



2015 Budget Statement

***Rebuilding Our Nation:
A Call for Action, Performance and Excellence***

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

Monday 12th January, 2015



REBUILDING OUR NATION:

A Call for Action, Performance and Excellence

2015 BUDGET STATEMENT

Second Session of Parliament

Monday, January 12, 2015

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The Honourable Gaston A. Browne, GCFO
Prime Minister of Antigua and Barbuda

INTRODUCTION

Mr Speaker, I rise to present my Government's 2015 Budget to this Honourable House and to the citizens and residents of Antigua and Barbuda to whom we are all accountable.

I present this Budget, Mr Speaker, at a critical juncture in our nation's fortunes.

We are emerging from a long period in which the economy of our country, and our people within it, suffered harshly.

From figures that I will reveal in the course of this presentation, the dire straits into which our nation had been taken by the previous government will become blatantly obvious.

Our economy was already in calamity when general elections were held seven months ago on June 12th, 2014.

Had it not been for swift and decisive action by my Government immediately upon assuming office, calamity would have become disaster with grave and irreparable consequences for all our people.

As I said in my New Year's Day Message to the people of Antigua and Barbuda, "I make no exaggeration when I say that the most significant contribution my Government has made to date is to save our country from total collapse".

Mr Speaker, I will lay out the calamity that my Government has unearthed so far, but – as you will hear from the details of my presentation – we are not yet certain of the full extent of the previous government's legacy.

Suffice to say, at this point, that the conditions we have inherited are grave.

They require urgent, creative and innovative attention to fix them, and to grow the economy out of its difficulties.

But, fixing them also causes a delay in the implementation of some of the policies that my Party had adumbrated prior to the general elections.

Let me be clear, it remains my Government's firm intention to fulfil the pledges my Party made in the general election campaign.

We will not be side-tracked from fulfilment of those pledges, but the first priority must be to cure the ills that plague our economy as a consequence of the maladministration, mismanagement, and bungling inefficiency of the previous administration.

But, no one should make any mistake about it - the fiscal position of our country remains extremely weak.

Unless we fix the foundations of our economy, we cannot proceed to construct upon it the economic powerhouse to which we all aspire, and which we desperately need.

Mr Speaker, let me also be clear that my Government continues to be convinced that, with the policies and programmes we will pursue vigorously and comprehensively, we will reverse the conditions with which we have been lumbered by the previous administration.

We continue to hold to a vision of an Antigua and Barbuda where each citizen can realise his or her full potential in a society that is inclusive, progressive, and equitable.

We plan to develop our country in an environmentally sustainable manner where the rule of law is paramount, social justice is achieved, and our nation state becomes the economic powerhouse of the region.

In other words, my Government is firmly committed to putting people first; and to focussing on human development, environmental sustainability, economic dynamism and prosperity for all citizens and residents.

But, Mr. Speaker, while my Government will work tirelessly to fulfil its pledges, and while I will demand hard work and accountability from all my Ministers, realising this vision is not a task only for government; its achievement requires the fullest participation by every citizen and resident.

We are all in this together.

A new awakening is needed – one in which all must be called to productivity in action, diligence in performance and excellence in delivery.

Not talk, not promises, not excuses but action and accomplishment that benefit our people.

It is against that background that I present this Budget under the theme ***“Rebuilding Our Nation: A Call for Action, Performance and Excellence”***.

Mr. Speaker, this Budget speech will be shorter than usual because this is not a time for talk; it is a time for action.

This Budget presentation will lay out my Government's Agenda for Growth and the responsibilities of each Ministry and Minister in contributing to the transformation of our country.

It will also provide a road map to guide our journey in making Antigua and Barbuda an economic power house in the Caribbean.

THE STATE OF THE NATION'S ECONOMY

Mr Speaker, I must now reveal to this Honourable House and to the citizens and residents of our country, some of the fiscal and other catastrophes that my Government has inherited.

I disclose these realities so that there can be no doubt about the ruinous path down which the previous government had taken our nation.

The Nation's finances were left in shambles.

Our country suffered three years of negative growth, financial sector instability, high unemployment, mounting taxes, high cost of living, violent crimes, and shockingly poor governance, including a consuming sea of insolvency among several government statutory corporations.

Critical areas of our economy were neglected or poor policies applied.

These include tourism, financial services, poverty alleviation and diversification of our markets and productive sectors.

Mr Speaker, I will now detail the State of the Nation's economy and finances as we met then when we came into office in mid June 2014.

I do this not to lay blame - although full blame is due.

In fact, since June 13th, 2014 we have accepted fully the duty to rectify the mess we have inherited and to move on.

However, it is extremely important to apprise the people of our country of the damage that has been inflicted upon us and the scale and enormity of the problems we now face as a consequence.

It is also important to share these facts with the people of Antigua and Barbuda so that they can utilise them as a bench mark to monitor and assess the performance of our Government.

Mr. Speaker when the ABLP took over the government of Antigua and Barbuda, we met this country literally a few days away from financial disaster; a few days away from total collapse.

Our country was virtually bankrupt.

Bankrupt countries cannot get loans from banks, friendly countries or other multi-lateral agencies; they are forced to go to the IMF for structural adjustment programmes.

It is a matter of public record that the previous Government bankrupted our beautiful twin island nation and, to try to bail out its abject failures, took on an IMF structural adjustment programme in 2010, borrowing \$275 million.

The purpose of that massive borrowing, the repayment of which we have now inherited, was ostensibly to reduce debt arrears, to stimulate growth and to increase employment in the economy.

Yet, the debt arrears were not paid down in any appreciable manner.

Instead they were restructured with repayment moratoriums and subsequently became delinquent again.

Every man, woman and child in our society is witness to the fact that economic growth was not stimulated and unemployment ravaged our people.

After five years, it is now clear that the IMF programme failed.

So, where did that money go?

Why did we not see economic growth and why did unemployment increase, not decrease?

It is a matter of public record that our country experienced three years of negative growth.

Cumulatively that amounts to a regression of 21 percent.

Simply put Mr. Speaker, nearly a quarter of Antigua and Barbuda's economy went up in smoke, burnt by the searing incompetence and mismanagement of the previous government.

