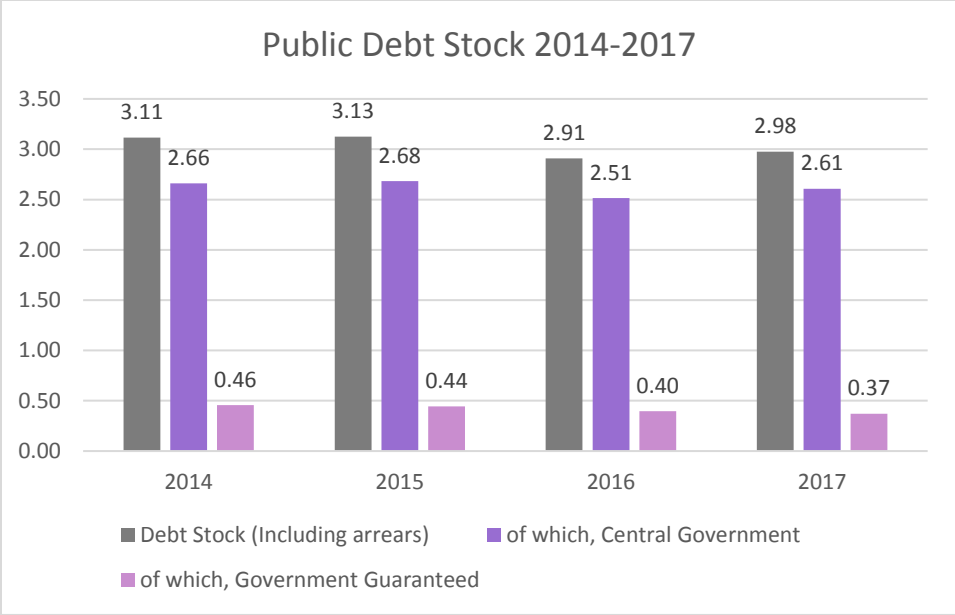


Figure 1: Total Public Debt Stock

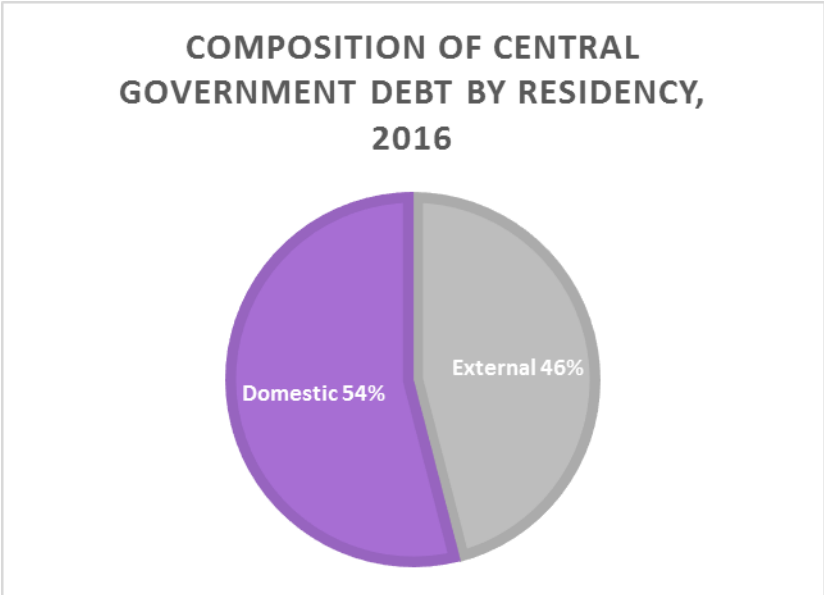


Figure 2: Composition of Central Government Debt

## **APPENDIX 11: PROCUREMENT**

In 2016, the Government, through the Office of the Cabinet Secretary and in conjunction with the Ministry of Finance engaged the Commonwealth Secretariat technical assistance programme to improve and strengthen the efficiency and effectiveness of public procurement within the public service.

Mr. Philip Adams, was commissioned on a four-month assignment as a Procurement Consultant to the Government of Antigua and Barbuda, who shaped the core pillars to constructively improve the procurement process. Most significantly is the prioritised recognition of access to government procurement as a development tool. The economic impact of procurement is undeniable as it constitutes approximately 40% of the national budget on expenditure.

The Procurement and Contract Management Act of 2011 was intended to replace the Tenders Board Act, which currently provides oversight and regulation for public procurement across the public service. However, my Government thought it necessary to properly review all aspects before enabling a successful transition in procurement systems.

