



2016 Budget Statement

Rebuilding a Stronger, Safer and Prosperous Antigua and Barbuda

Hon. Gaston A. Browne

*Prime Minister and Minister of Finance and Corporate Governance
Government of Antigua and Barbuda*

Thursday 21st January 2016



REBUILDING

A Stronger, Safer and Prosperous Antigua and Barbuda

2016 BUDGET STATEMENT

Third Session of Parliament

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Rebuilding a Stronger, Safer and Prosperous Antigua and Barbuda

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**The Honourable Gaston A. Browne, GCFO
Prime Minister of Antigua and Barbuda and
Minister of Finance and Corporate Governance**

INTRODUCTION

Mr. Speaker, I rise to present my Government's 2016 Budget to this Honourable House and to the citizens and residents of Antigua and Barbuda to whom we are all accountable.

The Budget theme for this year captures exactly what the people will experience in 2016 – "Rebuilding a Stronger, Safer and Prosperous Antigua and Barbuda".

As I said in my State of the Nation address on January 1st, I am proud that, as a nation, we begin the New Year better than we started each of the previous ten under the former regime.

That is not to say that all our problems are solved.

Far from it.

The dire state of the economy that my Government inherited in June 2014 cannot be fixed overnight.

The depth of maladministration and mismanagement was so profound that it will be years before it can be corrected.

But, we have made a bold, constructive and productive start.

I am pleased to say that we are well on our way to stabilizing our country.

We have turned it from the fear of despair to the prospect of hope; from unconcealed pessimism to unrestrained optimism.

That is why in this Budget, my Government intends to do two things:

First, deliver even more on the promises that we made to the people coming into government.

And second, lay out the policies, methodologies and machinery that we will implement to make our nation an Economic Powerhouse for the benefit of all.

THE PURPOSE OF BUDGET 2016

In the course of this presentation, Mr. Speaker, I will expand on the fulfillment of this sacred promise of “Rebuilding a stronger, safer and prosperous Antigua & Barbuda, as, I will elaborate on my Government’s plans to satisfy all the pledges we made to this Nation.

This is a Budget that recognizes the hardship that the people of our nation suffered over the decade 2004 to 2014.

It was a decade that was lost because of maladministration, mismanagement and incompetence.

This Budget is designed to start the process of giving economic power back to the people.

The 2016 Budget pledges can and will be achieved because the people decided to put their affairs in safe and competent hands.

Our people want a strong economy, working Social Security and Medical Benefits Schemes, advanced education, safety for their homes and businesses, and good paying jobs.

My Government intends to lay the foundations for all that, and to begin to deliver as much of it as possible this year.

But the greatest mistake this country could make would be to think all our problems could be resolved in one fell swoop.

Jobs are not created by accident.

They are created when consumers have confidence and when businesses have confidence – the confidence to invest, to grow and to hire.

Confidence that comes because our house is in order.

That is why, over the last 18 months, my government worked hard to stabilize the economic and financial systems.

No viable structure could be built on the wreckage of the past.

STABILIZING THE FINANCIAL SYSTEM

Mr. Speaker, even though on last Christmas Eve Day, members of my Cabinet and I reported to the people in a live broadcast on our stewardship of the country's affairs in 2015, and despite the fact that, on New Year's Day, I reported via all media on the State of the Nation, it is right and proper that a full report should be given to this Honourable House – our highest decision-making body.

Our most urgent task upon taking office was to pull back the economy from the precipice of disaster on which it was dangerously hanging.

The country was not just broken; it was broke.

My government inherited conditions of extremely high debt and delinquent loans from the previous administration.

I emphasize now that my government immediately launched a rescue programme, and it has been both transparent and accountable.

Mr. Speaker, our country was left by the previous government with hundreds of millions of dollars in arrears to key creditors.

Due to mismanagement, our country had accumulated arrears on its debts to the IMF, the Chinese Government, ECCB, the Kuwaiti Fund, and Paris Club, among others.

In addition, we owed the nurses, the public sector workers, the local banks and suppliers, West Indies Oil Company, Antigua Power Company, the SEMBCORP Water Company, Ericsson, and many others.

It was a case of arrears upon arrears.

The suppliers of critical services such as water, electricity and oil were owed \$150 million without any agreed credit terms and were on the brink of discontinuing supplies because of the hemorrhaging effect non-payment had on their businesses.

We were black listed on world financial markets as a pariah nation and scorned by financial institutions.

Mr. Speaker, I am pleased to inform this Honourable House that my Government has addressed most of these issues.

We have paid the arrears due to all the country's strategic creditors and we have re-negotiated some of the outstanding loans such as, the debt to Kuwait, repayment for which is now spread over 12 years at zero percent interest.

I will now identify some of the more urgent problems that were left gravely unattended – problems that we have tackled straightaway.

ABI BANK RESCUE

ABI Bank was bankrupt and on the point of collapse.

It was the largest bank failure in the history of the Eastern Caribbean Currency Union, and it seriously destabilized our country's financial sector.

My Government resolved ABI Bank and stabilized our financial sector thereby saving over half-a-billion dollars of our people's deposits.

In addition, we paid approximately \$12 million in workers benefits to staff of ABI Bank, which they would have lost otherwise.

In saving the ABI Bank, we also saved the ECCU banking system from the financial meltdown that threatened it for over four years.

WEST INDIES OIL COMPANY

Mr. Speaker, my government started its stewardship with the calamity left by the previous government of \$89 Million owing to the West Indies Oil Company (WIOC), then majority-owned by National Petroleum Ltd, and the real prospect of a cessation of fuel supplies.

With sheer ingenuity, we re-negotiated the US\$81M purchase price agreed by the former UPP administration down to US\$30 million, purchased the entire business to include a 200-acre property and sold 49 per cent of the shares for approximately US\$30 million, while holding on to 130 acres of residential land separately.

The previous regime could not raise the funds after eight years of futile effort and, in any event, would have given away the majority of the ownership shares for a loan; and I emphasize, (not equity), a loan of US\$24 million, in partial payment of the US\$81 million purchase price.

Such is the financial incompetence and lack of capacity in these principal architects of our nation's failure and decline.

The Government, on behalf of the people, now controls the single largest and most profitable corporation on the island.

This is in keeping with our strategy of 'entrepreneurial socialism' to utilize capitalist strategies, in collaboration with the private sector, to generate profits for the benefit of the people.

We raised an additional US\$15 million for expansion of WIOC's operation, including building new tanks.

The groundbreaking ceremony was held on January 7th and the project, which will provide direct employment and skills training for at least 120 persons, has begun.

Taxpayers of Antigua and Barbuda could now earn up to \$25 million a year in taxes and dividends, payable from increased profits of an expanded WIOC operation.

In addition, there are several other projects emanating from the acquisition of WIOC, which include a Commercial Business Park to be located on Friars Hill Road; two hotel resorts; and a business hotel.

WATER SUPPLIES

With regard to water supplies, that too was a tale of neglect that my government inherited.

Within my first week of assuming office – even before I could fully appoint a Cabinet – I had to tackle the problem of water supply with urgency.

The main water supplier – SEMBCORP Antigua Water Ltd – was determined to cut off supplies to the entire country because the previous administration owed in excess of \$22 million and offered no repayment plan.

This was the kind of callous behaviour that persisted.

They made no provision for providing the people with water, even as they were campaigning for a third term in office with lies and false promises.

Providing this nation with water became my first priority.

Without water the health of the entire nation, particularly our elderly and our young would have been seriously compromised.

Further, we increased the water supply by 50% to 6 million gallons a day.

At this time, we are obtaining the maximum delivery of desalinated water from all available sources, but we are aware that, it still falls short of national demand of 8,000,000 gallons per day in severe drought conditions.

Conscious that we have no control over rainfall, we have invested in another plant, which will become fully operational shortly at English Harbour. Also, we will commission the Reverse Osmosis plant in Barbuda later this year.

The Tenders Board is now finalising the award for yet another contract to purchase yet another Reverse Osmosis plant that will supply an additional 2 million gallons of water daily.

This plant should be installed by October 2016 and we expect to satisfy all of the country's water needs, domestic and industrial, whether we have rain or not.

Mr Speaker, you will appreciate the mammoth task my government faced to keep water flowing and to increase production during the worst drought since 1871.

My Government has now reduced the debt to SEMBCORP from \$22 million to under \$5 million.

I announce, now that the full remaining amount will be paid by June of this year, when APUA assumes full ownership of the SEMBCORP water production facility.

HALF-MOON BAY SAGA

Mr. Speaker in 2015, we made significant progress in resolving the wasteful and costly Half Moon Bay saga, which the previous administration allowed to drag-on, causing the debt to rise from US\$23 million to US\$43 million.

On December 28th, Replay Resorts purchased the lands at Half-Moon Bay for US\$23 million and this will significantly reduce that debt.

Mr. Speaker the Government also paid the Half Moon Bay employees benefits, after 20 years of waiting.

My Government made right that wrong, we showed that we care, putting our people at the epicenter of our development.

CORRECTING THE SCANDAL IN HEALTHCARE SERVICES

In the health sector, both medical and public healthcare, significant progress has been made.

The Mount St. John Medical Center was in a poor state when we assumed office. To quote the Minister of Health, the Honourable Molwyn Joseph, the state of healthcare was “morally reprehensible, bordering on criminal negligence”.

Our government moved quickly to purchase \$30 million of sophisticated diagnostic equipment to replace the broken down and inoperable equipment.

Reagents and other critical inputs for laboratory testing were also bought and now are available on a sustained basis.

The old expensive, ineffective management contract was terminated, and new management brought in.

New controls, new quality of care, and increased efficiency and outcome of medical procedures were implemented.

Payments to suppliers and service providers, who were owed money for years, were, by and large, brought up to date, and the threat of the hospital not having medicine and basic supplies was averted.

Mr. Speaker with the help of the Government of China and the Government of Venezuela we gave back sight to our people.

In this year alone, we arranged, with the help of Venezuela and China, for the removal of cataracts from the eyes of six hundred and eighty-eight persons.

We have given them back their sight and improved the quality of their lives.

Grandmothers saw their grandchildren for the first time, and the beauty of nature once again was a pleasure they could enjoy.

Further, we have already contracted the services of an Ophthalmologist full-time at Mount St. John. This doctor is trained to remove cataracts and to treat retinal problems caused by diabetes and glaucoma.

The machinery for measuring and treating heart disease and kidney failures has also been installed and we now have the capacity for detecting and addressing stomach and colon cancers.

This is the measure of a caring Government at work - working in the best interest of the people.

CLEANING-UP THE ENVIRONMENT

Mr. Speaker in public health we engaged in cleaning up a country left dirty by the previous regime.

We put hundreds of our workers back to work, making Antigua and Barbuda shine once again.

Once again our highways and main roads are pristine, attractive and a boost to our tourism product, restoring community pride and national dignity.

Our beaches were under threat, sea weeds were a clear and present danger.

Again, we rose to the challenge and through the Environment Division, our beaches were kept open, available for recreation by both nationals and tourists alike.

TACKLING CRIME AND SECURITY EFFECTIVELY

Mr. Speaker, in Budget 2015, my Government indicated that Crime and violence will be met with zero tolerance.

We promised that crime will not pay and those who persist in crime will surely pay.

A number of strategic changes were made to the Royal Antigua and Barbuda Police Force, including leadership and motivational changes.

Today, we have a better equipped, highly-motivated, and performance-oriented police force.

This House will recall the state of crime in our country up to July of 2014.

Our women were terrified of walking the streets.

They were frightened even in their own homes.

Rapists stalked everywhere.

Murders became common place.

Jailbreaks had become frequent.

Today, we are among the Caribbean countries with the lowest rate of homicides – down to 5 in 2015, the lowest in 9 years.

Overall, the crime rate has dropped significantly.

In 2015, we removed from the streets a record 33 firearms and semi-automatic weapons as well as 2,200 rounds of ammunition.

We also seized and destroyed one of the largest volume of narcotics ever accomplished in one year.

The Acting Police Commissioner, Wendel Robinson, the entire Police Force, ONDCP and the military deserve our commendation.

The presence of police providing protection for our people is evident.

Jailbreaks have become almost non-existent.

I applaud the present leadership of the Prison under Superintendent Albert Wade.

Together with ONDCP and the Antigua and Barbuda Defense Force, crime and violence have been dramatically reduced.

All members of this Honourable House should rise in recognizing and applauding the spectacular success of our law enforcement officers.

Mr. Speaker we know that we are not immune from terrorism, nor are we too far away or too small for refugees to seek sanctuary here.

But, we can afford neither terrorists nor refugees.

We have taken action to stop terrorism from reaching our shores; and equally we have acted to stop refugees from breaching our immigration rules.

RESTORING PUBLIC UTILITIES

Mr. Speaker in the area of Public Utilities, we inherited an absolute disaster.

An avalanche of unpaid creditors were demanding \$150 million, and threatening drastic action to secure payment.

APUA was on the verge of bankruptcy.

The corporation was reduced to supply on a cash on delivery basis and payments had to be made by bank drafts.

No one trusted APUA to pay.

While the UPP Government corruptly wasted over \$32 million on a refurbished Head Office building on Independence Avenue, public utilities degenerated into a bankrupt fossilized dinosaur.

Line loss for electrical power and water were at a record high. Until recently, audited statements were not presented for many years.

Electricity and water were left in a state of disarray, but telephones and the Internet were also in ruin.

The neglect was criminal and full of self-hate of our very own.

Mr. Speaker when the ABLP left office in 2004, our country was on the cutting edge of telephone and internet services and APUA enjoyed 52 percent of the mobile telephone market share. Today, this stands at 8 percent.

Tens of millions of dollars had been invested in Fiber Optic Cable island wide; modern equipment from Ericsson was bought and installed.

APUA was ready for competition.

But, for ten years disaster ruled.

While all countries charged telecommunication companies for use of their spectrum, ours was traded for trinkets.

Today, I am pleased to announce that the Government will invest \$13.5 million in APUA Telecoms to upgrade its services.

I also point out that APUA has paid the Antigua Power Company 52 consecutive payments in 2015, and the debt has been reduced to under \$35 million.

None of this was easy.

It required diligence, creative thinking and structuring financial arrangements which imbued confidence.

DEBT MANAGEMENT

Mr. Speaker, my Government is mindful of our responsibility that while we must make debt repayments, we also have an obligation to deliver goods and services to our people.

During 2014 the government made debt service payments totaling \$335.5 million. Of this amount \$234 million represented principal payments and \$56.6 million represented interest payments.

From June 2014 to December 2014, payments totaled \$217.4 million representing \$164.5 million in payments of principal and \$52.9 million in payments of interest.

Mr. Speaker, my Government had to move swiftly, to raise an additional \$100 million within our first six months in office, to clear the arrears on the China Exim-Bank loans and the IMF loan among others, in order to avert a crisis.

Currently, the debt stock stands at \$3.05 billion, to include provision for the Depositor Protection Trust, which was established to protect the interests of depositors of ABI Bank Ltd. This represents about 89.7 percent of GDP which is 10.3 percent decline compared to the debt to GDP ratio of about 100 percent recorded in 2014.

Of the \$3.05 billion, external debt is \$1.3 billion while domestic debt is \$1.75 billion.

Central Government debt represents \$2.65 billion of the total.

In 2015, Debt Service amounted to \$391.1 million representing interest payments of \$68.7 million and principal payments totaling \$322.5 million.

Mr. Speaker this is the heavy legacy of debt and delinquency inherited by our new government.

Debt repayment leaves my Government little fiscal space in which to operate, in the provision of goods and services.

If we did not have this large debt burden and accumulated arrears for instance, notwithstanding, the impressive performance of the National Housing Development and Urban Renewal Company Limited, our housing programme would have been much further advanced than it is.

But, we have not been complacent.

We have restructured and renegotiated loans.

As indicated before, my Government signed a new financial agreement with the Kuwait Fund for International Development, receiving new terms of twelve years, at zero percent interest for a loan that was in arrears for over two decades.

As a result of the renewed goodwill, the Kuwaiti Fund has already indicated its willingness to finance a sewage system for St. John's.

Also, in 2015, apart from borrowing to roll over securities and replace high cost debt, new borrowing by this Government has been less than \$50 million compared to the average annual borrowing of over \$200 million by the former administration.

In fact, my Government borrowed less and paid more in debt service, than any other administration over the past 30 years.

Mr. Speaker, our performance with managing the debt is further evidence that the expected 3.3 percent growth in 2015 was not driven by borrowing but by sound economic policies and programmes.

Mr. Speaker, as every member of this Honourable House knows, the unfinished Car Park of the previous administration was a fiasco from conception to its bankruptcy.

Appraisers of the Car Park have agreed that the structure on the ground is worth no more than US\$15 million.

Yet, Mr. Speaker the books showed that over US\$30 million was spent with an outstanding balance of US\$65 million including unpaid interest.

Like a puff of smoke in excess of US\$15 million disappeared.

Was this incompetence? Was it corruption? Or both?

It is evident, that our people were burdened by the double scourge of corruption and incompetence of a failed regime.

Quantity surveyors have advised my government that another US\$15 million is required to finish the Car Park.