In dollar terms more than half a billion dollars was destroyed in three years.

I emphasise that figure, Mr Speaker.

More than 500 million dollars lost in three years.

Mr. Speaker there was a world recession whose effects were felt in all but a few countries worldwide, but Antigua and Barbuda's economy ranked among the worst performing economies globally.

And, while the previous administration sucked over half a billion dollars out of the economy, it also borrowed huge sums of money, applied stringent taxes to already overburdened tax payers, caused businesses to close, new investment to halt, unemployment to rise, mortgage and loan defaults to increase, poverty to expand, and crime to surge.

They decimated our country and the living standards of our people.

The following new taxes and revenue measures were among the many that the previous Government imposed:

1. Antigua & Barbuda Sales Tax (ABST), the Revenue Recovery Charge (RRC), Personal Income Tax (PIT), luxury tax on motor vehicles, increased property taxes for certain taxpayers through the introduction of market valuation of properties.
2. A fifty two percent increase in LPG cooking gas, and over seven dollars increase in gas and diesel.
3. Doubling Airport charges from US\$45 to US\$90 per person.
4. Increases in Social Security contributions.
5. A doubling of APUA Bills.
6. Increased fees for attendance at the Hotel Training School and Antigua State College.
7. An increase in the cost of vehicle registration and inspection fees; and
8. An increase in Port fees.
9. Increased healthcare fees at Mount St. John Medical Centre

Additionally, not satisfied with imposing new taxes and other revenue raising measures that crippled business and made Antigua and Barbuda less competitive in the global market place, the previous government also cut the stipend payable to youth in the skills training programme, and forced teachers to pay for their own training.

Mr. Speaker, I believe that brief description reveals a very disturbing picture.

Costs increased; incomes declined; unemployment and poverty expanded; young people lost hope; and life became increasingly hard.

The nation should be informed that the previous administration's borrowing was not restricted to the whopping \$275 million from the IMF.

There were other borrowings which amounted to over \$2 billion in the ten years they were in office. Their new borrowings exceeded the outstanding net debt that they inherited in 2004, net of the Italian \$500 million debt write off.

Having increased taxes exponentially, ostensibly to resolve the debt they inherited, it is inexcusable that the country was plunged further into this vortex of debt.

Today our country is burdened with a debt stock of approximately \$3.5 billion with a repayment schedule of over \$430 million a year.

That is a severely constraining number in debt repayment alone, considering that our total recurring tax revenue stood at approximately \$600 million for the past three years.

Personal emoluments and pensions total \$350 million annually.

As a consequence, debt repayment, personal emoluments and pensions are almost \$200 million in excess of total tax revenues.

Mr. Speaker, it is evident that we have no fiscal space to spend on goods and services that every government has a duty to provide for its people.

These include security, crime prevention, healthcare, educational facilities, maintenance and construction of infrastructure such as roads, curbs and drains, reservoirs and buildings.

Mr. Speaker, we are still seeking to trace the precise use of funds for \$135 million (US\$50 million) received from the Bolivarian Republic of Venezuela; \$54 million (US\$20 million) from West Indies Oil in settlement of a legal dispute; \$54 million (US\$20 million) from the Caribbean

Development Bank (CDB); and the \$275 million borrowed from the International Monetary Fund (IMF). This is half a billion dollars in spending that created little or no value but paradoxically was accompanied by severe economic contraction and job losses.

Mr. Speaker, when we took over the government we also found that the previous administration was not paying its bills.

Despite all the taxes they imposed, they had borrowed so much and introduced so many wasteful projects, which were not revenue-generating, that they had no money.

In June 2014, twenty million dollars in arrears was owed to the IMF alone, with further payment of almost another \$20 million due in a few months.

Countries that cannot pay the IMF are black listed; their commercial banking sector, correspondent banking arrangements, and the countries' access to investment financing become difficult or may be blocked.

My Government tackled that problem immediately, and saved the country from defaulting on the IMF debt and the dreadful consequences that would follow.

This was recognised by the IMF in its public statement on December 15, 2014 when it said that "Directors welcomed the new government's swift action to settle arrears and commitment to remain current with its obligations to the Fund".

Mr. Speaker, the story of unpaid obligations does not end there.

LIAT was owed \$8.5 million and the Chinese Government over \$19 million in arrears.

China Exim Bank was about to down grade our debt and decline the loan proposal for the St. John's Harbour redevelopment.

Our Government moved swiftly and was successful in clearing all of these arrears.

Supplier credit was also a major problem.

West Indies Oil Company was owed in excess of \$80 million and was threatening to discontinue the supply of fuel to APUA on a weekly basis.

That debt has since been reduced to \$50 Million.

The Antigua Power Company (APC) was owed in the region of \$40 million for providing electricity.

That debt is now being serviced.

Sembcorp was owed in excess of \$20M and was threatening to discontinue the supply of water at a time when they were virtually the only source of water production.

Again, our Government moved swiftly to reduce the debt and was successful in getting them to increase the water supply within fourteen days as promised to the public.

Presently, we are constructing a reverse osmosis facility to service the residents and yachts in the Falmouth/English Harbour area.

The Antigua Port Authority was defaulting regularly on payments to suppliers and on the payment of wages and salaries and had to be subsidised by the Central Government.

As a result of the changes that we made, the Port Authority is about to break even, has been meeting its obligations, and will turn a profit from this financial year.

We are presently in the process of clearing \$15 million in arrears due to the ECCB which we inherited.

Arrears on international and local debts grew to nearly \$100 million and many need to be refinanced, the arrears capitalized and the terms extended.

That is what my Government has been preoccupied with over the last few months – cleaning up an unwholesome mess, and pulling the country back from the edge of absolute disaster on which the previous administration had it teetering.

Mr. Speaker this disaster was mirrored in the bankruptcy of several government corporations; the entire public sector was permeated with delinquency and insolvency.

The majority of the twenty eight government corporations operated poorly, with inadequate oversight and insufficient attention to acceptable standards of reporting and accountability.

The Finance Administration Act of 2006 requires that every government owned corporation must table an audited statement of accounts annually.