To enhance our development prospects, providing fair and equitable opportunity to the widest cross section of vendors would exceptionally stimulate economic participation. Moreover, targeted initiatives could positively encourage entrepreneurs and otherwise marginalized segments of society to actively benefit from procurement opportunities, notwithstanding company size or depth of experience. Consequently, the core pillars to a modern procurement system involve the government's commitment to:

- a) Widening the pool of **procurement specialists** within government through training administered over the past three months that built upon updated procedures and guidelines for procurement;
- b) Establishing a **Procurement Unit** under the leadership of a Chief Procurement Officer in 2017. This unit will separate operational and oversight functions and will be faster with almost immediate approvals by the Procurement Board. It will be further supported by personnel across the public service who received training under this consultancy;
- c) A commissioned public **procurement website**, which was launched on 6<sup>th</sup> December 2016 and provides a window to advertise and inform vendors of

bidding opportunities as well as status updates of ongoing tenders, including publicizing awards;

- d) Introducing a **Vendor Registration** process whereby all domestic, regional and international companies would first register to be able to vie for government contracts. The vendor registration allows for greater control over participating companies and individuals and assures their legitimacy; manages compliance to our tax laws and the capacity to delete black-listed or poorly performing participants; and
- e) Supporting **special incentives** for procurement as a tool for development wherein small local vendors would be given opportunities to submit bids through “set-asides”. The “set-asides” would be restricted to small local vendors within specific communities and can accommodate otherwise economically challenged segments of society. A likely positive spin off to “set asides” can also lead to a campaign of “buy” Antiguan.

It is envisaged that further expanding on these core pillars will improve public procurement and the Ministry of Finance and Corporate Governance, Ministry of Works and Housing, Ministry of Legal Affairs and other related departments are charged with giving effect to a modern procurement system in 2017.

The Government of Antigua and Barbuda extends sincere appreciation to the Commonwealth Secretariat for their immensely valued assistance.

## **APPENDIX 12: PFM AND TREASURY OPERATIONS**

The Public Financial Management (PFM) Improvement Project continues to expand with the implementation of a number of modules of the FreeBalance software. These include Inventory and Stores Ministry of Works and Housing), Civil Service Management (Establishment Division and Ministry of Works and housing), an upgrade to Performance Budgeting (Budget Office) and the Transparency Portal and Ministers' Dashboard. Work commenced a couple of these modules a few years ago but was put on hold until resumption in 2016. The implementation is being done in stages.

The Inventory and Stores Module and the Civil Service Management module requires the capturing of a large volume of data. We are pleased to report that employee data for Established Officers have been captured as well as employee data for the Ministry of Works and Housing which has the largest number of Non-Established workers. The data for Established officers is currently being validated. In 2017 both departments will move on to the next stage which is to test the functionalities offered by the module. Once testing and training of staff is completed the departments will move on to full implementation. This will be a significant achievement. Staff records will be stored electronically; leave management, succession planning, and staff rotation just to name a few will become more efficient because the data will be stored electronically and can be manipulated faster. The FreeBalance software offers a number of functionalities including reports that will facilitate better management of employee data.

The project team which comprises staff of the Treasury Department, Ministry of Finance Headquarters and the Ministry of Works and Housing will be working very closely with the FreeBalance project team to test the functionalities in the Inventory and Stores Module. The major categories of goods have been catalogued and forwarded to Freebalance in order to populate the database. The next stage is to enter quantities and test the software. This is expected to be done during the first half of 2017. Full implementation will follow thereafter. This module has several built in controls which provides for more efficient management of inventory. This is expected to assist with

cutting cost and overall better management of inventories. It will pave the way for improvement in procurement in general throughout the Government service. Work started on procurement management in 2016 with technical assistance from the Commonwealth Secretariat in the person of a Procurement Consultant who worked with the Tenders Board and several departments as well as select statutory bodies.

The upgrade of the Performance Budgeting module will be completed in 2017 after Budget 2017 has been passed and operationalized. This module plays a significant role in public financial management (PFM). It is the first and most important level of control in PFM at the ministry/department level. It gives Ministry of Finance better control of spending by ministries. The upgrade will complement the existing Financial Accountability module which is now used by all departments in government. Over the past two years the processing of vouchers was decentralized with departments taking on the responsibility of entering their vouchers and carrying out the first level of approval in the financial management system. This has freed up the staff of the Treasury to focus more the management of payments and on the back office functions of reconciliation, accounting and reporting. This aspect of the work of the Treasury has been improving consistently with more staff trained in accounting at the tertiary level. For the past four years, the annual financial statements have been prepared and submitted to the Director of Audit as required by the Finance and Administration Act of 2006. The Treasury is currently working on the preparation of the 2016 financial statements which by law are due on June 30, 2017.

The PFM program has continued to address the procedural and reporting issues faced by Treasury Department and other ministries and departments. Under this program a Public Financial Management Procedure Manual was developed and distributed to the accounting units in each ministry. During 2016 a team from the Treasury and the Ministry of Finance conducted training sessions with staff of all accounting offices in the various ministries. During these sessions the procedures in the manual were covered in detail. The Treasury Department will update the manual periodically or as it becomes necessary.

The Ministers' Dashboard and Transparency Portal which were put on hold over the past two years are expected to be implemented in 2017. However, their implementation requires upgrades to the infrastructure which is being worked on by the Ministry of Information, Broadcasting, Information Technology and Communication in collaboration with the Ministry of Finance and Corporate Governance. These modules are reporting modules which will provide information for decision making at the Ministerial level and information at the level of citizens and other stakeholders.