My government is now forced to examine other options that will allow us to turn this calamity into a productive activity, from which at least a portion of the debt incurred with entities in Trinidad and Tobago can be repaid.

MEDICAL BENEFITS DEBT

I now turn to the Medical Benefits Scheme and the amount on its books as owed by the Central Government.

Mr. Speaker, I want to make it abundantly clear, my government is fully committed to paying contributions to both MBS and Social Security and to ensure that the people of this nation are provided world class living standards.

We have already demonstrated this commitment with investments in medical equipment and supplies to the Mount St. John Medical Centre; with the successful eye care programme; and with scholarships to train doctors and nurses.

My government has not corruptly gambled MBS monies in failed investment schemes. Almost \$20 million was lost in the BAICO/CLICO debacle and further a \$13.5 million was also wasted on a boat that never sailed; a cotton farm and a pineapple farm that yielded neither crop nor revenue.

As a consequence of this \$13.5 million loss, the Antigua and Barbuda Development Bank (ABDB) was bankrupted and is now in need of an injection of \$24 million to break even.

Let me be clear, Medical Benefits was established as a special fund to provide financial and other assistance towards the healthcare cost of the nation.

MBS is therefore legally responsible for funding healthcare for all citizens and residents, with supplemental support from Central Government.

It was not intended to be an investment Fund to carry hundreds of millions in Government securities on its books.

The Medical Benefits' obligation, to fund healthcare has not been fully met, leaving Central Government to cover these costs, which far exceed the amounts payable to MBS.

Even though Central Government has the right to pursue a set-off of these debts, we have agreed with the Board of MBS to a debt for asset swap to include Mt. St. John and the Government's shares in the Cancer Centre.

This will eliminate the debt in its entirety.

In addition, we have agreed to establish a monthly standing order to cover contributions and today, remitted \$2.7 million to commence payments for 2016.

Social Security

The non performing bond due to the Social Security Scheme has been reduced by \$150 Million as a result of a debt swap for the US Base Facility that was recently turned over to the central government.

My Government has undertaken to pay the interest on the balance of the bond semi-annually and has made an advance payment of \$2.1 million covering the first half of 2016.

TURNING THE ECONOMY TO SOLVENCY

Mr. Speaker, I turn now to better news.

Our country had a fiscal deficit of 18 percent of GDP in 2009; a cumulative deficit year after year, coupled with negative growth of approximately 25 percent, culminating in supplemental expenditure of over a billion dollars, which was approved in Parliament ten years after the fact.

From that dire situation in 2009, in 2015 our country now enjoys the highest primary surplus in the Eastern Caribbean Currency Union (ECCU).

The primary balance - a key indicator of the fiscal performance of central government - is projected to improve nearly 1600 percent from a deficit of \$6.1 million in 2014 to a surplus of \$91 million or 2.8 percent of GDP in 2015.

The overall balance, which is the difference between total revenue and total expenditure, is expected to improve by about 105 percent from a deficit of \$96.8 million or 2.8 percent of GDP in 2014 to a surplus of \$4.9 million or 0.1 percent of GDP in 2015.

This performance is even more impressive, relative to the projected overall budget deficit of \$103 million and the associated funding gap of \$442 million in Budget 2015.

We had record revenues at Customs and Inland Revenue and, a reduction in expenditure, producing the best fiscal performance in over thirty years in this country.

It is not immodest to say, Mr. Speaker, that on such evidence, the fiscal performance of this Government is nothing less than spectacular.

Our people – all of you - should feel proud of such a brilliant fiscal performance.

This is the result of the collective effort of all Antiguan and Barbudans.

STRENGTHENING ACCOUNTABILITY AND TRANSPARENCY

Mr. Speaker, in the area of finance, we have strengthened accountability and transparency in Government.

We have insisted on timely audited financial statements from all statutory bodies, and on tabling of supplemental expenditure in accordance with the requirements of the Finance Administration Act.

The procurement policy has been followed with all contracts in excess of \$20,000 going to the Tenders Board for review and approval, so as to ensure best value for money.

The internal auditing function has been strengthened, with the establishment of an Internal Audit Unit, to review contracts, past and present, to ensure value for money and compliance with the law.

I also now formally advise this Honourable House that, in the interest of transparency with regard to our passports, early this New Year, my government will appoint an external, experienced and independent auditor, to audit all passports issued under the CIP and to citizens of Antigua and Barbuda in general.

Every passport and all revenues will be the subject of that independent, external auditor's report, which will be tabled in Parliament.

In addition, the audited report of the CIP operations will be tabled in Parliament early this year.

SOCIAL INCLUSION – SOCIAL MOBILITY, GROWTH WITH EQUITY

Mr. Speaker I now turn to the important topic of the quality and sustainability of growth.

Growth must be sustainable but, it must also occur with equity.

In other words, every section of our population must be included in economic growth and they must benefit from it.

Social mobility must be an essential ingredient for growth.

Putting the matter another way, the poor must be included in growth, so that they can rise out of poverty.

The principle of an all-inclusive society, where the status of one's birth or ethnicity does not determine or limit one's life outcome must be paramount.

All our children must be given equal opportunities.

Intergenerational poverty must be discouraged, and, in its place, systems and programmes have to be developed to meet this critical condition of allowing those who are lower down the economic ladder to climb upwards.

Mr. Speaker in a 2012 report, the United Nations Development Programme noted that:

“inequality of outcomes and that of opportunity are highly inter-dependent. Without equal opportunities, systemic patterns of discrimination and exclusion prevent the poor and disadvantaged groups from acquiring economic, political and social resources, resulting in inequality traps and the persistence of inequality across generations”.

Surely, that cannot be the future we envisage for our country.

In our country, a staggering 29 percent of our population or over 8,000 persons either live in poverty or, are at risk of falling into poverty.

They earn an annual income of below \$6,318, or income below \$650 per month.

Mr. Speaker, these are not statistics of which any of us should be proud.

These are not statistics with which any of us should be prepared to live.

Looking closer at our income distribution in Antigua and Barbuda, we find over the last five years, 2011 to 2015, a staggering 63 percent of our labour force or approximately 24,000 out of 38,000 earn \$3,000 or less per month.

In 2011 this figure stood at 65.5 percent and by the end of 2015 it had improved to 60 percent.

Extending the income bracket to persons earning \$5,000 per month or less, the picture becomes a lot more condemning, with approximately 92 percent of the population earning \$5,000 or less per month.

Mr. Speaker in Antigua and Barbuda our GINI coefficient is 0.48, the worst in the region.

Only in Sub-Saharan African countries and Central American countries, are there worst numbers.

Mr. Speaker let us not bury our heads in the sand, my Government inherited a nation decimated by poverty, institutionalized deprivation, where government resources were benefitting only the politically connected few.

Our firm commitment to transforming Antigua and Barbuda into the economic Powerhouse of the region, can only be achieved and sustained if we ensure that, as we pursue strategies to grow the economy, all Antiguan and Barbudans have every opportunity to participate in, and benefit from, growth and development.

Nelson Mandela said “poverty is not natural; it is man-made and it can be overcome and eradicated by the actions of human beings.”

He went on to say: “Sometimes it falls on a generation to be great. We can be that great generation.”

Mr. Speaker my Government wants this generation of Antiguan and Barbudans to be that great generation.

In this regard, in this Budget, we have provided for a programme of social inclusion that includes elements of social mobility, the empowerment of our people, poverty eradication and social protection.

The steps are small, but that is how all great journeys of mankind begin.

WEALTH CREATION /ENTREPRENEURSHIP

Mr. Speaker, despite the extremely skewed distribution of income, my Government is committed to broadening the entrepreneurial and ownership class in our country.

We want to see more Antiguan and Barbudans actively involved in operating successful businesses that they own.

To this end, my Government will encourage a paradigm shift, to engender a strong, national commitment to productivity, excellence and wealth creation.

We expect our nationals to be stewards of great wealth, in which they utilize their intellectual capital, their creativity and innovativeness for wealth creation.

However, this requires a change of attitude, belief, perception and behavior.

Without adequate capital, people become economically enslaved, poor and destitute, with the attendant ills of poor nutrition, health care, education and housing.

It is the vast capital resources of the United States – and the strength of its businesses, owned by American people - that have made it the most prosperous civilization on earth.

We should not be timid about wealth creation or fearful of economic success.

It is the acquisition of significant public and widely distributed private wealth, that will transform Antigua and Barbuda into an economic powerhouse.

We need to encourage locals to own; and when they do, we should applaud them and cheer them on. We should not envy them; we should support them.

We should turn away from the crab in the barrel mentality, where our own people are pulled down as they start to climb.

If we continue, that attitude and behavior will deprive our nation of indigenous wealth that is central to every country's economic strength and progress.

To facilitate this paradigm shift of broadening the ownership and entrepreneurial class in our country, my Government will do the following:

- Provide Land at \$3.00 per square foot to Antiguan and Barbudans for development.
- Give generous concessions, including tax waivers on the importation of material and capital equipment, and corporate tax holidays.
- Encourage and approve more locally owned CIP business and real estate projects to ensure that locals could share in the business opportunities associated with this programme.
- Pursuing public-private sector partnerships with Antiguan and Barbudans.
- Creation of a venture capital fund to facilitate business start-ups and expansions.

I implore my fellow Antiguan and Barbudans to seize these opportunities, as we seek to build a strong entrepreneurial culture and broader ownership class.

Our Government will recapitalize the bankrupted Antigua and Barbuda Development Bank to provide funding to home owners and entrepreneurs, especially young ones.

In this regard, Share Incorporated, a charity operated by Mrs. Maria Browne, will partner with the Government of Antigua and Barbuda in the creation of a venture capital fund in the amount of \$2.0 million for business start-ups and expansion; at least half of which will be allocated to female entrepreneurs.

ECONOMIC PROGRESS ALREADY EVIDENT

Mr. Speaker our economy is making steady progress.

We enjoyed growth of 3.3 percent in 2015 after growth of over 4 percent in 2014, notwithstanding an extremely weak first quarter in stay-over arrivals.

The marginally higher growth in 2014, was due to the creation of approximately 1000 new jobs in the second half of 2014 by my administration.

Our assertive strategies in tourism promotion resulted in a second-half rebound in stay-over arrivals and overall visitor arrivals were as high as 2014.

By dint of hard and smart work, not only did we claw back the 25,000 stay over visitors we were predicted to lose, but the second half of the year was the strongest of any year since 2007.

In addition to the regular calls by our traditional partner airlines, we negotiated five new airlines.

JetBlue, Al Italia, Seaborne, Pan American World Airways Dominicana, and Inter-Caribbean Airlines have been added to the airlines that now serve our country. Condor has also resumed flights to VC Bird International.

Cruise Tourism experienced a record year in 2015 with around 340 vessels bringing over 650,000 cruise passengers - nearly a 25 percent increase in one year.

Mr. Speaker, vessels such as 'Arison' that have been absent for over ten years, returned to Antigua.

The Norwegian 'Breakaway' with a capacity of 7,000 passengers and crew also visited our shores.

Mr. Speaker, timely sweeping of the St. John's Harbour, for less than half of the US\$9 million, that the previous administration had contracted to pay, contributed to this record year for cruise tourism and increased earnings.

It was yet another example of my Government righting wrongs, and accomplishing the best for our nation.

NEW POLICIES AND PROGRAMMES

Let me start, Mr Speaker, by announcing that effective April 2016, Personal Income Tax will be abolished in its entirety.

I repeat the announcement.

Effective, April 2016, Personal Income Tax will be abolished in its entirety.

That was a major campaign promise, and my Government honours its word to the people.

Promise made, promise kept.

There is credibility in our words and reliability in our actions. What we say is what we mean.

Abolishing Personal Income Tax is an important reform.

Not only will it put more money in the pockets of the people, so that they can save or spend more for the benefit of the economy as whole, it will help to re-establish our country as one of the most competitive in the Caribbean and beyond.

Mr. Speaker abolishing the PIT will put over \$30 million back into the pockets of people.

The Antigua and Barbuda Labour Party Government governed this country successfully for twenty-seven years without Personal Income Tax (PIT).

Mr. Speaker the cost of collecting PIT; the difficulty of enforcement; and its unfairness, with most of the self-employed not paying or not paying their fair share; make it sensible to remove the PIT from our books.

Antigua and Barbuda will become a competitive location to attract the headquarters of companies and for professionals to relocate, thereby creating more jobs.

Retirees will choose Antigua and Barbuda as their retirement home; CIP Investors will invest and chose Antigua and Barbuda over our competitors.

The loss of \$37 million from the elimination of the PIT will be partially substituted by an increase in the Revenue Recovery Charge (RRC) from 10 percent to 13 percent, which is expected to yield an additional \$20 million in revenue.

Mr. Speaker all food items in the ABST basket of goods will be exempt from this increase.

Therefore, to those who speak of the regressive nature of consumption tax, we say a little learning is a dangerous thing.

Taxing income is destructive to investment, savings and consumption. Also, it penalizes entrepreneurship.

Abolishing Personal Income Tax will increase individual disposable income, not only for consumption but investment, and this is one of the necessary steps for mass wealth creation and income redistribution.

We expect a more buoyant and expanded economy to empower the government with increased revenues to fund the socioeconomic development of the masses.

Regressive taxation, must be considered in the context of the entire tax ecosystem; transfer payments and welfare support provided by Government, including socialized health care, education and subsidized services.

When all these measures are taken into account, higher income earners do pay the most taxes in Antigua and Barbuda.

Mr. Speaker, additional measures will be made to compensate for any loss in revenue.

The first is the establishment of a Revenue Court, which will allow for the efficient and effective enforcement of tax collection.

The second measure is an adjustment to the corporation and business legislation, to ensure there is no opportunity to convert corporate profits into personal income that is not taxable. We will ensure that the tax burden is shared equally by high income earners.

Third, the Government will introduce the Unincorporated Business Tax Act, to capture payments that were previously made by sole traders and partnerships, to include professionals, under the Personal Income Tax Act.

A fourth measure will target the smuggling of alcohol and tobacco products into the country which robs the Treasury of revenue.

A security Bond mechanism, utilized in several other countries, will be introduced and used to identify legally landed alcohol and tobacco products.

These measures combined, will ensure that together with the 3 percent increase in the Revenue Recovery Charge, there will be full replacement of revenue loss by the removal of Personal Income Tax.

HOUSING - THE FOUNDATION IS LAID

In the context of delivering on promises, Mr. Speaker, I draw attention to the fact that 18 months ago, my Government started an institution from scratch, to build 500 homes.

That institution is the National Housing Development and Urban Renewal Company Limited.

It has been capitalized with \$150 Million in assets; \$80 million of which is in cash and not one cent in debt.

Further, it has 88 homes now under construction and has developed 300 lots on which homes will be built by the end of the year.

What is more, the company is one hundred percent owned by the people of Antigua and Barbuda.

This is a significant achievement, made even greater, by the fact that, it has occurred while my Government has been extracting the country from a major economic and financial crisis and urgent social issues.

Mr. Speaker, these are not-for-profit social housing designed to ensure the redistribution of wealth to the masses. Beneficiaries of this programme will be the working class, to include the youth, single parents, and individuals living with disabilities.

REDUCED FUEL PRICES

Mr. Speaker, at the start of this Budget Speech, I said that it is a Budget that recognizes the hardship that the people of our nation suffered over the decade 2004 to 2014, and I emphasized that, it is a Budget designed to start the process of giving economic power back to the people.

It is in this context that, I am pleased to announce a further measure of relief and financial empowerment of the people.

With effect from **February 1st**, my Government will reduce the price of gasoline and diesel as follows:

The price per gallon of gasoline will be reduced from \$13.50 to \$12.50, and the price per gallon of diesel will come down from \$13.20 to \$12.20.

I have explained in detail, the grave financial situation that my government inherited.

I have also explained, how we have struggled to repay debt and tried to bring the country back into solvency, while still delivering the goods and services the people have a right to expect.

It simply was not possible to reduce the consumption tax on gasoline and diesel until my Government had stabilized the financial system and laid a foundation for the future.

Consequently, an additional \$20 million of windfall revenue was earned in consumption tax in 2015. Assuming no significant increase in the price of oil and no reduction in the level of consumption, the price changes that will take effect in February, will return \$14.5 million of the \$20 million windfall to the country's motorists.

Fortunately, our creativity that led to the purchase of WIOC at no cost whatsoever to taxpayers, and the dividends the country will earn from the expanded profits of the company permit this relief on the cost of gasoline and diesel.

I am delighted that, through sound policies and prudent fiscal management, my government is able to put more money into the pockets of consumers.

RE-ENERGIZING THE MANUFACTURING SECTOR:

The Government of Antigua and Barbuda has signed an MOU with Brewtech to establish a modern brewery in Antigua and Barbuda that will manufacture a range of products for domestic use and export.

The products will include beers, stouts, malts, aerated beverages, sodas, juices and sports drinks. The people of Antigua and Barbuda will see a direct benefit from this project as the Government will hold up to 20 percent equity in Brewtech.

Mr. Speaker, our Government is engaged in a small business development and empowerment programme, in which we successfully engaged the Chinese Government, to provide equipment and expert trainers, for the successful execution of a Garment Manufacturing Workshop.