With very few exceptions, government corporations failed to submit annual audited accounts for the ten years of the previous government's administration.

To provide just a few examples:

Not a single account was tabled in ten years by the Transport Board.

At the Central Marketing Corporation (CMC) containers of food were misdirected and sold.

At Mount St. John Medical Centre, diagnostic tools were left broken, forcing citizens to pay thousands of dollars for MRI and other laboratory tests.

Mr. Speaker, I wish I could say that what I have described so far is the full picture of all that we have inherited; alas it is not.

The previous administration left many over-due bills including:

- backpay to teachers, which our Government settled,
- risk allowance to some health care workers,
- overtime to CBH workers,
- overtime to Customs officers,
- the Half Moon Bay debt of \$110M,
- the Hadeed Privy Council debt settlement of \$221 million, and
- the \$350 million resolution problem associated with the ABI Bank Ltd, (ABIB) which, we are determined to tackle effectively, to prevent grave hardships for depositors.

I have listed these myriad issues to provide the nation with irrefutable evidence of the mismanagement and maladministration of the former UPP regime, and to nail the absolute lie to the false claims of good economic and financial stewardship.

The point I am making here, Mr Speaker, is that the previous administration could not – and did not – pay its debts or meet its obligations to workers.

As I said in my New Year Message to the people of this nation: “Only a herculean effort and effective hands-on management over the last six months wrenched us from toppling over the cliff of disaster on whose edge the UPP had us teetering”.

Their legacy is one of failure and disaster.

With this woeful performance, and the enormous damage - which dwarfs the cumulative damage of all Hurricanes - the members of the former administration have no moral authority to be critical of anyone.

Indeed, they should hang their heads in shame at the calamity to which they brought our nation.

ABUSE OF SUPPLEMENTAL SPENDING

Mr Speaker, the law requires that all supplemental spending, or spending over budget, be tabled in the Parliament.

Yet, not a single supplemental was submitted in the last ten years.

Over a billion dollars was spent over budget in the last decade by the previous government.

Mr. Speaker, in 2004 the supplemental spending was \$150 million.

It doubled to \$310 million in 2007, \$240 million in 2008 and a whopping \$350 million in 2009.

After the IMF stopped its surveillance, the supplemental spending shot back up to \$350 million in 2013.

It was a little over \$100 million in 2014 only because my Party came to power in mid-June, and immediately put a brake on this profligate supplemental spending.

But, at the end of the day, over a billion dollars in supplemental spending was hidden from the public and from Parliament, breaking the law every single year that the previous administration held office.

Mr. Speaker, all sectors of the economy suffered.

Tourism, the main driver of the economy, is still below pre-2008 crisis levels; investments dried up; and the offshore sector was virtually locked down.

DUBIOUS DEALS AND WASTEFUL SPENDING

Additionally, Mr Speaker, there were a number of highly dubious deals into which the previous administration entered that produced no benefit for the people of Antigua and Barbuda but which sucked millions of dollars from the Treasury and the tax payers' pocket.

These include: the APUA headquarters building; the fencing scandal; the Transport Board headquarters; the unfinished car park; purchasing and disposing of government equipment; excessive purchase prices for old and useless buildings and furnishings; corrupt contracts at CBH & PWD; and odious deals with regard to the national spectrum, internet and telecommunication business.

For the public record, Mr Speaker, this is the state of the economy and government finances that my Party met on being elected to office.

It is a stain on the record of our country and a wart on the face of its governance.

Nonetheless, my government is determined first to fix the problems, and then to grow the economy.

We are resolved to increase employment, alleviate poverty, create the tax climate for prosperous business, and to deliver the goods and services expected of us.

The task is not easy; nor is the burden light.

But, we will take decisive measures to restore fiscal and debt sustainability and we have already implemented steps to do so.

GLOBAL ECONOMIC PERFORMANCE

Mr. Speaker, I turn now to the global context in which our country operates.

The IMF World Economic Outlook, October 2014 edition projects moderate growth in world output of 3.8 percent for 2015 compared to 3.3 percent growth in 2014.

TABLE 1

	GDP Growth (%) 2013	GDP Growth (%) 2014^p	GDP Growth (%) 2015^p
World Output	3.3	3.3	3.8
United States	2.2	2.2	3.1
Canada	2.0	2.3	2.4
China	7.7	7.4	7.1
France	0.3	0.4	1.0
Germany	0.5	1.4	1.5
India	5.0	5.6	6.4
Italy	(1.9)	-0.2	0.8
United Kingdom	1.7	3.2	2.7
Source: IMF World Economic Outlook, October 2014			
^p - Projected			

On the whole the global economy continues a slow and at times disappointing march towards recovery.

But there are some bright lights that hold out beneficial prospects for us.

For example, the United States – our largest trading partner – to whose currency the value of our dollar is pegged, shows positive signs of economic and fiscal improvement.

This bodes well for our tourism industry and for investment from the US provided we remain conscious of the challenges of competition.

It is a very positive sign for us that projected growth in major advanced economies is to be led by the United States, Canada and the United Kingdom.

The US is forecast to grow by 3.1 percent in 2015, up from 2.2 percent in 2014.

The UK economy has been gradually strengthening from a position of 0.3 percent growth in 2012 to an estimated growth rate of 3.2 percent for 2014 and anticipated growth of 2.7 percent in 2015.

Similarly, Canada is set to record 2.3 percent growth in 2014 with projections for a marginal increase in 2015 to 2.4 percent.

The falling price of oil is also of benefit to us.

Lower oil prices should help to bring down the cost of operations of our tourism industry and our agricultural and manufacturing sectors making our products and services more competitive.

It should also reduce the cost of transport, electricity, and water for every household, thus allowing for spending in other sectors of the economy.

The Eurozone remains problematic and as the value of the Euro slides downwards against our currency, our tourism sector will be pitching its marketing efforts to the upper end of the European market that is, by and large, immune from inflationary trends.

Thankfully, our aid and technical assistance arrangements with the European Union (EU) are already established and predictable.

I will speak further to the EU's National Indicative Program later in my presentation.

It is up to us to take advantage of the opportunities that the Economic Partnership Agreement offers.