In excess of 180 persons commenced training in all aspects of garment construction. A number of single parents were targeted to participate in this skill building program.

Building on the success of this initiative, talks are well advanced for a joint venture initiative with a Chinese firm to establish a manufacturing plant to boost our export earnings.

On the issue of energy costs. My Government will continue to diversify our energy mix into green energy, to reduce the cost of energy and to increase competitiveness in the productive sectors, including manufacturing.

DEVELOPMENT OF SPORTS AND CULTURE

After a 5-year hiatus, Antigua and Barbuda successfully hosted the first test match in the 2015 England Tour of the West Indies. The measure of success has resulted in WICB reposing further confidence by choosing Sir Viv Richards Stadium to host one of two test matches in the 2016 Indian Tour to the West Indies in July of this year.

Our Investment in Motorsports development, particularly Drag Racing, continues to reap dividends. The race track, which offers an excellent complement to the Sir Viv Richards Stadium, has been the home of the fastest growing spectator and income generating sports locally and has greatly assisted in Antigua and Barbuda gaining membership in the International Motorsports Racing Association.

My Government will continue to support development of our athletes and artists to increase their global competitiveness and to facilitate exportation of their talent to increase earnings.

IMPROVING AGRICULTURE

The Government will pursue an innovative strategy to boost agricultural production in the private and public sector. We will expand the Defence Force and Prison Farms, which will also include animal husbandry, to provide produce and meat for Her Majesty's Prison, Defence Force, and other government institutions.

In 2016, we will equip the Coast Guard with an additional maritime surveillance vessel, which will also be equipped with fishing equipment.

The Government will also focus on reorganising the Agriculture Development Corporation to boost production. Funding will be made available through the Antigua and Barbuda Development Bank for the development and expansion of the farming sector.

Finally, we have allocated over \$5 million to purchase equipment and to transform the Central Marketing Corporation (CMC) into a national food emporium, which will provide a ready market for fresh produce and meats of local farmers and fishermen.

This is part of Government's strategy to reduce the import bill, ensure greater food security, and improved nutrition nationally.

Farmers will continue to enjoy duty free concessions on the importation of farming implements and agricultural inputs such as fertilisers and seeds.

CORPORATIZING STATE INSURANCE SCHEME

The Government will move to corporatize the State Insurance Corporation in 2016. As part of this process, the Corporation will be rebranding and establishing new branches in the northern, and southern corridors of the island. State Insurance is estimated to generate profit of \$13.5 million in 2015, which is a 40 percent increase over the \$10 million profit generated in 2014. Further, we expect the corporation to turn a profit of \$15 million in 2016.

Finally, we will list the State Insurance Corporation on the Eastern Caribbean Securities Exchange (ECSE) with the people and Government of Antigua and Barbuda retaining majority shareholding in the company. Mr. Speaker, the intention is to make this Antiguan company, a sub-regional conglomerate.

INFRASTRUCTURE DEVELOPMENT

Mr. Speaker, the role of Government in establishing the appropriate social and economic infrastructure in a country cannot be overstated. However, Antigua and Barbuda's fiscal and debt challenges have prevented the level and consistency of investment that is required to ensure transformative change.

This will not continue in 2016.

Our Government will significantly increase resource allocation for development of new infrastructure and maintenance of the existing capital stock. We will pursue a programme to improve the road network, by developing and refurbishing major and secondary roadways across Antigua and Barbuda. The Government will also inject considerable resources, to refurbish and upgrade government buildings and to renovate key historical and cultural sites. In addition, the cruise ship pier at Nevis Street will be extended to ensure Antigua and Barbuda has the infrastructure to accommodate quantum class cruise ships that are capable of bringing well over 4,000 passengers to our shores.

The most significant infrastructure project that will start in 2016, is the Port Redevelopment project. This will bring about the long awaited transformation of the St. John's Port from a break-bulk facility to a modern container port facility that is capable of increasing annual cargo throughput from 16,000 containers to 80,000 containers. The Port Redevelopment project includes construction of new Customs and Port Authority headquarters, extension of the existing pier, dredging of the harbour, the establishment of a logistics park, expanded warehousing capacity, and facilitating light manufacturing.

Some of the benefits that will accompany the new Port facility include improved ship-to-shore interface; greater efficiency in the clearance of goods; automated scanning and computerized handling/clearance of goods; reduced ground transportation costs, and greater ease of doing business.

Mr. Speaker, this project is made possible by a US\$97 million concessional loan from the Export-Import Bank of China.

We are grateful to the Government and people of China for their continued support and for this tremendous contribution to the economic transformation of our nation.

RESTORING OUR COUNTRY'S IMAGE

Our government has improved relations with all of our major regional and international partners – the United States, Canada, the United Kingdom, China, Venezuela, Cuba, Brazil, Mexico and members of the European Union.

We operate on the basis that we might not always agree with policies and positions of our partners but, that will not prohibit us from collaborating with them in our mutual interest or in standing-up with them in support of the values and principles we share.

In other words, we operate with them all on the basis of mutual respect, trust, complementarity and confidence.

Our relationship with all of these countries have been significantly enhanced and our image is better for it.

Several months ago, Antigua and Barbuda, was removed from the CFATF watch list and today, is not on any watch list or rogue list.

Negotiations on the WTO online gaming dispute with the United States are advanced and we hope to arrive at a mutually satisfactory settlement in the near future.

BUDGET PROJECTIONS – 2016

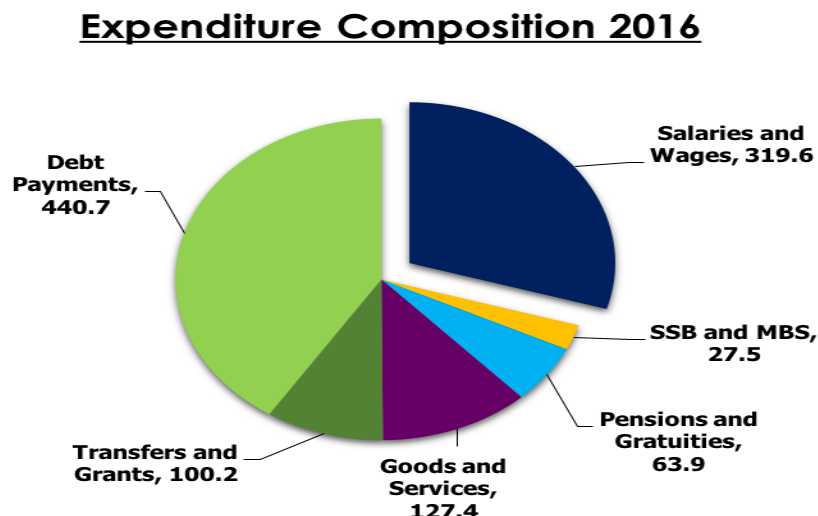
Now, Mr. Speaker, I turn to the Budget Projections for 2016.

Recurrent expenditure for fiscal year 2016 is estimated at \$1.079 billion while recurrent revenue is estimated at \$852 million.

Recurrent expenditure excluding principal payments is estimated at \$732 million, which is about 5 percent above the \$699 million estimated in Budget 2015.

Accordingly, we project a current account surplus of \$120 million for fiscal year 2016. This compares with a current account deficit of \$49.3 million in Budget 2015.

Recurrent Expenditure comprises the following categories:



- Salaries, wages and allowances, budgeted at \$319.6 million
- Contributions to Social Security and Medical Benefits, budgeted at \$27.5 million
- Pensions and Gratuities, budgeted at \$64 million
- Goods and services including utilities, budgeted at \$127 million
- Transfers and grants, budgeted at \$100 million
- Debt service payments, budgeted at \$441 million

BUDGETARY ALLOCATIONS

Mr. Speaker, I now present 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 2016.

However, I will mention a number of the policies and programmes to be pursued by some of the Ministries.

Ministry of Education Science & Technology

The Ministry of Education, Science and Technology receives the second largest single allocation in this year's Budget, amounting to **\$84.5 million**.

This is because, Mr. Speaker, our nation must invest in the education and training of our young people to build our intellectual capital and global competitiveness.

No nation can survive in today's world, unless its people are competitive across a range of disciplines, including information technology, engineering, banking, finance, management, and medicine.

Increasingly, education and training begin in kindergarten.

That is where the foundations begin, but we would neglect our mid-school and tertiary education levels to our detriment.

Our national growth and development depend on the quality of our education and training.

That is why we must invest in our young people today.

Over the coming financial year, the Ministry of Education Science and Technology will pursue the following priorities and strategies:

- i. Increasing the number of trained teachers;
- ii. Providing training in leadership, management and administration to all units, departments and agencies of the ministry;
- iii. Establishing legislative standards for the operation of pre-schools;
- iv. Expanding the TVET Programme which focuses on Competency-based Literacy and Numeracy; and
- v. Pilot legislation establishing the University of Antigua and Barbuda.

Work on establishing the University of Antigua and Barbuda is at an advanced stage as we seek to create a new campus facility at Five Islands. In addition, funding has been secured from the Caribbean Development Bank to renovate and expand the secondary school plant, which will fully satisfy the requirements of our secondary school students. The school meals programme will be expanded to include Barbuda and several million dollars have been allocated in the capital budget for school renovation and maintenance.

Our government will continue its programme to empower a greater number of our youth through training and education. In 2015, a record 840 students at a cost of \$23.2 million, commenced university studies under the Board of Education, the Prime Minister's Scholarship Fund and the National Student Loan Fund.

The Prime Minister's scholarship accounted for 637 of the total scholarships, an increase of approximately 300 percent over 2014. Clearly no one can question my government's commitment to education.

Ministry of Health and the Environment

The Ministry of Health and the Environment (MHE) is responsible for regulation, policy, guidance, human resource management, and delivery of all public health care services.

This Ministry is also responsible for all matters relating to environmental management and sustainability.

The budgetary allocation for this Ministry in 2016 is \$81.5 million.

It is the third largest allocation, demonstrating my Government's firm intention to improve significantly the healthcare disaster we inherited from the mismanagement of the previous administration.

It also shows the seriousness that we attach to the health and well-being of the people of our nation.

The Ministry's priorities and strategies include:

- i. Enhancing the Infection Prevention and Control Network to combat the most serious communicable diseases;
- ii. Enhancing the quality of academic programmes offered at the School of Nursing;
- iii. Improving the policy and regulatory services in the sector;
- iv. Implementing stricter non-communicable disease programmes to reduce the incidence of these diseases;
- v. Strengthening human resource capacity to deliver the environmental health programme; and
- vi. Executing Antigua and Barbuda's climate change commitments and sourcing funding to support adaptation and mitigation.

Mr. Speaker, our commitments to climate change have practical implications and our move to reduce Antigua and Barbuda's carbon foot print is real. This is evidenced by

the use of solar energy to power the day time requirements of the V C Bird International Airport.

In addition, we offer tax waivers on the importation of electric vehicles and other green energy products.

Ministry of Works and Housing

The Ministry of Works and Housing has been allocated the fourth largest slice of the Budget resources **at \$70.8 million** to carry out its mandate in 2016.

This is because our country's physical infrastructure was severely run down under the previous administration and it must now be improved and enhanced for the benefit of our local population and also for our tourism product.

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. Developing a comprehensive plan for the upgrade and rehabilitation of the road infrastructure;
- iii. Establishing a vehicle maintenance arrangement with the Transport Board for the maintenance of Central Government vehicles;
- iv. Producing a National Housing Policy and Strategic Plan; and
- v. Procuring appropriate software for Engineering and Architectural functions.

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, **receives the sum of \$70.5 million**.

This Ministry is concerned with the safety and security of our people in their homes and businesses.

We have already seen how effective collaboration between the Police Force, the Defence Force and the Office of National Drug Control Policy, helped to bring down crime in 2015.

We want that situation improved even further in 2016.

The Ministry is also concerned with employment and training, especially for our young people.

Therefore, the Ministry has to be resourced to the best of our ability.

These resources will be used for a number of purposes including:

- i. Improving the efficiency of the Work Experience Programme;
- ii. Continued Development of the One Stop Employment Centre (OSEC);
- iii. Implementing a fire safety education strategy and plan for Antigua and Barbuda;
- iv. Developing a nationwide traffic law enforcement plan;
- v. Enhancing the investigative techniques of Police Officers;
- vi. Continuing to assist communities to establish and operate Neighborhood Watch programmes;
- vii. Ensuring Antigua and Barbuda remains compliant with international requirements by executing policies to prevent human trafficking; and
- viii. Continuing to implement programmes for the systematic training of Prison Officers

In 2016, the Ministry will continue to execute programmes that will further improve its ability to tackle crime and boost national security.

In this regard, over \$31 million has been allocated for the Police Force to execute its mandate in 2016.

These resources will facilitate training of existing officers and new recruits; help to enhance crime fighting programmes and increase the presence of officers in

communities; continuing collaboration with other agencies; and introducing new strategies to identify and apprehend criminals.

Additional funds have also been allocated in the capital budget to ensure the Police Force is better equipped to effectively investigate criminal activity.

Also, we will be purchasing two new, modern fire engines to join the complement of fire vehicles on the island. This will allow the Fire Department to respond to and resolve fire emergencies more effectively.

Ministry of Tourism, Economic Development, Investment and Energy

Mr. Speaker, the **Ministry of Tourism, Economic Development, Investment and Energy has an allocation of \$27.4 million.**

This 41 percent increase over the \$19.4 million allocated in 2015 reflects our Government's commitment to redouble its efforts to boost the performance of this most critical sector. This increase will supplement the 2 percent marketing fund, thereby generating approximately \$20 million for the Antigua and Barbuda Tourism Authority to market the destination.

The Minister responsible for Tourism, Economic Development, Investment and Energy will provide a detailed account of the strategies and programmes to be pursued by this Ministry to ensure the goals and objectives for growth of Antigua and Barbuda's tourism product are achieved.

For now, I will summarize the strategies to be pursued.

These are:

- i. Continuing to enhance marketing and product development programmes to increase the awareness and competitiveness of the Antigua and Barbuda brand;

- ii. Continuing to implement a plan to develop the Information technology-enabled services/Business Process Outsourcing (ITES/BPO) sector;
- iii. Re-branding and revitalizing the yachting industry;
- iv. Implementing the one – stop –shop (hassle free) business registration project; and
- 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 2016 is **\$18.3 million**.

The ministry will use these resources along with support from external agencies to pursue a number of plans and programmes in 2016.

Among the priorities and strategies for the coming year are:

- i. Improving efficiency and effectiveness of Social Protection Programmes through enhanced coordination, targeting, policy formulation, legislation and monitoring and evaluation;
- ii. Embarking on sustainable livelihoods and entrepreneurial development initiatives;
- iii. Formulating additional legislation and regulations to support Child Rights Convention and Policy on Institutional Care;
- iv. Establishing an holistic Vagrancy Control Programme in collaboration with Faith Based Organisations, Community Based Organisations and the Private Sector;
- v. Updating and disseminating the Disaster Mitigation and Management plan;
- vi. Implementation of rebranding and modernisation initiatives to increase productivity in the public sector;

- vii. Reviewing legislation that governs the delivery of service to vulnerable groups;
and
- viii. Improving training and capacity building initiatives for the public sector.

Ministry of Information, Broadcasting, Telecommunications and Information Technology

The allocation for the **Ministry of Information, Broadcasting, Telecommunications and Information Technology** is \$14.5 million.

These resources will be used to pursue a number of strategic priorities including:

- i. Creation of an eGovernment platform to include the digitization of all public records and the provision of services online to include: reissuing of drivers licence, business registration, land registry services; payment of APUA Bills, statutory contributions to MBS, Social Security and Board of Education, and Property taxes.
- ii. Improving the quality of the broadcast production and increasing the quality and quantity of local programming;
- iii. Optimizing the revenue opportunities that accompany the new programme content;
- iv. Establishing the Telecommunications Regulatory Commission;
- v. Developing a Gigabit Fibre to Home (FTH) network for Antigua and Barbuda;
- vi. Completing the rollout of the redesigned Government Wide Area Network (GWAN);
- vii. Procuring and installing new workstations across all government networks;
- viii. Completing the evaluation and costing of an enterprise solution for the Royal Antigua and Barbuda Police Force; and
- ix. Developing and implementing the national cyber security policy.

Allocations for other Ministries

Mr Speaker, Budgetary Allocations for the other Ministries are as follows:

Ministry of Foreign Affairs and International Trade - \$27 Million

Ministry of Agriculture, Lands, Fisheries & Barbuda Affairs - \$17.1 Million

Ministry of Public Utilities, Civil Aviation & Transportation - \$7.2 Million

Ministry of Trade, Commerce & Industry, Sports, Culture & National Festivals and Community Service - \$23.1 Million

The 2016 budget also includes allocations for:

- ***Office of the Governor General*** ***\$2.6 million***
- ***The Legislature*** ***\$2.2 million***
- ***The Cabinet*** ***\$3.5 million***
- ***The Judiciary*** ***\$2 million***
- ***The Service Commissions*** ***\$0.68 million***
- ***Audit*** ***\$1.1 million***
- ***Pensions and Gratuities*** ***\$61.4 million***
- ***Electoral Commission*** ***\$4.3 million***
- ***Ombudsman*** ***\$0.46 million***
- ***Charges on Public Debt*** ***\$441 million***

Finally, Mr. Speaker, the budgetary **allocation for the Office of the Prime Minister is \$26.6 million** while the **allocation for the Ministry of Finance and Corporate Governance is \$91.8 million** – the largest allocation in the Budget.

Finance and Corporate Governance gets the largest allocation for several good reasons, not least of which is the repayment of the large debt burden with which our country was left by the previous administration.

Those debts have to be serviced, while at the same time we try to renegotiate and reschedule some of them.

Also, the Ministry of Finance is responsible for payment of utility services for all government ministries and makes the annual \$6.5 million subvention to the Barbuda Council.

It is also this Ministry that has to oversee and encourage revenue earning initiatives such as the Citizenship by Investment Programme without which our current fortunes would be dim.

I have direct responsibility for these Ministries whose priorities for 2016 include:

- 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 the fiscal and debt management strategy to ensure fiscal and debt sustainability targets are achieved;
- v. Continuing negotiations with creditors to restructure the public debt;
- vi. Implementing legislative and institutional reforms for tax administration;
- vii. Overseeing operations of the Project Management Unit of the restructured World Bank PSST Project;
- viii. Increasing monitoring and reporting on the performance of statutory corporations, this includes development of an Operations Manual for oversight of statutory corporations;
- ix. Ensuring timely preparation of Government's annual financial statements;

- x. Improving the accounting structure and systems in all Government Accounts departments;
- xi. Establishing appropriate arrangements for implementing, reviewing and updating the Medium Term Development Strategy (MTDS);
- xii. Strengthening internal revenue collection procedures and enhancing collection enforcement;
- xiii. Introducing e-filing and e-payment options to assist tax payers in fulfilling their statutory obligations;
- xiv. Enacting and implementing the Tax Administration and Procedures legislation;
- xv. Creating a Revenue Court for more efficacious resolution of tax matters;
- xvi. Developing effective regulations for trade facilitation;
- xvii. Streamlining and simplifying the Import Licensing Regime;
- xviii. Implementing the Automated Systems for Customs Data (ASYCUDA) for Customs trade facilitation and enforcement;
- xix. Diversifying postal service offerings to include top up services, Internet Café, Call Centre; US mail Box Service, package pickup and delivery; and bill payments;
- xx. Improving institutional arrangements for procurement and contract administration;
- xxi. Developing and implementing performance improvement plans to enhance the delivery of professional and cost effective service;
- xxii. Implementing a new Public Financial Management (PFM) reform action plan with funding from the European Union; and
- xxiii. Continuing to strengthen the new Internal Audit Unit, a key element of the Government's corporate governance mandate.

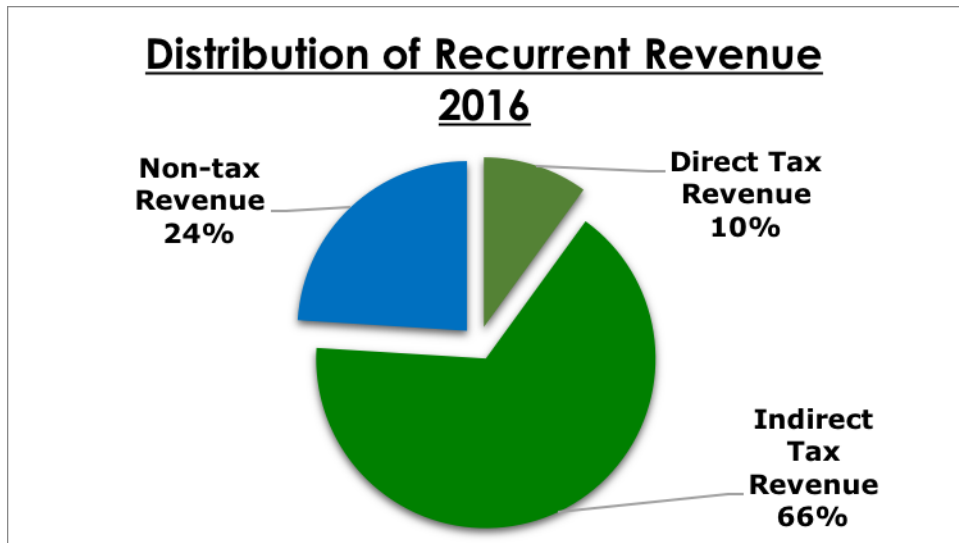
RECURRENT REVENUE

Mr. Speaker, Recurrent Revenue for Fiscal Year 2016 is budgeted at \$852 million.

This is 31 percent above the \$649 million projected in budget 2015 and 12 percent more than the \$761 million actually collected in 2015.

The increase in revenue will be driven mainly by increased receipts from the Citizenship by Investment Programme.

Improved revenue administration and tax collection will also contribute to the growth in revenue.



Tax revenue, comprising of direct and indirect taxes, will account for about 76 percent or \$652 million, while non-tax revenue of \$200 million will make up the remaining 24 percent.

Direct taxes are expected to yield \$82.4 million of which Corporate Income Tax and Property Tax are expected to yield \$56.2 million, and \$24.7 million respectively.

Mr. Speaker, Personal Income Tax also contributed to this category of revenue – an estimated \$37.3 million in 2015.

However, with effect from **April 2016**, the Personal Income Tax will be eliminated.

The Government recognises that the elimination of the PIT will impact government's performance and the plans to achieve fiscal and debt stability over the medium term.

Therefore, the fiscal strategy for 2016 includes measures to recover the revenue forgone due to the elimination of the PIT and to secure the level of fiscal performance needed to support the Government's development plans.

Indirect taxes are expected to yield \$569.3 million, which is about 87 percent of tax revenue.

A total of \$237.2 million or 43 percent of the revenue from indirect taxes will be generated from the Antigua Barbuda Sales Tax (ABST).

Revenue from import duty is budgeted at \$90.6 million, while the Revenue Recovery Charge is projected to yield \$103.4 million in 2016.

This is 34 percent above the \$77.2 million budgeted in 2015 and 37 percent above the \$75.3 million actually collected in 2015.

The increased RRC revenue reflects the additional amount to be generated as a result of an increase in the RRC rate from 10 percent to 13 percent as well as, organic growth in 2016 from robust economic activity.

As indicated earlier, this increase in the RRC rate is to help recover the revenue lost due to the abolition of the PIT.

The Government will introduce measures and programmes to minimise the impact of the change in the RRC rate on prices, especially prices of essential goods.

Also, we will increase surveillance of business practices and enhance price monitoring activities to limit price gouging.

The Tax on Gross Income of Unincorporated Businesses, another measure to recoup revenue foregone with the removal of PIT, is projected to yield revenue of \$8 million.

Of the \$200.4 million budgeted for non-tax revenue, \$117 million represents receipts from the Citizenship by Investment Programme (CIP/NDF), while \$50.3 million represents surplus funds from the Citizenship by Investment Unit operating account.

Also, the Government will implement a new measure that serves a dual purpose of reducing the perception of Antigua and Barbuda as a tax haven and increasing the contribution of the offshore financial sector to the development of this country.

This measure is a tax on profits of international banks that is conservatively projected to yield \$12.5 million in 2016.

Finally, Mr. Speaker, we have budgeted \$94.7 million for capital receipts for Fiscal Year 2016, which includes forfeiture funds of \$89.2 million.

Grant funding in 2016 is budgeted at \$67 million.

This includes grant funds from the Caribbean Development Bank, the European Union, SEMCAR (Supporting Economic Management in the Caribbean), the CARICOM Development Fund, and the United Kingdom.

CAPITAL EXPENDITURE

Capital Expenditure is budgeted at \$191.5 million.

This is about \$160 million more than the \$30.7 million spent in 2015.

The Government recognises that increased capital spending will help to stimulate growth and promote job creation.

While fiscal capacity in 2015 did not allow for much capital spending, the additional capital revenue and fiscal space generated as a result of the Government's fiscal strategy, will help to finance this ambitious but necessary capital programme.

I warn now, that we may not be able to meet the ambition in full, but we have set the bar high, so that if, due to unforeseen circumstances, resources are not available, we would have achieved a significant part of it.

At \$191 million, Capital Expenditure would be 5 percent of GDP, which is the minimum level of capital spending required to maintain the capital stock and at least allow for some new infrastructural development.

Major projects to be financed in 2016 include:

Projects	Amount Allocated
Barbuda Justice Complex	\$1 million
Airport Radar Restoration	\$3.9 million
Learning Resource Centre Antigua State College (funded by CDF)	\$5.9 million
ASYCUDA Implementation (funded by EU and SEMCAR)	\$6.8 million
Immigration Border Control and eVisa System	\$6.8 million
Renovation/Upgrade of Police Headquarters, Barbuda, Bolans, and Parham Police Stations	\$2.4 million
Road Works and Purchase of Quarry Equipment	\$32.3 million
Purchase of vehicles & security equipment for Police & expansion of the Canine Unit	\$3.2 million
Purchase of Agriculture Equipment	\$4.4 million
Upgrade of school plant	\$4 million
Basic Education Project 2 (funded by (CDB)	\$8.2 million
Purchase of Medical Equipment	\$5.5 million
Repair and Upgrade of Prison and ONDCP	\$2.1 million
Renovation & Upgrade of Military Facility & Strengthening Policing of waters	\$2.6 million
Electoral Commission Electronic Registration and ID Card System	\$6 million
Fort James Restoration	\$5.4 million

Upgrade of Government Buildings	\$8.1 million
Upgrade of APUA Telecoms	\$13.4 million
Housing Development – Transfer to National Housing and Urban Renewal	\$34.5 million

FINANCING

In 2016, total principal payments amount to \$347.5 million and \$20 million has been allocated to reduce the level of arrears to local suppliers and contractors.

This means that the total financing needed in 2016 will be \$367.5 million.

Based on the budget estimates for 2016, total revenue and grants will be \$1.013 billion while total expenditure, excluding principal payments, will be \$923 million.

Mr. Speaker, this means an overall surplus of \$89,993,202 is budgeted for fiscal year 2016.

With this overall surplus the financing requirement is reduced from \$367.5 million to \$277.5 million.

This projected funding gap for 2016 is 37 percent less than the \$442 million forecast in Budget 2015.

This gap will be financed by the following:

1. Raising \$195 million from Securities issued on the Regional Government Securities Market (RGSM); and
2. Loans and advances of \$82.5 million. This includes a disbursement of \$54 million for the CDB for the financial sector Policy Based Loan.

BARBUDA DEVELOPMENT

Mr. Speaker, I want to focus attention for a few minutes on my Government's plans for Barbuda.

Barbuda is a critical component of our vision of transforming the state into the Economic Powerhouse of the Caribbean.

Barbuda is full of potential, which we intend to develop and realize for the benefit of the people of Barbuda and our twin-island State.

One only has to look at Tortola in the British Virgin Islands (BVI) to recognize the economic capacity that lies dormant in Barbuda.

The BVI's gross domestic product is over US\$1.5 billion.

It has a per capita income of over US\$43,000.

It generates revenues of over US\$300 million a year and has exports amounting to US\$25 million.

Additionally, Tortola gets over a million tourists, over half being cruise tourists, with the bulk of tourism income generated by the yacht chartering industry.

Mr. Speaker transforming Barbuda's economy is therefore not impossible.

It has been achieved in nearby Islands.

It could be achieved in Barbuda.

Mr. Speaker, with the co-operation of the Barbuda Council and our Barbudan brothers and sisters, my Government will transform Barbuda into a green island, starting with the installation of 1.5 mega watts of solar power later this year.

A few extremely high end properties and hotels, including Paradise Found, will be introduced and will cater to the world's high net-worth individuals.

Mr. Speaker, we will also establish Barbuda Airways later this year. The Government has already acquired a 9-seater aircraft at a cost of approximately \$1 million to facilitate affordable air travel between Antigua and Barbuda. Paid for in full.

We will develop the yachting sector and Cruise Tourism with select high end cruisers visiting Barbuda, in controlled numbers, to maintain its niche as an exclusive pristine green Island.

We will also introduce strategies for the creation of a sustainable marine and mariculture export sector, with fish, lobster, prawns, shrimp, oyster, and sea moss as major products.

Barbuda has all the potential to be an equal partner with Antigua in building our unitary state into an Economic Powerhouse in the region.

The building of the Paradise Found Hotel is the first step and I encourage all Barbudans to continue to embrace this transformational project.

In this regard, the Government will be seeking investment in the development of a cruise ship terminal, a modern airport and a high-end condo hotel with a marina.

We cannot continue to allow Barbuda to be an economic wasteland.

The people of Barbuda deserve better.

The State of Antigua and Barbuda deserves better.

It is in this context, that I urge the people of Barbuda to look across at Tortola in the BVI, and see what is possible.

Not all aspects of the Tortola model would be acceptable, but it is a good base from which to start.

PRIVATE SECTOR PROJECTS

Mr. Speaker, I have already laid out the transformational Public Sector Projects upon which we will embark this year.

But important elements in our economic growth, job creation, expansion and increased revenues, are the Private Sector Projects we expect to accelerate or come on stream this year.

I provide now a quick overview of these new programmes and projects:

Mr. Speaker I have spent the first eighteen months of this term tirelessly travelling the world meeting investors.

Presently, we have approximately US\$3 billion in investment pledges for the hotel sector.

The various projects are well known since I have outlined them on several occasions.

This year is the year of implementation for several projects. These include:

- Construction of a Three-Star, 500 room Royalton Hotel at Five Islands by the Sunwing group, in which government will have 20 percent ownership stake;
- Conversion of the Rex Halcyon Cove into the world famous Beaches brand;
- Development of high-end residential properties on Maiden Island and a hotel resort on Pelican Island, by a private investor who intends to spend US\$100 million in development;
- Later in the year, Replay Resorts, which has already purchased the lands at Half-Moon Bay for US\$23 million, will begin construction of the infrastructure for a five-star hotel;

- Construction of a new hotel resort at Long Bay, which is a spin-off from the WIOC acquisition transaction. This project will commence by the fourth quarter of this year;
- Continued development of current resort and residential tourism projects at Pearn's Point, Harbour Island, Hodges Bay Club, Morris Bay, and Tamarind Heights;
- The start of the construction of 50 three and four bedroom villas by Yida international on the mainland, as part of the Guiana Island development project, the lands for which US\$80 million has already been invested;
- The Government of Antigua and Barbuda in partnership with PDVSA will develop a hotel resort at Valley Church valued in excess of US\$30 million. This, too, is a result of the WIOC acquisition transaction.

All of these developments will create new jobs, directly and indirectly, and they will help to generate real economic growth of 6 percent in 2016.

Mr. Speaker, Antigua and Barbuda will be abuzz with construction activity.

We will be well on our way to laying the foundations for becoming the Economic Powerhouse of the region.

CONCLUSION

Mr. Speaker, my Government has been elected to office at a most challenging time in our country's history.

The last 18 months have been hard and torturous as we grappled to turn the rubble we inherited into a solid structure.

We draw attention to this legacy not because we are looking for excuses.

We draw attention to it so that this Honourable House and this Nation are aware of the mismanagement, maladministration and the mishandling of our economy.

Those who do not learn from the lessons of history are doomed to repeat them.

In all that my Government did, we drew strength from Second Corinthians Chapter 4, verses 8 and 9:

“We are hard pressed on every side, but not crushed; perplexed, but not in despair; persecuted, but not abandoned; struck down, but not destroyed”

We have performed in spite of the disaster that we inherited.

My Government has measured up to the challenge of rebuilding our economy.

We are now well on the way and, phenomenally so, in 18 months only.

But, in the words of the Reverend Dr. Martin Luther King Jr:

“Human progress is neither automatic nor inevitable... Every step toward the goal of justice requires sacrifice, suffering, and struggle; the tireless exertions and passionate concern of dedicated individuals”.

The cause of our country’s development, and the progress of its people require the effort of all, the commitment of all, the diligence of all.

Therefore, I call on the members of this Honourable House and on all the Citizens and Residents of Antigua and Barbuda to join this great and noble cause of making our beloved country the economic powerhouse that will serve us all.

We know that with the support of the people and continuing blessings of Almighty God, we will succeed.

I thank all the staff members in the Ministry of Finance, my Cabinet colleagues, the people of Antigua and Barbuda and all our development partners and friendly Governments.

Together we will ensure 2016 is the Springboard Year for Antigua and Barbuda's emergence as an economic powerhouse in the Caribbean.

I call on each and every one of us to conjoin our efforts in ensuring that we achieve this noble vision.

Despite the myriad challenges, we have had a spectacular performance in 2015 which will be bettered in 2016.

It is evident that Antigua and Barbuda is on the upswing and will rise again.

Antigua and Barbuda will rise.

We will all arise in the glory of our country.

Thank you Mr. Speaker.