Mr. Speaker, according to the World Investment Report 2013, China is now the third largest investor, with the US and Japan assuming first and second places respectively.

With regard to China, with whom we are expanding economic and financial arrangements, although its economy is no longer firing at growth rates of 10 per cent, it maintained an enviable 7.4 per cent growth in 2014.

China's economy is projected to grow by 7.1 per cent in 2015 and both the government and private investors have shown an appetite for investing outside of China. It is in our interest to position ourselves to benefit from China's sizeable stock of foreign reserves that it is investing globally.

We are doing so, and already we are seeing results.

ECONOMIC GROWTH IN SELECTED LATIN AMERICA AND CARIBBEAN COUNTRIES

Coming closer to home, the IMF anticipates growth in Latin America and the Caribbean in the region of 2.2 percent for 2015.

This represents something of a rebound for the region, as growth in 2014 was estimated to be 1.3 percent.

Table 2 below presents growth projections for a number of Latin American and Caribbean countries.

TABLE 2

Country	GDP Growth (%) 2014^p	GDP Growth (%) 2015^p
The Bahamas	1.2	2.1
Barbados	-0.6	0.5
Belize	2.0	2.5
Dominican Republic	5.3	4.2
Guyana	3.3	3.8
Haiti	3.8	3.7
Jamaica	1.1	1.8
Trinidad and Tobago	2.3	2.1
Brazil	0.3	1.4
Colombia	4.8	4.5
Mexico	2.4	3.5
Suriname	3.3	3.8
Venezuela	-3.0	-1.0
<i>Source: IMF World Economic Outlook, October 2014</i>		
^p - Projected		

In the Caribbean, downside risks, including traditional challenges of weak fiscal and external positions, high public debt, low competitiveness, and structural deficiencies, continue to constrain growth prospects.

Commodity exporters such as Guyana, Suriname and Trinidad and Tobago are projected to experience stronger growth rates; between 2.2 and 3.3 percent in 2014, and between 2.1 and 3.8 percent in 2015.

By contrast tourism dependent economies are still struggling with sluggish growth, notwithstanding the fact that projections for 2015 indicate a slight uptick in growth from 1.4 percent in 2014 to 1.9 percent in 2015.

With regard to the OECS countries, which share a Currency Union, the latest data published by the Eastern Caribbean Central Bank indicate that the Eastern Caribbean Currency Union (ECCU) was projected to grow by 1.4 percent in 2014 compared to growth of 1.1 percent in 2013.

Mr. Speaker, the last published ECCB report estimates that Antigua and Barbuda grew by 2.5 percent in 2014.

The tourism sector in Antigua and Barbuda rebounded slightly in 2014 following a very lukewarm 2013 where it recorded growth of 0.7 percent.

Tourism is expected to continue to drive growth in 2015 along with wholesale and retail trade and the construction sector.

The ECCB estimates that the tourism sector will grow by 3.8 percent in 2015 while both wholesale and retail and the construction sectors are forecast to grow by 3 percent.

Mr. Speaker, my Government's plans and programs are geared to push economic growth at a faster pace than these projections.

That is why I have spent the last few months flying in and out of Antigua and Barbuda to meet foreign investors.

We have signed several memoranda of understanding or are in the process of negotiating contracts for many investments in tourism or tourism related industries.

The ECCB has recently revised its growth projections for the ECCU region and forecasts growth of 4.2 percent for Antigua and Barbuda in 2015.

Let me repeat that Mr. Speaker, the ECCB forecasts 4.2 percent growth for Antigua and Barbuda in 2015.

Our country has not witnessed such growth for years.

It should be noted that the revised ECCB projections do not yet reflect the value added that is anticipated from the various projects that are to be undertaken in 2015.

Therefore, for the first time in many years, our economy could see growth approaching 5 per cent this year.

I will continue to push, and my Ministers understand that I am in a hurry to grow our economy meaningfully so that employment is dramatically increased and poverty is alleviated.

USING DIPLOMATIC RELATIONS STRATEGICALLY

Mr Speaker, my government has been rethinking and reformulating foreign policy as a tool for national development.

We live in a highly competitive world.

Small countries, such as Antigua and Barbuda, have to maximise our spending and focus our marketing strategies to attract foreign investment wherever it exists.

Such investment will not seek us out; it will not come to us.

It is we who have to find the investors and convince them of the desirability of our country and the readiness of our people to welcome them.

We also have to ensure that we have in place a framework that reduces the bureaucracy from doing business and provides a secure, predictable, and competitive environment for investment.

It is in this context that my Government is taking advantage of the diplomatic relations we have with eighty-five countries.

It is a policy thrust of my Government to use its overseas offices and the Special Economic Envoys and Ambassadors that we have appointed as tools for national development.

Our diplomats have the duty and responsibility to promote beneficial relations with the governments to which they are accredited and advancing our interests in international organisations such as the United Nations (UN), the Commonwealth, the Organisation of American States and the World Trade Organisation.

Those tasks must – and will – continue, but additionally, my government will require every Overseas Office – and each special Economic Envoy –to promote Antigua and Barbuda for investment; to seek out investors; and to host investment conferences.

Mr Speaker, through our many relationships with our regional and international counterparts, Antigua and Barbuda has been able to receive support in the form of grant funding for projects, scholarships for educational advancement of our youth, and technical and social cooperation.

We value all our counterparts particularly our long-time partners, Canada, the European Union countries and the United States of America.

ooOoo

Mr Speaker, we are particularly appreciative of our relationships with a number of key partners, including the People's Republic of China, which has emerged as one of our most important partners in development.

I am also pleased to report that our relationship with China has been strengthened within the past few months.

The exchanges between President Xi and I have been very fruitful and have redounded to the mutual benefit of both our nations.

Construction of the educational institution at Five Islands, which will serve as a college of the University of the West Indies, is on-going, as is the new Airport Terminal, which is scheduled to be completed in March 2015.

These are two of the projects that have been beneficiaries of concessional funding from our Chinese partners.

In August of last year, during a meeting with President Xi, his Government committed a total of \$50M in concessional loans and grants to go towards the construction of the premises for the UWI College.