APPENDICES

2016 Budget Statement

"Rebuilding a Stronger, Safer and Prosperous Antigua and Barbuda

Appendix 1 - The Global Economy

The global economy continues to work through its recovery, maintaining a sluggish growth rate of approximately 3 percent. As a result, the growth trajectory for the recovery period (2012 - 2015) has been unremarkably flat. According to the October 2015 edition of the *IMF World Economic Outlook*, the global economy is projected to grow by a moderate 3.1 percent in 2015. This growth is 0.3 of a percentage point lower than growth for 2014 and 0.2 of a percentage point below the growth achieved in 2013.

	GDP % Growth 2014	GDP % Growth 2015^P	GDP % Growth 2016^P
World Output	3.4	3.1	3.6
United States	2.4	2.6	2.8
United Kingdom	3.0	2.5	2.2
Canada	2.4	1.0	1.7
France	0.2	1.2	1.5
Germany	1.6	1.5	1.6
Italy	-0.4	0.8	1.3
Japan	-0.1	0.6	1.0
China	7.3	6.8	6.3
India	7.3	7.3	7.5
Brazil	0.1	-3.0	-1.0
Russia	0.6	-3.8	-0.6

Source: IMF World Economic Outlook October 2015

^P - Projected

There is little homogeneity in growth patterns across regions and economies. Advanced economies are projected to continue their recovery and, by end 2015, should record 2 percent growth. Even within this group, growth patterns remain uneven. The United States continues to build on the 2.4 percent growth recorded in 2014 and is set to record a higher, albeit weaker than previously forecast, growth of 2.6 percent in 2015. Recovery is also underway in the Euro Area and Japan and though it is not a robust spurt, it is nonetheless tentatively promising. The Euro Area is forecast to grow by 1.5 percent for 2015, an increase of 0.6 of a percentage point from the 0.9 percent growth recorded for 2014. Japan appears to have turned around a

negative growth rate of -0.1 percent in 2014 and remains on track to record a growth rate of 0.6 percent in 2015. A number of advanced economies, including Canada and Norway, were negatively impacted by declining commodity prices and as such suffered a decline in economic activity for 2015.

In contrast to advanced economies, emerging market and developing economies are set to record their fifth consecutive year of declining growth. China is forecast to grow at 6.8 percent in 2015, a decline of 0.5 of a percentage point compared with 2014. The slowdown in investment growth and the contraction in exports contributed to China's slower rate of growth in output. India is poised to maintain 7.3 percent growth for 2015. For the other major emerging market and developing economies, in particular, Brazil and Russia, declining oil and commodity prices, the continuing economic slowdown in China and geopolitical tensions are some of the main factors which account for the protracted contractions in these economies. Economic activity in Southeast Asian economies suffered from weaker domestic demand and weaker demand for exports. These downside risks are likely to persist in 2016.

Appendix 2 - Regional Economies

On a whole, 2015 is set to be a better year for CARICOM economies than 2014. In particular, the tourism sector in the Caribbean is being buoyed by a strengthened US economy. Consequently, most tourism-based economies in CARICOM have benefitted from increased visitor arrivals and visitor expenditure. These include Anguilla, Antigua and Barbuda, the Bahamas, Barbados, Jamaica, St. Kitts and Nevis, and St. Lucia. As the US economy is poised to continue on its growth path, this uptake is likely to continue into 2016. In addition, the commodity exporters of CARICOM - Belize, Guyana, Suriname and Trinidad and Tobago - are also projected to grow in 2015 by approximately 2 percent (notwithstanding the global fall in commodity prices). Further, favourable fuel prices, increased external demand, and increased revenue from economic citizenship programmes being pursued in St. Kitts and Nevis, Dominica, Grenada, and Antigua and Barbuda are some of the upside risks also boosting economic activity.

Much like the global economy, growth within the Eastern Caribbean Currency Union (ECCU) is tepid. The ECCU is projected to grow by 2.2 percent in 2015 as compared with 2.9 percent in

2014. Once again, St. Kitts and Nevis is forecast to enjoy the highest growth in the sub-region (6.7 percent). At the other end of the spectrum, Dominica is anticipated to contract by some 3.5 percent by end 2015. The extensive damage caused to Dominica by Tropical Storm Erika has brought into sharp focus once again the region's vulnerability to natural disasters and the need to build more resilient economies. Apart from Dominica, Montserrat is the only other economy in the sub-region that is forecast to record negative growth (approximately 1 percent) by end 2015.

Appendix 3 - EU Assistance for PFM and Revenue Reform

The Government of Antigua and Barbuda has been implementing a public financial management (PFM) reform project over the past few years. The main thrust of our PFM reform programme is to enhance our budgeting process thereby increasing the efficiency of resource allocation and utilisation and strengthening our expenditure management procedures. This is being done with funding from the European Union through the Economic Development Fund (EDF).

In 2015, Antigua and Barbuda received technical assistance under the 10th EDF to complete the drafting revised Finance Administration legislation and to implement ASYCUDA World as part of our revenue reform thrust. The focus of this revenue reform initiative is to improve the efficiency and effectiveness of Customs operations in Antigua and Barbuda. Once fully operational, ASYCUDA World will allow the Customs and Excise Division, trade operators and other government agencies to handle most of their transactions - from Customs declarations to cargo manifests, transit documents, as well as certifications, licenses and authorizations given by other Government Agencies- via the Internet. To date, the Project Management Team has undertaken significant training with experts from United Nations Conference on Trade and Development (UNCTAD), including the development of procedure and operating manuals. In addition to the EU support of approximately US\$800,000, the World Bank is working towards signing a Grant Agreement with the Government for approximately US\$500,000. This funding is to be provided through SEMCAR for additional software and hardware to meet the requirements for the full implementation of the project.

The 10th EDF has been extended to May 2016 with a specific focus on PFM modernization. The areas of focus during the extension period will include support to further develop the government's internal audit function. This will include training and other forms of technical assistance to the newly installed Internal Audit staff in the Ministry of Finance and Corporate Governance. It is anticipated that the outcomes of the project will form the basis for the development of interventions under the 11th European Development Fund.

Subsequent to the signing of the National Indicative Programme with the European Union in late 2014, a decision was made to collaborate with the World Bank for the implementation of the 11th EDF project. The focal sector for the 11th EDF is PFM and Revenue Reform.

The 11th EDF will seek to build on the successes of the 10th EDF and will address budgeting and the medium term fiscal framework, improving the function of the budget calendar, revisions to the PFM legislation, compliance with the PFM regulatory framework, the internal and external audit framework, legal and regulatory arrangements for Government procurement, treasury management, institutional arrangements for effective oversight, and the macro-fiscal policy function. Implementation of the activities under this programme should commence during the 3rd quarter of 2016.

An amount of 2.4 million Euro has been earmarked by the EU for the project.

Appendix 4 - Support to EPA Implementation

As support to the implementation of the EPA, the Office of the NAO (ONAO) secured a US\$25,000 grant from the Caribbean Development Bank to execute an exploratory Trade Mission to Guadeloupe and Martinique in April 2015. Financial assistance for the Mission was also provided by the Antigua and Barbuda Tourism Authority and the Caribbean Export Development Agency. Led by the Honourable Minister of Trade, Commerce and Industry, the Antigua and Barbuda delegation consisted of representatives from both the public and private sectors including Lee Wind Paints, Antigua Candle Factory, Antigua Dairies, Susie's Hot Sauce, Antigua Distillery, the Ministry of Trade, Commerce and Industry, the Ministry of Agriculture, the

Antigua and Barbuda Port Authority, the Tourism Authority, and the National Festivals Commission.

The agreed areas of collaboration from the Mission included culture, business development, fisheries, port management, tourism, and education and training.

In 2016, it is expected that the relationship with Martinique and Guadeloupe will be further strengthened through the implementation of projects and programmes in the aforementioned areas as part of the Memorandum of Cooperation, which was signed with the French Caribbean Outermost Regions (FCORs) in 2011 and 2012 respectively.

Appendix 5 - Antigua and Barbuda Spain Bi-Lateral Relations

In 2015, Spain provided several technical assistance packages as part of the Fort George Restoration Project, which brought about the clearing of the Fort by the inmates of Her Majesty's Prison in July 2015. Additionally, an archaeological survey of the site was conducted by experts that resulted in the development of a new site map and full dimensions of the Fort, which will aid in the construction of the various buildings in the Fort.

Additionally, a total of 60 local persons in the areas of tourism, hospitality, construction, architecture and masonry received training from Spanish experts in the areas of Heritage Tourism and Promotion and the Stone Restoration & Defensive Architecture.

The activities under this project continue into 2016, and the Spanish Government has committed to provide support to the restoration efforts at Fort George.

Appendix 6 - Economic Partnership Agreement Standby Facility

In order to provide direct support at the national level for the implementation of the Economic Partnership Agreement (EPA), the EU, under the 10th EDF, created an EPA Standby Facility to strengthen CARIFORUM's capacity to implement the Agreement and to increase accessibility to the benefits provided therein. The EPA Standby Facility is a Euro 3.5 million

fund which is being managed by the Caribbean Development Bank (CDB). All CARIFORUM States are eligible to receive funding under the Facility, which must fall within range of Euro 150,000 to Euro 210,000.

Accordingly, on October 28th, 2015 Antigua and Barbuda signed a Grant Agreement GA 20/ANT totalling USD\$234,255.00 to finance a project entitled “*Enhancing Private Sector Development through the implementation of the CARIFORUM-EU Economic Partnership Agreement*”. The Project will be implemented by the Office of the NAO over an 18 month period.

The two primary areas of focus under the project are the execution of a (i) Legislative Drafting Consultancy which will provide critical support to the Ministry of Legal Affairs to establish the legislative framework for the implementation of the EPA and the country’s wider trade obligations; and (ii) development of a Services Sector Policy and Expansion Plan, aimed at enhancing the private sector’s ability to access the opportunities provided within the EPA. The services consultancy will focus on key service areas such as culture, tourism (including health, spa and wellness tourism), and information technology. Additionally, a call down facility was built into the project design to assist with the implementation of the services policy.

The implementation of the project will empower service providers with the knowledge of how to access the EU markets in the named focal areas. Accordingly, the project will provide a mechanism whereby local businesses can expand their market base through export. The country must produce for the global market and become an active competitor through the use of the bilateral and international trade agreements.

Appendix 7 - “CARICOM Overcoming Challenges: Pathway to Development”

A Forum entitled “**CARICOM Overcoming Challenges: Pathway to Development**” was held on June 23rd 2015. The ONAO spearheaded the organization and implementation of this CARICOM forum, the first of its kind held in Antigua and Barbuda.

The objectives of the Forum, among other things, were to sensitize the public about the CARICOM Strategic Plan; the Reform Process of the entire integration architecture and its governance arrangements; explore how the private sector can more meaningfully contribute to the economic wellbeing of the Caribbean and an assessment of electoral reform and the

operations of the Caribbean Court of Justice within the context of the Revised CARICOM Treaty.

Regional and local experts shared their insights on the Caribbean development paradigm with particular focus on five thematic areas: (i) *CARICOM's Strategic Development Plan and Measures to Achieve Economic Sustainability*, (ii) *The Role of the Private Sector in Addressing Caribbean Economic Challenges: Policy Prescription*, (iii) *The Caribbean Today and Beyond*, (iv) *Good Governance and Electoral Reform*, and (v) *The Role of the Caribbean Court of Justice within the Context of the Revised CARICOM Treaty*.

The Forum was attended by local representatives from the public and private sectors, students, teachers, civil society and the general public. The proceedings were also streamed live on the CARICOM website and the Government Information Service (GIS) page of several Member States.

It was from the interventions at the Forum that the decision was taken to undertake the referendum to replace the Privy Council with the Caribbean Court of Justice as the country's final court for appeals.

Appendix 8 - Technical Assistance: UNECLAC

The Prices and Consumer Affairs Department benefitted from a three month consultancy which was undertaken with technical and financial support from the United Nations Economic Commission for Latin America and the Caribbean (UNECLAC). The consultancy analyzed two issues: (i) the increase in consumer pricing; and (ii) a framework for Consumer Protection in Antigua and Barbuda.

The Reports were submitted in November 2015 and are currently being reviewed by stakeholders. A public consultation on the recommendations of the Report was held on 8th December 2015.

It is anticipated that the recommendations of the Report would be considered by the Cabinet and the prices and consumer protection framework would be addressed both from an administrative and legislative standpoint in 2016.

Appendix 9 - CARICOM Development Fund Country Assistance Programme

A. Learning Resource Centre, Antigua State College

A Grant Agreement was signed with the CDF in 2014 in the amount of US\$2,230,000 for the completion of the Learning Resource Centre (LRC), Antigua State College (ASC). To date, an assessment of the LRC building was undertaken by Lewis, Simon and Partners and it was recommended that a Load Test of the slabs in the building be undertaken. The results of the Load Test will determine the remedial work, Bill of Quantities and redesign needed to complete the building. It is expected that the Construction phase of the project will commence in 2016.

B. St. John's Development Corporation (SJDC)

A Loan Agreement was signed with the CDF in 2014 in the amount of US\$1,792,678 to undertake a project to upgrade the lower St. John's and Cruise Ship Terminal Area. The project is divided into two phases. Phase One includes upgrades to the taxi parking, taxi staging, taxi stand and dispatch buildings, washrooms and associated drainage. The procurement and construction for this phase of the project should commence in 2016.

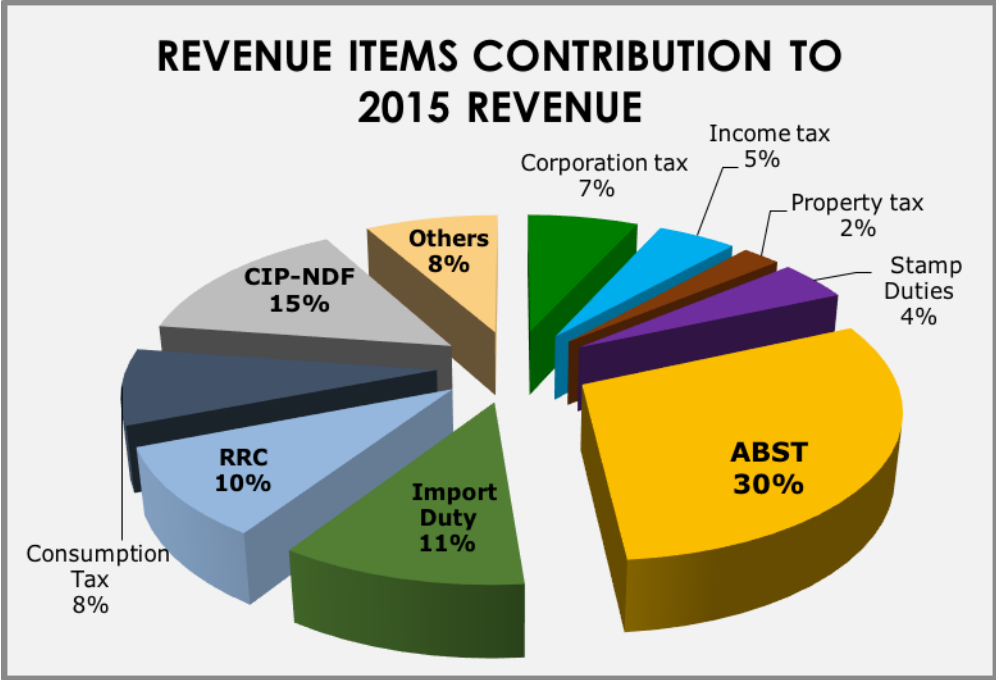
Appendix 10 - Fiscal Performance - 2015

The following table presents fiscal performance in 2014, the estimates for Budget 2015 and the preliminary outcome for 2015.

	2014	Budget 2015	Prelim Estimate 2015
Total Revenue and Grants	679.6	669.4	768.5
Current revenue	664.4	649.2	761.1
<i>of which: Tax revenue</i>	571.1	579.6	622.6
<i>Non Tax Revenue</i>	93.3	69.6	138.5
<i>of which: CIP-NDF</i>	60.3	35.0	111.4
Total Expenditure	776.4	772.6	763.6
Current expenditure	685.6	698.5	732.8
Wages and salaries	302.9	304.7	305.0
Contribution to SSB & MBS	24.6	24.6	24.9
Goods and services	121.7	121.7	105.3
Interest payments	90.7	98.0	86.1
Pensions, other transfers	174.4	149.6	211.6
<i>of which: Pensions</i>	59.8	62.4	63.2
Capital Expenditure & Net Lending	56.1	74.0	30.7
Current Account Balance	(21.2)	(49.3)	28.3
Primary Balance	(6.1)	(5.2)	91.0
Overall balance	(96.8)	(103.2)	4.9

As seen in the table above, revenue performance has improved compared to 2014 and has surpassed projections in the 2015 Budget. Total revenue for 2015 is expected to be \$768.5 million. This is an increase of \$88.9 million or 13 percent over the amount collected in 2014 and is 15 percent or \$99 million above the amount projected in Budget 2015. This growth in revenue was due to a 9 percent increase in tax revenue from \$571.1 million in 2014 to \$622.6 million in 2015 and a \$45.2 million or 48 percent increase in non-tax revenue from \$93.3 million in 2014 to \$138.5 million in 2015. Further, tax revenue in 2015 is 17 percent or \$111.9 million above the amount forecasted in Budget 2015. The improved performance in non-tax revenue is a result of Citizenship by Investment receipts, which are projected to amount to \$111.4 million in 2015 compared to \$60.3 million in 2014.