The People's Republic of China has also provided grant funding for a Cataract Surgery Clinic at the Mount St. John Medical Centre in 2015.

China will also provide grant funding for a few thousand solar powered street lights, which will be utilised in various communities and housing projects throughout the island.

Mr. Speaker, the best is yet to come.

We recently signed off on the design and construction phase of the cruise and cargo ports redevelopment and expansion project.

The proposed loan will be in the region of \$675 million to construct a new port facility.

Also, the channel and the turning basin will be dredged to a new depth of 40 feet to accommodate the Oasis class cruise vessels and additional piers will be constructed.

The St. John's Harbour will be transformed into one of the best tourism ports in the Caribbean with additional piers, shops, restaurants, cafes, a hotel, museum, and entertainment zone.

ooOoo

Mr Speaker, our country has also continued to benefit from our relationship with Venezuela under the PetroCaribe Initiative.

The PetroCaribe facility has been a life line for our country.

It has facilitated a number of social programmes through which relief has been brought to many underprivileged Antiguan and Barbudans.

Last Monday, my Government signed off on a term sheet to purchase National Petroleum Limited's 75 percent stake in WIOC for US\$30 million.

The previous administration had offered US\$81M for the shares, however, through skilful negotiations, our government was successful in achieving a hefty discount of US\$51 million on the purchase price.

We intend to partner with the Venezuelan oil company, PDVSA, in transforming WIOC into a sub-regional supplier of petroleum products.

At least 49 percent of the shares will be divested publicly and we strongly encourage our citizens, residents and businesses to purchase shares in what will become the most profitable business entity on the island.

ooOoo

Mr Speaker, Antigua and Barbuda also continues to benefit from its longstanding ties with Cuba.

The areas of collaboration include healthcare, education and training, infrastructure development and sports.

Following my meeting with President Raul Castro in December 2014, and subsequent discussions with him, the Republic of Cuba has pledged further support for Antigua and Barbuda.

Specifically, our country will benefit from additional scholarships for Antiguan and Barbudans to study medicine and to pursue post graduate degrees.

Also, our physical education teachers and sports personnel will participate in a “train the trainers” programme.

The Government will also receive assistance to enhance the capacity of the Mount St. John Medical Centre to pursue medical tourism.

Finally, the Republic of Cuba will work with the Government to establish a pharmaceutical factory in Antigua and to build and reconstruct major dams and reservoirs to ensure fresh water sustainability.

Mr. Speaker, we thank the Government and people of Cuba for their generosity.

ooOoo

Mr Speaker, the Government of Mexico has approved a loan of US\$40M and a grant of US\$5million to assist in the provision of affordable homes for our people.

Our target is to build as many as 2,000 homes over several years in satisfaction of the demand for good quality, affordable housing.

The Government of Mexico has also extended an invitation to me for a state visit which I will undertake at a mutually convenient time.

Mr Speaker, while our Government will continue strong and mutually beneficial relations with the US, Canada, the European Union, Japan, Mexico and Brazil, we are also seeking to strengthen Antigua and Barbuda's ties with non-traditional development partners, including the United Arab Emirates, India and Turkey.

In the latter case we have received a pledge of US\$2.1 million in grant funding that we expect to be delivered soon to assist in the funding of a fire engine for Coolidge Fire Station.

The Foreign Minister of the United Arab Emirates, His Highness, Sheikh Abdullah, will undertake an official visit to Antigua and Barbuda in April of 2015 to meet with Government officials to discuss matters of mutual cooperation between both our countries.

Mr. Speaker, the leadership of our country is internationally recognised and celebrated.

We have worked hard to expand the scope and space of our Government during the past seven months.

The efforts of our Government, especially our push to attract significant investments, was recognised and lauded by several regional and international publications. This is tangible evidence that the pride is truly back and all citizens and residents should feel proud that they have a government that is performing with diligence and commitment and that is internationally recognised.

FINANCIAL INDICATORS

I turn now, Mr Speaker, to some statistical information that members of this Honourable House and members of the business community might find useful.

The Eastern Caribbean Central Bank estimates that for Antigua and Barbuda Broad money supply (M2) increased by 2 percent from \$2.91 billion at the end of December 2013 to \$2.97 billion at the end of October 2014.

This outturn mainly resulted from a 5.9 percent or \$35.2 million increase in Narrow money (M1).

Narrow money includes cash at commercial banks, currency in circulation and private sector demand deposits.

Quasi money, which includes private sector savings and time deposits, increased by 1 percent from \$2.31 billion to \$2.34 billion during the period under review.

Banks continue to be cautious in lending, causing domestic credit to decline. Commercial bank lending amounted to \$2.62 billion at the end of October 2014.

This was \$67.8 million or 3 percent less than domestic credit at the end of December 2013.

Moreover, domestic credit to both private sector and government declined by 4.3 percent and 1.2 percent, respectively.

The Net Foreign Assets of the banking system rose by 27 percent to \$706.2 million.

This increase in the net foreign assets was mainly due to a 32.6 percent or \$212.7 million increase in imputed assets for the period under review.

Liquidity in the commercial banking system, as measured by the ratio of liquid assets to total deposits and liquid liabilities, rose by 2.6 percentage points to 49.8 percent while loans and advances as a ratio of total deposits fell by 3.6 percentage points to 74.6 per cent at the end October 2014.

The interest rate spread between the banks' prime lending rate and the savings rate amounted to 7.8 percent at the end of September 2014.

The weighted average lending rate increased slightly from 9.5 percent in December 2013 to 9.6 percent at the end of September 2014.

Mr. Speaker, over the past few years individuals and businesses were unable to service their obligations to banks; and families and businesses were forced to utilize their savings to exist.

Even so, the 7.8 percent spread that banks enjoy is particularly high.

This is a deterrent to development financing and it places domestic investors at a disadvantage against foreign investors who can secure cheaper money.

This is a matter on which our Government, together with other member governments of the ECCU, would wish to engage the banks operating in the member states of the OECS with a view to finding ways of reducing onerous borrowing rates and to increase the accessibility to and demand for credit.