The main components of tax revenue are the ABST, Stamp Duties, Revenue Recovery Charge (RRC), Import Duty, Corporate Income Tax, Personal Income Tax, Property Tax and Consumption Tax. The chart below shows the percentage contribution of these sources to revenue generated in 2015.



Revenue from the ABST is expected to increase by \$2.7 million or 1 percent from \$228.9 million in 2014 to \$231.6 million in 2015. Stamp Duties should generate revenue of \$33.9 million, which is 11 percent above the \$30.6 million collected in 2014 and 21 percent above the \$28.1 million projected in Budget 2015. The Revenue Recovery Charge is projected to yield \$75.3 million in 2015, a slight reduction compared to the \$75.9 million collected in 2014. Revenue from the Consumption Tax is expected to grow by 59 percent from \$39.9 million in 2014 to \$63.6 million in 2015. Further, Consumption Tax Revenue collected in 2015 is \$22.6 million or 55 percent greater than the amount projected in Budget 2015. Import Duty is projected to yield \$82.2 million in 2015, a 4 percent increase compared to 2014 and a 5 percent increase over the \$78.2 million forecasted in Budget 2015.

	Performance of Key Revenue Items						
	Actual 2014	Budget 2015	Prelim 2015	Prelim 2015 vs 2014		Prelim 2015 vs Budget 2015	
				Change (\$)	Change (%)	Change (\$)	Change (%)
Corporation Tax	35.6	36.2	52.2	16.6	47	16.0	44
Income Tax	37.0	32.1	37.3	0.3	1	5.2	16
Property Tax	21.1	23.9	18.3	(2.8)	(13)	(5.6)	(23)
Stamp Duties	30.6	28.1	33.9	3.3	11	5.8	21
ABST	228.9	237.6	231.6	2.7	1	(6.0)	(3)
Import Duty	79.1	78.2	82.2	3.1	4	4.0	5
RRC	75.9	77.2	75.3	(0.6)	(1)	(1.9)	(2)
Consumption Tax	39.9	41	63.6	23.7	59	22.6	55
CIP-NDF Receipts	60.3	35	111.4	51.1	85	76.4	218

For 2015 the Corporate Income Tax and Personal Income Tax are expected to perform favourably against the performance in 2014 and the amounts projected in Budget 2015. Revenue from the Corporate Income Tax is projected to grow by 47 percent from \$35.6 million in 2014 to \$52.2 million in 2015. Corporate Income Tax revenue will also be 44 percent or \$16 million above the \$36.2 million projected in Budget 2015. The Personal Income Tax is projected to yield \$37.3 million in 2015, which is 1 percent above the \$37 million collected in 2014 and 15 percent or \$5 million above the amount estimated in Budget 2015. Finally, revenue from the Property Tax is projected to decrease by 13 percent from \$21.1 million in 2014 to \$18.3 million in 2015.

Total expenditure is projected to decrease by \$12.8 million or about 2 percent from \$776.4 million in 2014 to \$763.6 million in 2015. When compared to Budget 2015, total expenditure is expected to be \$9 million or about 1 percent less than forecasted. Expenditure on wages and salaries, pensions, and other transfers is expected to increase while spending on interest payments, goods and services, and capital is projected to decline. At \$305 million, spending on wages and salaries in 2015 is essentially on par with Budget and is projected to increase slightly by about 1 percent compared to the \$302.9 million spent in 2014. Expenditure on pensions and gratuities is projected to increase by about 6 percent from \$59.8 million in 2014 to \$63.2 million in 2015. When compared to Budget 2015, spending on pensions and gratuities is expected to be about 1 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 \$148.3 million in 2015. This 29 percent increase from \$114.6 million in 2014 is driven mainly by additional transfers made to the National Solid Waste Authority (NSWA). Interest payments are projected to decrease by \$4.6 million or 5 percent from \$90.7 million in 2014 to \$86.1 million in 2015. Compared to Budget 2015, interest payments will be \$11.9 million or 12 percent less than the original projection. Expenditure on goods and services is expected to be \$105.3 million in 2015. This is a \$16.4 million or about 13.5 percent less than the \$121.7 million spent in 2014 and projected in Budget 2015. This decline is mainly a result of the transfer of responsibility for national beautification activities from Central Board of Health to the NSWA. Finally, capital expenditure is expected to amount to \$30.7 million in 2015, which is 45 percent less than the \$56.1 million spent in 2014.

The increased revenues and reduction in expenditure have resulted in an improvement in overall fiscal performance in 2015. The primary balance, a key indicator of the fiscal performance of central government, is projected to improve nearly 1,600 percent from a deficit of \$6.1 million in 2014 to a surplus of \$91 million or 2.8 percent of GDP in 2015. The overall balance, which is total revenue less total expenditure, is expected to improve by about 105 percent from a deficit of \$96.8 million or 2.8 percent of GDP in 2014 to a surplus of \$4.9 million or 0.1 percent of GDP in 2015. Actual fiscal performance in 2015 is notably better than projected in Budget 2015 where a primary deficit of \$5.2 million and an overall deficit of \$103 million were originally projected. While this performance is significant, it should be noted that further improvements would be needed to ensure macroeconomic stability. This means that some fiscal adjustment is required for 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.

Appendix 11 - Bilateral Relations/Economic Cooperation

Antigua and Barbuda has diplomatic relations with approximately ninety countries. The Ministry of Foreign Affairs is tasked with the responsibility of maintaining these relations and seeking ways in which economic co-operation can bring mutual benefit to the countries involved. During 2015, the Immigration Portfolio was added to the Ministry of Foreign Affairs. For 2016, The Ministry of Foreign Affairs, International Trade and Immigration will strengthen its organizational structures in order to improve service delivery.

Over the past fifteen months, twenty one (21) Special Envoys and Ambassadors have been appointed. This is with a view to foster more productive ties with other countries and organisations. New appointments have been made to: the United Arab Emirates (UAE), Nigeria, the African Union, the International Renewable Energy Agency (IRENA), Ethiopia, Lebanon, Oman, Cyprus, Iraq, the Republic of Cuba, Venezuela, Mexico, the People's Republic of China, the United Kingdom, the United States of America, and Canada. The appointment of these new Diplomats, and the on-going efforts of Officials, has resulted in approximately US\$3.5 billion in pledges and investments. Our traditional partners: the People's Republic of China; Japan; the Republic of Korea; Venezuela, the European Union, the United States of America; and Mexico have provided grant support totaling US\$40 million for the period 2015-2016.

Resolving the international trade dispute between Antigua and Barbuda and the United States of America remains a top priority. In this regard the Ministry of Foreign Affairs and International Trade will continue to provide technical guidance to the Antigua and Barbuda World Trade Organization Gaming Negotiating Team and keep the lines of communications open with the United States Trade Representative (USTR) and other representatives of various Departments of the Federal Government of the United States of America.

The Republic of Cuba:

The Government of Antigua and Barbuda continues to maintain good relations with the Government and people of Cuba. Our shared values in respect of health, education and sports, form a natural basis for engagement. In 2015 approximately 9 young Antiguan and Barbudans benefitted from scholarships to further studies at the tertiary level at a value of approximately US\$1 million for the period of study. Additionally, 3 persons received free medical treatment in Cuba. Currently, sixty-three (63) students of Antiguan and Barbudan nationality are pursuing

studies in Cuba. The Cuban Medical Brigade has a compliment of forty-nine Cuban Doctors, Specialist Consultants and Medical Technicians, who are providing invaluable service to citizens of Antigua and Barbuda daily. The Antigua Public Utilities Authority (APUA) has four engineers and architects working along with other professionals at the Authority.

Bilateral Relations with Venezuela:

Since 1982 the Government and people of Antigua and Barbuda and the Government and people of the Bolivarian Republic of Venezuela have experienced good and productive relations. Antigua and Barbuda holds in high esteem the 33 years of diplomatic relations underpinned by the principles of cooperation, solidarity and respect for sovereignty. The Venezuelan Institute for the past 30 years has been providing excellent language training in Spanish to Antiguan and Barbudans. Because of Petro Caribe, thousands of Antiguan and Barbudans are benefitting from a regular and reliable energy supply, which by extension supports the development of our economy.

The signing of the West Indies Oil Company (WIOC) agreement through which Venezuela has become a shareholder in one of the most significant business enterprises in Antigua and Barbuda.

The support provided by Venezuela to upgrade the WIOC facility will enhance our plans to turn WIOC into a major petrol distribution hub in the northern Caribbean. This has long term economic and social implications for the growth and development of Antigua and Barbuda. In 2016 the government will benefit from US\$4 million support for the establishment of a 1.5 Mega Watt Renewable Wind Energy pilot plant.

Hundreds of Antiguan and Barbudans benefitted from the Miracle Mission Programme - the provision of free eye care services to persons suffering from vision-related diseases such as Cataract and Pterygium Fleshiness. This health care intervention by Venezuela is testimony to the friendship between both countries and the willingness to promote and foster the well-being of our respective citizens.

Japan:

Antigua and Barbuda over the years has benefitted tremendously from technical assistance and economic cooperation in the areas of Health, Education, Agriculture, Fisheries and Disaster Management from the Government of Japan. During 2015, five (5) persons benefitted from a

series of training programmes in the areas of Tourism, Fisheries, Business Management of small recycling projects, Conservation and Management of the Water Environment and Disaster Risk Management to a value of approximately \$410,000. It is anticipated that in 2016, 7 persons will benefit from training scholarships valued at over \$574,000.

During 2016, the Ministry of Agriculture through the Fisheries Department will benefit from a Fisheries Complex Refurbishment Project at a value of \$13 million.

As an important sector in our national development thrust, Fisheries has the potential to make even greater contributions to our economic growth. Additionally, it is anticipated that in 2016 the Government of Japan, through its Grant Assistance for Grassroots Human Security Projects (GGP), will support local non-governmental organizations (NGOs) or community based organizations (CBOs) in a small development project. Sectors that will be given priority are basic education; primary health; vocational training; special education; agriculture; public welfare; and the environment.

Mexico:

The Government of Mexico during 2015 agreed to provide a loan for the Five Hundred Homes Housing project in the amount of US\$40 million dollars. It is anticipated that this will materialize in 2016. The appointment of a Non-Resident Ambassador will build on the collaborative relationship between the Government and People of Antigua and Barbuda and the Government and People of Mexico for 2016 and beyond.

The Republic of Korea:

The Governments of Antigua and Barbuda and the Republic of Korea continue to experience good relations as both countries seek to deepen ties. Antigua and Barbuda during 2016 will receive grant support to upgrade its fleet of Protocol vehicles to the tune of US\$100,000. Korea will also provide grant support for the provision of two (2) buses for the disabled at a value of approximately US\$193,000.

Appendix 12 - Financial Sector Stability and International Financial Services

On November 27th 2015, a critical event took place which marked a milestone in bringing closure to the four-year old ABI Bank Ltd. (ABI) saga. A purchase and assumption agreement was reached between Megan Samuel-Fields (Receiver), Eastern Caribbean Amalgamated Bank Ltd. (ECAB) and the Government of Antigua and Barbuda, whereby certain assets and liabilities of ABI were purchased and assumed by ECAB and the Government of Antigua and Barbuda made certain commitments to protect deposit holders in ABI. This landmark was enabled by the crafting of an effective resolution strategy which included, among other elements, the passage of the new Banking Act 2015; the assembly of a number of working teams to deal with the technical banking aspects of the resolution; and a communication strategy designed to address the vested concerns of affected deposit holders, ABI Bank employees and ECAB clients.

In terms of regional and international institutions, the Eastern Caribbean Central Bank (ECCB), the Caribbean Development Bank (CDB), the International Monetary Fund (IMF) and the International Bank for Reconstruction and Development, otherwise referred to as the World Bank (WB), all played pivotal roles in the ensuring the crafting and to varying degrees, the implementation of a successful resolution strategy. The ECCB's role in this enterprise was one of primacy. It fulfilled its required responsibilities under the new Banking Act with efficiency and decisive action. Its strategic leadership and tactical nudges, especially in the weeks leading up to 27th November 2015, were critical in ensuring a successful operation. The IMF and WB were dedicated partners in this process, providing expert advice and encouragement up to the very end. In particular, we must thank the IMF for its role in assisting Antigua and Barbuda as we prepared to meet and fulfill a number of CDB requirements which were important pre-conditions for approval of our policy based loan application. Finally, we wish to thank the CDB for approving our application for a loan of US\$50 million to assist the government in financing the very costly ABI resolution.

The common denominator of any successful resolution is financing. In this connection, special recognition must be given to the Caribbean Development Bank for its tangible and timely support to this resolution process. Antigua and Barbuda truly has a friend in the CDB, whose support and encouragement was omnipresent.

Appendix 13 - Reforms for Improved Public Sector Performance

Internal Audit:

The Institute of Internal Auditors (IIA) defines Internal auditing as an independent, objective assurance and consulting activity designed to add value and improve an organization's operations¹. It aids an organization in accomplishing its objectives by bringing a systematic, disciplined approach to evaluating and improving the effectiveness of risk management, control, and the governance processes. It is thus noted that the fundamental role of any Internal Audit arm of an organization is a multifaceted analysis of the operational activities within the defined system, identification of the areas of anomalies, waste, inefficiencies and creating the recommendations that form the solutions to the various problems in question. However, this task is to be carried out in an independent and impartial manner with a constant view or aim of adding value to the organisation's activities but at the same time improving the latter's use of risk based assessment, process management and governance.

In light of the above, Budget 2015 identified and highlighted a number of concerns that the Government was cognizant of in relation to activities of the many functioning departments within Central Government and statutory bodies. The Government thus committed itself to the elimination of all wasteful spending in all ministries and departments, and singled out Public Works, the Central Board of Health, and National Solid Waste Management Authority.

Budget 2015 also expressed that it became obvious that many of these areas of activities became centres for corruption, waste, exorbitant pricing and poor quality work. The objective was not only to create the unit and staff it with the brightest and the best, but to strengthen the unit through international and professional training programs thus augmenting their capacity and skillsets for doing value for money and other audits.

In line with its promise, the following was approved by Cabinet in its decision of the 24th June 2015. This decision called for the following actions:

1. The creation of the Internal Audit (IA) Unit.

¹ <https://na.theiia.org/standards-guidance/mandatory-guidance/Pages/Definition-of-Internal-Auditing.aspx>

2. The creation of the levels of Chief Internal Auditor, Audit Manager and Auditor.
3. The establishment of the Audit Committee.
4. The drafting of the Internal Audit Bill.
5. The recruitment and appointment of staff in collaboration with the Establishment Division.

Thus far, the following has come to realisation:

1. Nine (9) suitably qualified persons have been hired through the Ministry of Finance to work in the Internal Audit Unit. Their qualifications range from professional banking experience to a Certified Public Accountant.
2. The Unit is broken down into one (1) Chief Internal Auditor, two (2) Audit Managers, four (4) Internal Auditors and two (2) Assistant Auditors.
3. There was an internal audit training course that ran from the 19th to 23rd October 2015 which was attended by the staff of the Internal Audit Unit.
4. Technical assistance for the Unit will continue with support from the European Union (EU) under the 11th EDF Public Financial Management (PFM) programme.
5. The Commonwealth Secretariat will also provide technical assistance to support capacity building initiatives for the newly established IA Unit.
6. It is envisaged and planned that the training opportunities provided under these programmes will cover the spectrum of fundamental IA activities such as the various types of audits (value for money, financial, and operational) and will also address modern technologically driven areas such as systems audits, procurement and overseas attachments for various personnel within the Unit.

The Unit is already functioning in that the staff are already on several assignments that will enable them to build actual in the field experience.

Procurement

The Antigua and Barbuda Labour Party administration is committed to ensure government's business achieves best value for money. The manner in which government's transactions occur has been acutely observed and this government recognises the important place of the national procurement system as a significant and critical aspect to defining an exceptional standard of corporate governance.

The government is guided and informed by the Tenders Board Act, which mandates departments of central government and statutory organizations (or state owned enterprises) desirous of purchasing goods or undertaking works to initiate a public tender in order to procure an article, undertake works or retain a service connected to works. A competitive bidding process is designed to provide prospective candidates the confidence to securely vie for government contracts in a manner that assures quality goods and services are obtained for the best value.

While the principles of the Act are strong, it is accepted that lack of regulations to the Act allow for operational and enforcement inconsistencies. Sanctions applicable to breaches may be weaker than desired and, in its current form, emerging trends and procedures simply outpace our procurement system.

It has also been observed that government departments and statutory agencies have demonstrated an unfortunate record of non-compliance with required procedures. Inherently, procurement transactions are typically initiated in isolation and void of any procedural compliance. In such cases, public funds are expended in a manner where there are instances of procedural breach, costing the public inordinately higher prices as a consequence. Such occurrences that are abnormally exempt from tender, avoid public accountability.

Combined, weak procedures and poor compliance have left a procurement environment desiring improvement. Administrative gaps, disconnected guidelines, weak or inconsistent sanctions are further compounded by agency circumvention, poor planning, and internal decision-making that lacked proper accountability. These characteristics do not encourage an environment engendering good corporate governance. Divergent and loose administrative processes encourage unnecessary wastage that a small island state cannot afford.

In the immediate term, this government has sought to encourage departments and state owned agencies to prudently employ rigorous project administration and planning and to ensure that all mandated procedures prescribed by the law are incorporated into project execution plans and adhered to throughout project implementation.

Consequently, the Cabinet of Antigua and Barbuda (Decisions of 24 October and 4 November 2015) reinforced the government's policy that all contracts exceeding \$20,000.00 shall be subject to public tender unless exemption is requested from and approved by the Tenders

Board. Such requests for exemption shall first provide sufficient justification and rationale supporting an exemption. The impact of this course of action sets an unambiguous standard and demands compliance and subjects our procedures within the confines of our laws and measures for accountability.

Consequently, this government has successfully and actively engaged all participating agencies and statutory bodies, reminding them of their obligations to ensure the business of government procurement is engaged in a transparent, equitable and accountable manner. Information about the tendering procedure has been disseminated to otherwise uninformed bodies; guidelines informing of the process and requirements are readily available on demand; Permanent Secretaries and Directors of Statutory bodies have been exposed to the aspects of government accountability via circulars, seminars or individual information sessions designed to educate, increase compliance and encourage greater adherence to transparent and accountability systems.

The result, to date, has been an undeniable increase in government agencies and statutory bodies submitting to a process of competitive bidding for contractors and vendors to provide goods and services to government. The pool of participants responding to public adverts has ballooned, disrupting the otherwise closed selection process where vendors were perhaps too well known and comfortable with departments and statutory agencies and who enjoyed being the automatic choice for contracts.

There are notable examples in the past eighteen (18) months of significant national projects that are compliant with national tendering. The Antigua Department of Marine Services Headquarters Building; the construction of the State Insurance Corporation – Treasury Department Building; and more recently a public tender initiated on behalf of APUA to acquire four (4) Reverse Osmosis Plants for APUA.

The Board of Education has significantly improved its compliance with the requirements of the national tendering authority and the Ministry of Works and Housing, government's largest procuring agency, has headlined the effort to ensure the construction of buildings and the acquisition of vehicles are subject to sound scrutiny.

International vendors who thought themselves default suppliers of goods to our national agencies have found themselves now participating in a more competitive environment that has

opened to an increased number of local companies. In growing instances, local companies have proven themselves capable and able to compete and have emerged the successful bidders.

There remain constant challenges to ensure other departments follow suit to improve compliance. By strident measures, the government has successively reoriented departments and agencies toward greater accountability. A finely tuned competitive environment fosters best value for money and ultimately greater opportunities for cost savings.

Notwithstanding notable successes, there is the urgent need to modernize the procurement process in accordance with acceptable international standards and strengthen the capacity of officials who would ultimately drive the procurement reform process within the public service.

The Government of Antigua and Barbuda through the Office of the Cabinet Secretary and in conjunction with the Ministry of Finance has engaged the Commonwealth Secretariat to provide technical assistance by the second quarter of 2016 that would assist the government to establish and strengthen a dedicated Procurement Cadre in the Public Service. This would facilitate improved delivery of goods and services. The technical assistance will work directly with the Chairman and members of the Tenders Board in the Ministry of Finance to modernize and strengthen the procurement processes and systems. Our association with the Commonwealth Secretariat will improve the efficiency and effectiveness of public procurement within the public service.

In 2016, technical assistance will analyse, modernize and strengthen the public procurement system of Antigua; design and implement a capacity building strategy; issue guidelines for a modern public procurement system; coordinate public procurement across ministries; and integrate the procurement management process into the budget and cash management processes in strengthening the budget and fiscal management of the Ministry.

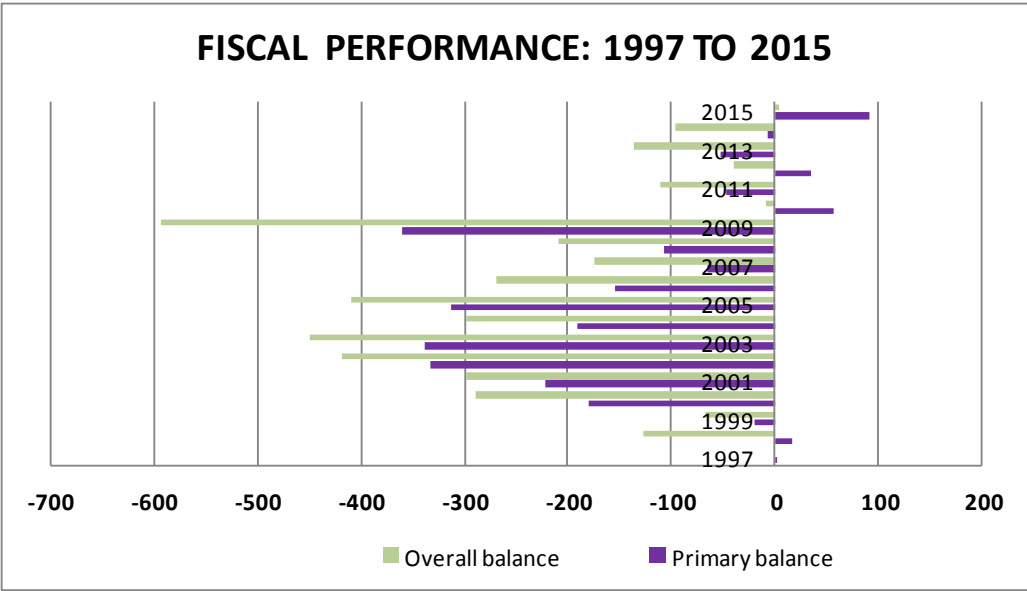
Appendix 14 - Fiscal and Debt Management Strategy

Fiscal Strategy 2016

Over the past 30 years, the macroeconomic environment in Antigua and Barbuda has been characterized by persistent fiscal deficits that have contributed to significant growth in the debt stock. As seen in the chart below, which shows fiscal performance for 1997 to 2015, the

country recorded significant overall and primary deficits in the vast majority of the years under review. The largest deficits were recorded in 2009 after which a number of fiscal reform initiatives were pursued to reverse the trend.

While fiscal performance has improved since 2009, Antigua and Barbuda still faces significant challenges on its fiscal accounts, which require deliberate intervention to ensure fiscal stability and debt sustainability. The benchmark for attaining debt sustainability is to ensure Antigua and Barbuda achieves a primary surplus that would ensure attainment of the ECCB debt to GDP target of 60 percent by 2030.



Improved fiscal performance would allow the Government to generate sufficient resources to contain growth of the debt stock, allow the Government to better service its debt, and help to finance the initiatives to ensure financial sector stability. However, the Government’s objective in improving fiscal performance is not simply for the purpose of debt management. Stronger fiscal performance and enhanced fiscal space would position the Government to undertake key projects that can stimulate economic growth. This increased growth would in turn improve debt performance, thereby reducing the level of fiscal effort required to ensure debt sustainability. If the Government is able to improve fiscal performance and stimulate growth, a virtuous cycle would be created and macroeconomic performance in Antigua and Barbuda would likely be more robust and sustainable.

Creation of that virtuous cycle is precisely what underpins the Government's fiscal and debt strategy for 2016 and into the medium term. The goal is to generate a primary surplus of at least 6 percent of GDP in this fiscal year. The additional resources would help to fund implementation of key projects that can create employment and expand economic output. These projects would, for the most part, include the flagship projects and priority interventions presented in the Medium Term Development Strategy.

In order to generate improvement in fiscal performance and secure better fiscal performance over the medium term, the Government will implement a number of revenue and expenditure measures to bring about a fiscal adjustment of about \$160 million or 4.5 percent of GDP.

Revenue Measures:

The revenue measures to be implemented by the Government are projected to yield additional revenue of about 4% of GDP or \$140 million in 2016. The specific measures are:

- i. Rationalise discretionary tax concessions to yield 0.7% of GDP or \$25 million in revenue. This specifically targets reducing waivers of the import duty by introducing a cap of \$55 million for the year and reducing environmental levy waivers.
- ii. Increasing the rate of the Revenue Recovery Charge from 10% to 13%, introduction of a tax on gross income of unincorporated businesses, implementing a tax on profits of international (offshore) banks, and to yield 1.2% of GDP or \$45 million in additional revenue. These are intended to serve as compensating measures to ensure full revenue recovery, at minimum, from the removal of the Personal Income Tax.
- iii. Increasing overall tax compliance, with particular emphasis on the property tax, boosting enforcement through administrative changes and legislative amendments, and creating a non-residential classification for condominiums to yield additional revenue of 0.55% of GDP or \$20 million. In addition to making amendments to the Property Tax Act, the Government is making the necessary legislative and administrative adjustments to ensure the Inland Revenue Department can better enforce the 25% withholding tax on rental incomes for properties that are owned by non-residents. Further, the use of lawyers contracted by the IRD as a means of strengthening enforcement will help to increase compliance and boost revenue collection.

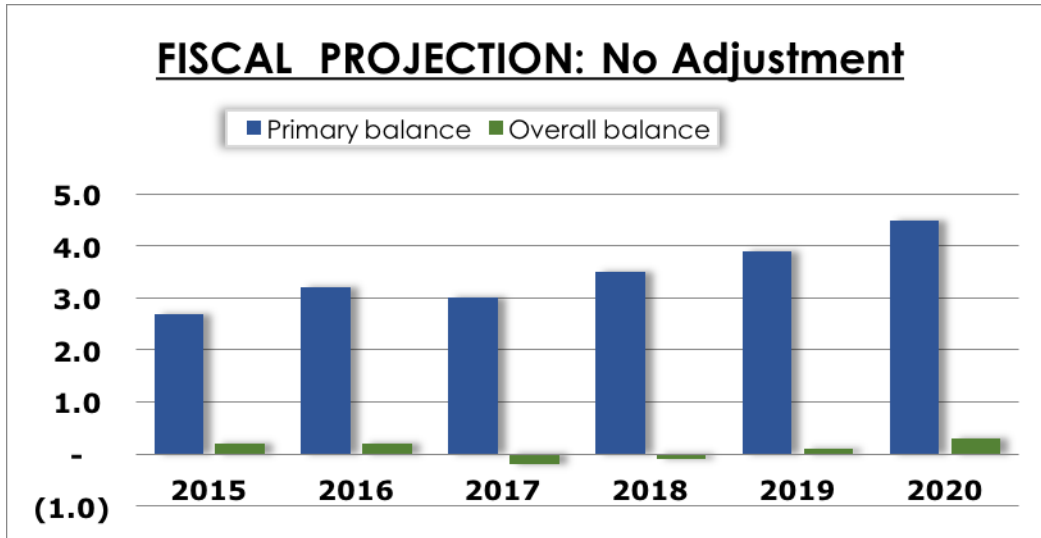
- iv. Transfer of Surplus funds from the Citizenship by Investment Unit (CIU) to provide additional revenue of 1.4% of GDP or \$50 million in 2016. The Government will implement a mechanism to ensure the transfer of surplus funds from the CIU to the consolidated fund. These resources would be allocated specifically for debt payments, arrears reduction and to fund strategic projects that are included in the 2016 Budget.

Expenditure Measures:

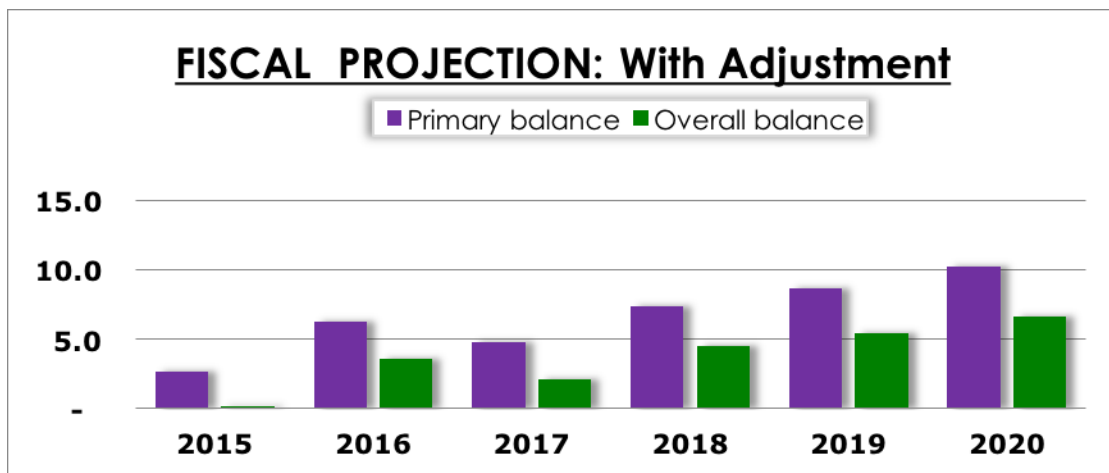
On the expenditure side, the measures are projected to yield fiscal savings of 0.5% or \$20 million in 2016. The specific measures are:

- i. Reduction in transfer payments to yield savings of 0.4% of GDP or \$14 million. The focus will be on rationalizing the level of transfers to statutory corporations (SOEs) and reducing transfers to overseas offices. By improving SOE oversight and monitoring and ensuring proper functioning of the Internal Audit Unit, the Ministry of Finance will be better positioned to ensure more effective administration and efficient operations in the Government agencies and departments to help curtail expenditure on transfers.
- ii. Maintaining the public sector hiring and wage freeze, reducing the cost of the Work Experience Programme (WEP), and restricting expenditure on goods and services to generate savings of 0.1% of GDP or \$4 million. This involves capping the number of persons on the WEP at 500 persons and ensuring the weekly stipend does not exceed the minimum wage.

These revenue and expenditure measures will bring about a primary surplus of about 6 percent of GDP in 2016. Without the adjustment outlined above, fiscal performance in Antigua and Barbuda will not improve, the debt burden will increase and the macroeconomic stability needed for sustainable growth will not be achieved. As seen in the chart below, the overall balance would average about 0.1 percent of GDP for the period 2016 to 2020 and the average primary surplus for the period would be 3.6 percent of GDP. While this would represent a marked improvement in fiscal performance compared to previous years, it is not sufficient to secure long term fiscal and debt sustainability nor will it generate the resources required to help fund development.



The impact of the fiscal strategy to be implemented starting in 2016 is represented in the chart below. The results stand in stark contrast to the picture without adjustment.



The fiscal strategy will result in primary and overall surpluses for the period 2016 to 2020. The average primary surplus would amount to about 6 percent of GDP while the overall fiscal surplus would average about 3.5 percent of GDP. This means that the structural fiscal challenges that have plagued Antigua and Barbuda for decades would be finally resolved and the Government would have the resources needed to pursue the long term macroeconomic and development objectives that will make a more prosperous nation for all citizens and residents.

Debt Management Strategy

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 2014, the total debt stock (government and government guaranteed) amounted to \$3.29 billion. This amount represents an approximate 6.2 percent increase over 2013 when the debt stock totaled \$3.09 billion. The increase represents disbursements in 2014, which amounted to \$150 million, of which 65 percent came from domestic sources, particularly the Regional Government Securities Market (RGSM) and Private Placements primarily used for budget support. On the external side, of the approximate \$55 million disbursed, \$37m was from China EXIM Bank for the Airport Expansion Project and the remaining portion was from the Caribbean Development Bank for various projects. Total external debt accounted for approximately 42.5 percent of the total debt stock or \$1.39 billion while domestic debt represented 57.5 percent or \$1.9 billion.

During 2014 the government made debt service payments totaling \$335.5 million. Of this amount \$234.0 million represented principal payments and \$56.6 million represented interest payments. From June 2014 to December 2014, payments totaled \$217.4 million representing \$164.5 million in payments to principal and \$52.9 million in payments to interest.

Taking the Depositor Protection Trust into account, the total debt stock would amount to \$3.05 billion. Of this, external debt is \$1.3 billion while domestic debt is \$1.75 billion. Central Government debt represented \$2.65 billion of the total debt stock while \$400 million represents government guaranteed debt. Debt Service amounted to \$391.1 million representing interest payments totaling \$68.7 million and principal payments totaling \$322.5 million.

In the area of negotiations for new financing, the government has completed negotiations with the Caribbean Development Bank for a Policy Based loan of US\$50

million to support the resolution of ABI Bank. As a result of these negotiations the government received a disbursement of US\$30 million in December 2015. A disbursement of US\$10 million from the previous Policy Based Loan was also received by the government in 2015. We expect the signing and disbursement of the loan for the Port Development with the China Exim Bank. Following the signing of a new financial agreement with the Kuwait Fund for International Development earlier this year we hope to advance discussions for new financing in 2016.

The Government thanks the investors who continue to show support for Antigua and Barbuda's issuance of securities on the Regional Government Securities Market (RGSM) and we look forward to your continued support. For the year 2015 the Government saw 29 percent increase in bids on our securities. Of the \$117 million in securities issued in 2015, we received 151 bids valued at \$173 million. In 2014 the amount issued was \$121 million from 131 bids valued at \$134.3 million.