FINANCIAL SECTOR ISSUES

Mr. Speaker, the financial system in Antigua and Barbuda took several grievous hits under the previous Government.

The failure of the Bank of Antigua and Stanford International Bank, the collapse of CLICO and British American Insurance Company, and the problems of ABI Bank all cost the people of Antigua and Barbuda over a billion dollars.

Confidence in our indigenous banking system has been placed at great risk and swift action is required to stop any potential for contagion and additional failures.

Mr. Speaker I am pleased to advise that my government has led the charge to correct these problems and a resolution of ABI Bank will take place by June 2015.

Currently, Mr. Speaker, an asset quality review, financed by the Government of Canada and with technical support from the World Bank and IMF, is taking place for all banks in the ECCU region, including those in Antigua and Barbuda.

This will be followed in February by new Banking legislation and, by June, my government expects the issues surrounding ABI Bank to be fully resolved.

We had hoped to act swiftly and independently to resolve the ABIB crisis.

We have subsequently opted for a sub-regional collective resolution.

Although time consuming, this is desirable to prevent any missteps that could result in harmful contagion effects that could undermine the financial and economic systems.

We are aware of the calls of the extremist puritans to inflict pain on depositors. However, Our Government is determined to resolve the domestic banking crisis as painlessly as possible for depositors.

Consequently, liquidation is not an option under consideration.

ABI Bank will be returned to good health.

As we look at the vulnerabilities, weaknesses and threats to the fragmented indigenous banking system, my Government will be encouraging bank consolidation.

INTERNATIONAL FINANCIAL SERVICES

Mr. Speaker, I turn now to the international financial services sector.

Currently there are twelve international banks operating within the Jurisdiction. Of these, ten hold Class 1 international banking licenses and two hold Class 3 composite International Bank and Trust licenses.

Notwithstanding the challenges from self-appointed but powerful groups such as the Organisation for Economic Co-operation and Development (OECD) and Financial Action Task Force (FATF), the international banking sector continues to play a role in the overall development of our country.

The sector manages an on-balance sheet asset base of over US\$2 billion.

An additional US\$1.5 billion in assets are held off balance sheet.

These represent assets which are managed by the banks on behalf of customers but for which the banks do not incur any liabilities.

The contribution of the international banking sector is currently not included in the calculation of the GDP statistics compiled by the ECCB.

However the information will now be shared with the ECCB to ensure this segment of economic activity is adequately reflected in the GDP statistics.

Mr. Speaker the international banks, by virtue of paying various annual fees, provide revenue for the Financial Services Regulatory Commission (FSRC) and the employment of a cadre of professional staff.

As entities engaged in the provision of financial services, these international banks have also created spinoffs to the benefit of the domestic economy.

Notably, these banks are consumers of legal services, utilities, stationery items and in most cases the banks are housed in rented premises.

Currently, as stipulated by law, all banks operating within the jurisdiction are required to place US\$500,000 as a statutory deposit with the Commission.

These deposits amount to approximately US\$7.5 million and are invested in various instruments in Antigua and Barbuda.

Mr. Speaker the grey listing of our jurisdiction by the FATF presented major challenges for licensees within the international financial services sector.

Notwithstanding the fact that Antigua and Barbuda was removed from the grey list in February 2014, most corporations continue to be challenged in establishing or maintaining correspondent banking relationships.

The Commission has directly engaged the international community in an effort to improve the external perception of the jurisdiction.

Further, my Government, will mount an international road show by end of January 2015, primarily geared at sensitizing international financial institutions and other stakeholders of the improvements in the Commission's oversight and regulations, and the fact that Antigua and Barbuda is no longer on the grey list and is a safe jurisdiction for financial development.

Also, in the first quarter of 2015, a new stand-alone International Banking Bill will be tabled.

The implementation of this Act will seek to enhance the current regulatory and supervisory framework among other things.

Effective January 1, 2015, the licensing fee paid by the international banks operating within the jurisdiction was increased.

The Commission's revenue stream from the renewal of international banking licences will increase by \$513,000.

Mr. Speaker, the offshore sector will be reviewed during the course of this year and a new strategy for growth developed in time for presentation in 2016.

This year, efforts will be made to attract several more gaming companies and back office processing companies that are jobs-intensive and which pay good wages.

In fulfilment of this objective, negotiations are under way with one gaming company and another back office company to establish operations in Antigua. Ultimately, strategies will be introduced to further link this sector to the domestic economy and to increase its contributions to economic growth and development.

Domestic Trade

Whereas our core competencies lie with trade in services, primarily tourism, financial and other services, every effort will be made to incentivise the manufacturing, agricultural and fisheries sectors.

Our objective is to increase production to satisfy domestic demand and exploit niche export market for these sectors to ensure self-sufficiency, food security and reduced imports.

Our Government has intervened to save Lee Wind Paints from liquidation and has provided incentives for several new manufacturing and agricultural enterprises to commence operations shortly.

Operators in these sectors can be assured of our government's commitment and support to these critically important sectors.

FISCAL PERFORMANCE - 2014

Total revenue is projected to increase by \$32.9 million or 7 percent from \$605 million in 2013 to \$647.9 million in 2014.

This growth in revenue was due to a 1 percent increase in tax revenue from \$565 million in 2013 to \$571.4 million in 2014 and a \$33.5 million or 86.5 percent increase in non-tax revenue from \$38.7 million in 2013 to \$72.2 million in 2014.

The improved performance in non-tax revenue is mainly a result of Citizenship by Investment receipts which are projected to amount to \$30 million in 2014.

The main components of tax revenue are the ABST, Stamp Duties, RRC, Import Duty, Corporate Income Tax, Personal Income Tax, Property Tax and Consumption Tax.

The ABST is expected to grow by \$25 million or 12.2 percent from \$205 million in 2013 to \$230 million in 2014.

Revenue from Stamp Duties is projected to increase slightly by \$1.4 million to \$28.9 million in 2014.

The Revenue Recovery Charge is projected to yield \$73.9 million in 2014, an increase of 4 percent compared to the \$70.9 million generated in 2013.

Revenue from the Consumption Tax is expected to grow by 9 percent from \$33.4 million in 2013 to \$36.4 million in 2014.