In September 2015, a team from the World Bank and the Eastern Caribbean Central Bank conducted a Debt Management Performance Assessment of the Ministry of Finance. They applauded the efforts of the government to streamline debt management activities and to strengthen the management of government guarantees. A full report of the assessment will be published on the website of the World Bank later this year.

The team from the Ministry of Finance worked with a team from the Eastern Caribbean Central Bank to revise the Medium Term Debt Strategy for Antigua and Barbuda. Over the medium term the government will borrow from bilateral and multilateral sources on the external side and mainly from the RGSM on the domestic side. The Government will seek new sources of financing and continue to ensure good working relationships with all its creditors.

Appendix 15- Strategy for Economic Development: 2016 to 2020

The Government will target average real GDP growth of 5% per annum over the period 2016 to 2020 and will pursue a decline in unemployment towards full employment levels. It is understood that accelerating growth demands a number of conditions including a stable economy; improved fiscal space to support the growth strategy; developing alternative financing vehicles; improving the competitiveness of enterprises; enhancing productivity; and strengthening the capacity of the domestic private sector to play a greater role in economic development and job creation. In this regard, the Government has approved a Medium Term Development Strategy (MTDS), which articulates the policies and actions to be undertaken by Antigua and Barbuda over the period 2016 to 2020. These actions will allow the Government to achieve its goal of 5% real GDP growth and to ensure full employment in Antigua and Barbuda. The MTDS was developed by team of officers in the Ministry of Finance with guidance and input from the Caribbean Development Bank and with support from the Eastern Caribbean Central Bank.

In preparing the MTDS, the Ministry of Finance team engaged in consultations with the relevant ministries to address the sectoral priorities and plans and reviewed several source material including, the National Food and Nutrition Plan of Action, Antigua and Barbuda Sustainable Tourism Plan, National Bio Diversity Strategy and Action Plan, Medium Term Debt Strategy, Revised OECS Regional Plan of Action for Agriculture, and the National Physical Development Plan. As the Government moves to implement the Strategy, it will engage a broader cross section of stakeholders to participate in and contribute to the implementation and reporting processes. In order to ensure effective implementation, assessment and updating of this MTDS, the Government will strengthen institutional arrangements in the Ministry of Finance – the Ministry that will serve as the catalyst to drive implementation of the projects and programmes outlined in the Strategy. In this regard, the CDB has allocated resources to provide technical

assistance and training towards enhancing development planning capacity in the Ministry of Finance and in other key Government departments.

The MTDS is an important element of the Government's plan to move the country and its citizens to the desired long term development goal. That long-term goal is for Antigua and Barbuda to become a developed country in 15 to 20 years, guided by the following vision:

- “A harmonious, prosperous and modern Antigua and Barbuda founded on the principles of sustainability and inclusive growth; where equality of opportunity, peace, and justice prevail for all citizens and residents”

Elements of the Medium Term Development Strategy

Over the next five years, the actions undertaken by the Government will be inspired by this vision and, where appropriate, will be informed by the United Nations Sustainable Development Goals. Also, the Government will work with key partners and stakeholders to ensure that the entire public sector machinery works as a single, cohesive and efficient system to facilitate achievement of the ultimate goal, which is:

- “To improve the quality of life for all Antiguan and Barbudans and their posterity”

This overarching or ultimate goal is to be attained on the basis of the following four sustainable development dimensions (SDD):

- Optimal Generation of National Wealth
- Enhanced Social Cohesion
- Improved Health of the Natural Environment and Sustained Historical and Cultural Assets
- Enhanced Citizen Security

These sustainable development dimensions are linked to a number of necessary conditions that will be achieved by implementing specific actions that will close the gap between where Antigua and Barbuda is today compared to the vision and goal we have for the Antigua and Barbuda of tomorrow.

Optimal Generation of National Wealth

This sustainable development dimension focuses on several key areas for intervention.

These include:

- i. *Macroeconomic Stability*, which is concerned with debt reduction and improved fiscal performance. The aim is to achieve the ECCU debt sustainability target of 60% by 2030 and, in the interim, a debt to GDP ratio of 80% by 2020.
- ii. *Attracting FDI* by intensifying efforts to secure investments for tourism, coordinating the Citizenship by Investment Programme with tourism investment promotion plans, reviewing the investment incentives regime, and improving the environment for doing business in Antigua and Barbuda.
- iii. *Effective Industrial Policy* emphasizes a set of interrelated strategies that include entrenching tourism as a foundation for economic development; enhancing the competitiveness of firms; increasing access to development finance; supporting technological adaptation and innovation, and pursuing optimal economic transformation in areas such as marine services, agriculture, international financial services, and off-shore education.
- iv. *Adequate Infrastructure (Roads, Ports, Transport, Utilities)* – this will include developing and implementing a national transportation plan, strengthening the quality and efficiency of road development and maintenance, redevelopment of the St. John's Port, providing more efficient utility services, improving information

technology infrastructure, expanding water generation capacity, and improving sewage management in St. John's.

Enhanced Social Cohesion

This development dimension has the overall objective of ensuring citizens and residents are able to enjoy the fruits of their labor and raise their families in a safe and socially and morally uplifting environment. The specific interventions will include:

- i. *Adequate Access to Health Care* – this involves completing and implementing the Health Sector Plan, enhancing healthcare financing, improving the school meals programme, strengthening legislation to reduce discrimination against persons living with HIV/AIDS

- ii. *Adequate Access to Education and Lifelong Learning* will include actions to reduce overcrowding in secondary schools, expand access to and improve standards in early childhood education, incorporate special needs education in the mainstream education system, consolidate tertiary level education and establish the University of Antigua and Barbuda, review the mechanisms for prioritizing skills to be supported through Government assistance.

- iii. *Optimal Social Insurance* will focus on areas such as improving the sustainability of Social Security, reviewing and reforming the expenditure and benefit framework of Medical Benefits, improving the arrangement for addressing employment injury, restructuring Government's non-contributory pension scheme to ensure sustainability.

- iv. *Decent Wages and Work Conditions* to ensure that employees work in an environment that espouses human dignity and provides adequate wages that allow them to enjoy an acceptable quality of life. Specific actions include implementing a labour market information system, assessing the potential for enhancing the labour incentive framework, considering the possible impact of providing unemployment benefits as part of an effort to foster labour market flexibility.

- v. *Better Social Assistance and Housing* is a critical component of the Government's plan to realise the UN Sustainable Development Goal of a 50% reduction in poverty by 2030. It will involve actions such as enhancing targeting systems and improving monitoring and evaluation frameworks, significantly increasing access to better housing, and promoting the use of volunteers in the delivery of social services

***Improved Health of the Natural Environment
and Sustained Historical and Cultural Assets***

This sustainable development dimension focuses on three key areas for intervention:

- i. *Sustainable Environmental Management* involves a set of actions and sub-actions to include developing and implementing appropriate fisheries and marine reserve management plans, encouraging greater exploitation of underutilized fish species, improving water quality, developing and implementing a climate change policy, preparing a disaster risk financing strategy, reviewing and adjusting arrangements for surveillance, controlling types of developments that surround historical and cultural sites.

- ii. *Urban and Rural Planning* includes actions such as establishing institutional arrangements to implement the National Physical

Development Plan, creating local area development standards, determining the areas best suited for tourism development.

- iii. *Waste Management and Pollution Control* – this involves exploring a “waste to energy” option to replace the Cooks landfill, and implementing short to medium term solutions to extend the life of the Cooks landfill.

Enhanced Citizen Security

National security is an issue that cuts across every aspect of society and is a crucial determinant of quality of life and economic and social wellbeing. In light of this, a number of actions will be undertaken to enhance the security of all citizens and residents as well as visitors to Antigua and Barbuda.

- i. *Ameliorate Social Conditions that Fuel Crime* – through various interventions including assessing the factors that contribute to crime, enhancing counseling and mentoring capacities, expanding the Cadet Corps, strengthening programmes to reintegrate offenders into society.
- ii. *Effective Policing* will include expanding neighborhood watch programmes, strengthening community policing, promoting the CCTV initiative, and enhancing security campaigns.
- iii. *Better Administration of Justice* actions in this area include evaluating and reforming the custodial system, preparing plans for construction of a new correctional facility, improving the juvenile justice architecture.
- iv. *Territorial Integrity including Territorial Waters* – this emphasizes interventions that will strengthen the ABDF and promote reduction in illegal fishing, drug trafficking, human trafficking, and smuggling.

The activities outlined above represent a small sample of the comprehensive and all encompassing plan that is the Medium Term Development Strategy. In addition to the core set of actions that have been identified to promote economic and social development, the MTDS addresses the human resource, institutional and legislative

requirements that will support the development process. Also, the MTDS includes provision for monitoring and evaluating implementation that envisions a significant role for stakeholders.

If the social and economic goals are to be attained there must be full cooperation and effective partnership among public, private and other non-state actors. The private sector, labour unions, and civil society, among others, will be expected play an integral role in fashioning action plans for implementing certain elements of the MTDS. These stakeholders are also important parts of the monitoring and evaluation framework and will be essential partners in ensuring effective and consistent communication of progress to the public. In this regard, the Government will very shortly engage all stakeholders as the MTDS is officially launched and the targets for 2016 are presented to the public.

Finally, the MTDS is a key management tool for making progress towards the country's long term goals. It articulates the vision of the people of Antigua and Barbuda and shares the Government's plans for achieving its social and economic objectives over the medium term. The MTDS is, by its very nature, a dynamic plan of action that will evolve as there are changes in the domestic and external environment. Also, it is intended to guide multilateral and bilateral development partners to better align their assistance strategies and interventions with the development needs of the people of Antigua and Barbuda.

Resource Mobilisation and Strategic Priorities

Development is costly and, for highly indebted, high income countries like Antigua and Barbuda, the options for securing development financing are limited and, to some extent, shrinking. In particular, many of the traditional sources of grant and concessional funding for development are no longer available to Antigua and Barbuda

as our nation has been “graduated” to the upper middle or high income country classification. As a result, much of the country’s development resources have come from high cost commercial debt and a number bilateral creditors; including Venezuela and China. The Government recognizes that implementing the many projects and programmes outlined in the Medium Term Development Strategy will require significant resources. This means the country will need to mobilise financing using a mix of domestic and external sources and a number of traditional and new funding options.

The Citizenship by Investment Programme has the potential to be an important source of development financing and could generate up to 5% of GDP or nearly \$200 million annually over the medium term. However, given the external factors that may impact the performance of the CIP and the flow of revenues from this source, the Government does not intend to rely solely on this source to fund development. Particular emphasis will be placed on pursuing new and untapped sources of financing, including accessing funding from international markets. This, however, will require improvement in fiscal performance to send a clear signal to existing and potential creditors that Antigua and Barbuda is credible and has the underlying macroeconomic stability to ensure it can service its debt over the long term. In fact, this is one of the key considerations that informed the Government’s fiscal and debt strategy, which will be addressed in a later section of this document.

The fiscal and debt strategy envisions a primary surplus of 3% of GDP or about \$100 million over the medium term. This should be sufficient to stabilize fiscal and debt performance and bring about the macroeconomic outlook that can attract investments and expand opportunities to access international financial markets. The improved macroeconomic performance will also ensure Antigua and Barbuda can capitalize on key bilateral and multilateral sources such as the Peoples Republic of China, the EU, the OPEC Fund for International Development (OFID), CDB, and the Caricom Development Fund. Also, the Government will explore the use of public-private

partnerships (PPPs), equity financing, development bonds, and Diaspora bonds to help fund its development plans.

In order to make the best use of the resources available, the Government will initially focus on implementing those projects and programmes in the MTDS that can generate significant economic returns. In this regard, the development strategy identifies seven “Flagship Priorities” for implementation over the medium term. While these “Flagship Priorities” are part of the four sustainable development dimensions that are at the heart of the MTDS, they represent highly strategic areas that have the potential to significantly transform the state of development of Antigua and Barbuda. As such, the Government will prioritize resources to ensure implementation of activities related to the seven flagship priorities.

The Flagship Priorities are:

Flagship Priority 1: will ensure *Adequate Infrastructure* for citizens and residents of Antigua and Barbuda. This involves renewing and upgrading critical infrastructure, and improving waste disposal systems critical to enhancing Antigua and Barbuda’s competitiveness regionally and internationally. The Government will therefore allocate resources to redevelopment of the St. John’s Port; improving the road network, with particular emphasis on key economic centres; and introducing a new and modern sewage system in St. John’s.

Flagship Priority 2: focuses on developing a *Strong and Resilient Tourism Industry as an Economic Anchor*. Antigua and Barbuda will regain its position as a premier world class destination that is sufficiently differentiated from other destinations. This is to be achieved through a series of interventions including expanding the room stock; encouraging refurbishment and/or replacement of ageing, sub-par properties; enhancing marketing initiatives; expanding air and sea access; improving and enforcing standards and regulations; and restoring and maintaining historical and cultural sites.

Flagship Priority 3: The Government will allocate significant resources that will help to ***Transform Barbuda into a Green, Low Density, High-End Tourism Destination.*** Barbuda remains a virtually untouched natural paradise. Every aspect of Barbuda's natural beauty, including its pink sand beaches, lagoons, salt ponds, and bird sanctuary can substantially transform the way of life for Barbudans. As such, specific interventions in Barbuda will help to realise the significant growth potential of the island while ensure its beauty remains intact.

Flagship Priority 4: will ensure ***Better Utilization of our Marine Space.*** This involves identifying new opportunities to make use of Antigua and Barbuda's marine space, which is 200 times larger than our land mass. There will be greater emphasis on yachting and exploring the potential to generate energy from ocean currents and wave motion. Every effort will also be made to ensure sustainable use of our marine resources. The Government will also focus on exploring our territorial waters to identify and, where possible, extract minerals and other valuable resources.

Flagship Priority 5: will focus on increasing ***Export of Non-Tourism Services.*** This includes the pursuit of opportunities to expand the international financial and offshore services sector, with particular emphasis on banks, trusts, foundations and online gaming. Additionally, specific interventions will be undertaken to vastly increase the international business corporation (IBC) registration business in Antigua and Barbuda. The Government recognizes the significance of remittances to the domestic economy. Therefore, a targeted programme will be implemented to meaningfully enhance the supply of our human capital to other countries in order to boost foreign exchange earnings through remittances. The success of this programme requires better organization of the supply of trained individuals to meet international demand. In this regard, the appropriate training and certification initiatives will be pursued and will

include developing entrepreneurial opportunities for nationals. Another area that has great potential to expand the export of services is information and communication technology. As the telecommunications infrastructure is improved and competition thrives in this industry, there will be considerable and varied options available to citizens and residents who wish to exploit the many economic opportunities that accompany a good Internet connection.

Flagship Priority 6: involves *Reducing the Cost of Energy and Improving Energy Security*. This is important as it will help to enhance our competitiveness as an investment destination, improve our economic resilience, and reduce our carbon footprint. Efforts in this area will include significantly increasing the use of renewable energy; improving the business structure for the generation and distribution of energy; providing incentives for the use of more efficient and environmentally friendly technology; and improving the tariff framework and the arrangements for public sector regulation. An important aspect of this priority area will be the Government's interventions to achieve its commitments under the Paris Agreement on Climate Change.

Flagship Priority 7: will focus on ensuring *Better Access to Adequate Housing*. The Government recognizes that despite the country's high level of human development, many citizens cannot afford decent housing. This situation will be corrected as a matter of priority and emphasis will be placed on addressing urban congestion and unacceptable living conditions in various communities. Pursuing urban renewal and improving the number and quality of the housing stock are important for building national pride. Also, they represent a tangible indication that the benefits of growth are adequately distributed.

Appendix 16 - Financial Indicators (Money and Credit)

Estimates from the Eastern Caribbean Central Bank (ECCB) for Antigua and Barbuda indicate that broad money supply, (M2) increased by 5.5 per cent from \$2.95 billion at the end of September 2014 to \$3.1 billion at the end of September 2015. This was as a result of a \$21.4 million increase in Narrow Money (M1) or some 3.4 percent. Narrow money incorporates measures of cash at commercial banks, currency in circulation and private sector demand deposits.

Quasi money increased by 6.1 percent from \$2.32 billion to \$2.46 billion during the period September 2014 to September 2015. Quasi money incorporates measures of private sector savings deposits and time deposits.

During the period September 2014 to September 2015, Total Domestic Credit decreased by 5.1 percent from \$2.6 billion to \$2.5 billion. Domestic credit to both the government and the private sector fell by 6.5 per cent and 5 per cent, respectively, indicating that commercial banks continue to be cautious in their lending practices.

There was a 61 percent increase in the Net Foreign Assets of the Banking System during the period under review. In nominal terms, Net Foreign Assets increased from \$716 million in September 2014 to \$1.15 billion at the end of September 2015.

Loans and advances as a ratio of total deposits fell from 74 percent at the end of September 2014 to 68 per cent at end September 2015.

The interest rate spread between commercial banks' prime lending rate and their maximum savings rate was 6.75 per cent.

The weighted average lending rate decreased marginally from 9.56 per cent at end September 2014, to 9.42 per cent at end September 2015, - a decrease of some 0.14 percentage points.