Import Duty is projected to yield \$83 million in 2014, a 1 percent increase compared to 2013.

For 2014 the yield from the Corporate Income Tax, Personal Income Tax, and Property Tax is expected to decline compared to the revenue collected in 2013.

Corporate Income Tax is projected to decline by 9.5 percent from \$46.9 million in 2013 to \$42.4 million in 2014.

Revenue from the Personal Income tax is expected yield \$36 million in 2014, which is 19 percent lower than the \$44.7 million collected in 2013.

Finally, revenue from the Property Tax is projected to decline by 9 percent from \$19.1 million in 2013 to \$17.3 million in 2014.

Total expenditure is expected to increase by \$2 million from \$715 million in 2013 to \$717 million in 2014.

Expenditure on wages and salaries, interest payments, and capital all increased while spending on goods and services, other transfers, and pensions and gratuities are projected to decline.

Spending on wages and salaries is projected to increase by 7.5 percent from \$275 million in 2013 to \$295.6 million in 2014.

This increase is due to the reclassification of teachers' salaries, payment of retroactive increases that were due to a number of public sector workers, and expansion of the work experience programme.

Interest payments will increase from \$58 million in 2013 to \$86.6 million in 2014.

This 49 percent spike is due to an increase in the debt service requirements for the IMF loan.

Capital expenditure is expected to be \$57.4 million in 2014.

This is a 37 percent increase above the \$42 million spent in 2013.

TABLE 3

	Actual	Budgeted	Prelim
	2013	2014	Estimate
	2013	2014	2014
Total Revenue and Grants	605.2	728.7	647.9
Current revenue	603.7	702.4	643.6
<i>of which: Tax revenue</i>	<i>565.0</i>	<i>595.5</i>	<i>571.4</i>
<i>Non Tax Revenue</i>	<i>38.7</i>	<i>106.9</i>	<i>72.2</i>
Total Expenditure	715.0	800.6	717.1
Current expenditure	673.0	692.3	659.8
Wages and salaries	275.0	292.4	295.6
Contribution to SSB & MBS	25.0	23.8	24.6
Goods and services	143.0	129.7	116.7
Interest payments	58.0	93.8	86.6
Pensions, other transfers	173.0	152.7	137.4
Capital Expenditure & Net			
Lending	42.0	108.3	57.4
Current Account Balance	(69.3)	10.1	(16.2)
Primary Balance	(51.8)	21.9	17.4
Overall balance	(109.8)	(71.9)	(69.2)

The above table presents fiscal performance in 2013 and the projected outcome for 2014

Mr Speaker, Expenditure on goods and services fell by 18 percent from \$143 million in 2013 to \$116.7 million in 2014.

The amount spent on other transfers, which covers subventions to various statutory bodies and the Barbuda Council, declined by 17 percent from \$101 million in 2013 to \$83.8 in 2014.

Expenditure on pensions and gratuities is projected to decline from \$71 million in 2013 to \$53.6 million.

This 24 percent drop in expenditure reflects a reduction in Government's obligations for compensation and indemnities in 2014 compared to 2013.

Finally, Mr. Speaker, the primary balance, a key indicator of the fiscal performance of central government, improved by over 130 percent from a deficit of \$51.8 million in 2013 to a surplus of \$17.3 million in 2014.

The overall balance, which is the primary balance plus interest payments, is expected to improve by 37 percent from a deficit position of \$109.8 million in 2013 to a deficit of \$69.2 million in 2014.

PENSION MODERNIZATION

Mr Speaker, I advise this Honourable House that the Pension Modernization Commission completed its work on 30th September, 2014.

The Commission was constituted in 2008 in recognition of escalating costs associated with Pensions, and the need to transform and modernize Antigua and Barbuda's pension regime.

In this connection, the Commission has submitted its final report, including recommendations, for the consideration of Cabinet.

The report addresses a number of critical issues, including the legal framework; the pros and cons of defined benefits and defined contribution plans; the impact of the rate at which pensions accrue; the level of replacement income that a pension should provide; the provision of benefits when leaving the service prior to retirement age; and transitional arrangements that may be contemplated when reforms are being implemented.

The recommendations before Cabinet would represent the most sweeping proposals for reform of Antigua and Barbuda's pension system in decades.

Once Cabinet has considered the recommendations of the Commission, consultations with stakeholders will follow and a consensus will be reached on the reform measures that should be taken.

Suffice it to say now that whilst my Government recognizes that pension costs need to be controlled, pension reform must also deliver a fairer and more equitable system of welfare to pensioners.

This objective will be borne in mind as we consider the recommendations of the Pension Modernization Commission.

MACROECONOMIC OBJECTIVES

Mr. Speaker this budget is focused primarily on job creation through increased trade and investments: private and public; local and foreign.

The experience of the past five years under the UPP administration has confirmed our view and previous warnings that there can be no fiscal sustainability without growth. The view of my government is that fiscal sustainability can best be attained by achieving consistent annual growth rates of at least five percent over the next five to ten years.

The growth efforts will be underpinned by programmes for fiscal consolidation and debt restructuring.

This is the strategic approach we will be using to attain financial and economic sustainability.

Mr. Speaker, the programme priorities of our growth agenda for the next five years include:

1. Sound Fiscal and Debt Management
2. Job Creation through Increased Investments
3. Crime Reduction and Improved National Security
4. Enhancing Energy Efficiency
5. Improving Human Development
6. Promoting Barbuda's Development
7. Sports and Culture

SOUND FISCAL AND DEBT MANAGEMENT

Mr. Speaker, a number of efforts are already being formulated to reduce our medium term financial commitments, improve fiscal performance, allow revenues to recover, and to strengthen the Government's payment capacity.

This year, my Government will improve revenues by enhancing tax administration to boost collections by the Customs and Excise Department and the Inland Revenue Department.

We will also expand the Fresh Start programme and rationalize government incentive programmes.

Mr. Speaker, a new ASYCUDA system will be installed at the Customs and Excise Department to enhance revenue collections.

The Inland Revenue Department will also benefit from technological and process adjustments that will increase their collections.

Mr. Speaker, the technological and process enhancements in our revenue agencies will also help to improve the business environment in Antigua and Barbuda.

We need to create an effective business climate to increase our competitiveness, attract investments and ensure trade facilitation for robust growth and economic development.

It should be noted that Antigua and Barbuda now ranks 89th in the World Bank - “Ease of Doing Business Report.”

We are determined to work towards rebuilding the business and commerce infrastructure to create a rapid response culture, with the velocity and efficiency of a globally competitive economy.

To this end, we have embarked on a system wide e-government strategy in partnership with Microsoft Corporation.

This will see the implementation of an e-government platform that will result in the automation of many business processes in the Public Sector, to include visa applications and bill payments.

It will also set the platform for a paperless public sector and the provision of e-health and e-education services.

The Microsoft application will ensure the full integration and inter-operability of all government systems.

In addition, we launched the ASYCUDA World Project last Thursday, which will automate the Customs and Excise department processes making them more efficient in line with global standards.

ASYCUDA will usher in an electronic single window which will capture all trade data and will reconcile revenues collected with cargo manifests to ensure that the duties and taxes are paid.

This would reduce or eliminate the abuses of trade taxes at the seaport and airport.

This project will be funded by a grant of approximately \$2 million from the EU.

Mr. Speaker, our Government will also improve revenue performance by extending the Fresh Start Programme and expanding it to cover the Property Tax.

Individuals owing ABST will benefit from a waiver of the penalty and interest if they pay up before the end of March 2015.

In terms of the Property Tax, any non-commercial residential property owner who owes arrears on property tax and pays their 2015 property tax assessment before June this year will get all their arrears waived.

As we did for utilities we are giving our people a fresh start.

With these generous tax write-offs, it is only fair that delinquent tax payers keep their payments current failing which, we will have no choice but to vigorously pursue them for all outstanding amounts, utilising all legal and administrative remedies available.

We therefore encourage delinquent tax payers to capitalise on these concessions and to keep their tax payments current in the future to avert further action.

RATIONALISING INCENTIVE PROGRAMMES

Mr. Speaker, I turn now to tax incentives.

With the assistance of the International Finance Corporation of the World Bank, a study will be undertaken of the costs and benefits of incentives granted to new and existing businesses.

These benefits are significant, amounting to more than 25 percent of total tax revenue every year.

In dollar terms the government gives up over \$400 million in incentives.

These take the form of tax holidays, accelerated depreciations, carry forward losses, and waived border charges, stamp duties, undeveloped land tax, and so on.

This year we will focus on rationalisation of all incentives and investigate the long-held view that incentives are essential to attracting investments and creating jobs.

The overall objective is to ensure that the economic benefits of an incentives programme outweigh the revenue that is foregone.

We are not pre-judging the outcome of this study, and once it is concluded, my Government will make it available to all interested parties in the country and to those who provide investment services to the government for full debate.

What is essential is that there should be a scientific approach to the granting of tax incentives rather than a reaction to the view that they are necessary for effective competition.

That claim must be thoroughly investigated and proved or disproved in order for rational and informed decisions to be made.

In the meantime, the Tourism and Business Incentives Act will remain in force and tax free concessions up to 25 years will be offered to investors subject to the size of the investment.

Let me state here that the concessions are available to both local and foreign investors alike but the extent of the tax concessions are dependent on the size of the investment.

We are passionately committed to the creation of an entrepreneurial society and the expansion of the ownership class. We therefore, invite all residents and citizens to seize the various opportunities that will arise from time to time, and to actively participate and invest in our country's economic growth and development.

EXPENDITURE MANAGEMENT

In terms of expenditure, Mr. Speaker, my Government will cut all wasteful spending in all ministries and departments, including Public Works, the Central Board of Health, and National Solid Waste Management Authority.

Under the stewardship of the previous government, these agencies became centres for corruption, waste, exorbitant pricing, and poor quality work.

This year, we will strengthen the Internal Audit Unit, which will be responsible for value for money auditing.

The officers assigned to the Unit will be the brightest and the best, with job specific training through international training programmes.

Additionally, the contract and procurement functions will be strengthened by utilising independent quantity surveying and cost benefit analytical services, rather than simply relying on the Ministry of Works.

The Ministry of Works and Housing will be comprehensively reviewed, and its procedures and internal control systems will be restructured as part of the overall Public Financial Management Reform programme.

Mr. Speaker the previous Government left a floating debt of over \$200,000,000 for all types of contracts into which they entered.

Unfortunately, our Government is now faced with the burden of honouring these contracts, many of which are dubious at best.

Mr. Speaker, the Government will also focus on improving the institutional arrangements for procurement and contract administration.

Specifically, we will operationalize the Procurement Administration Act, which will replace the existing Tenders Board Act. This process will take into consideration the developments at the OECS and Caricom levels to ensure the arrangements in Antigua and Barbuda align with regional and international standards.

Ultimately, the new legal framework and institutional arrangements for procurement and contract administration will give rise to improved management of our scarce financial resources, ensure value for money, and eliminate the abuses of the past.

DEBT MANAGEMENT

Burdensome debt is the core of the financial difficulties now faced by Antigua and Barbuda.

It is the reckless borrowing and corrupt contracting without any productive investment of these funds that has resulted in the difficult fiscal quagmire in which the previous government plunged our nation.

The IMF Debt, for example, increased local debt payments by 33 percent at the same time that growth was almost negative 25 percent and revenues fell by over \$200 million.

Unproductive use of borrowed money and the attendant ministerial sponsored extortion are at the heart of Antigua and Barbuda's fiscal problems.

Mr. Speaker in 2009 the previous government increased its budget to nearly a billion dollars and the economy had the largest economic decline.

How could that have been possible?

The figures simply do not add up.

So much for accountability, transparency, and sunshine government.

Mr. Speaker some of the statutory corporations have defaulted on their loans and our Government now has the responsibility to pay them.

This year, over \$17 million will be spent by central government paying loans guaranteed for Statutory Corporations.

Mr. Speaker it is therefore obvious that the Ministry of Finance must enforce the provisions of Finance Administration Act, 2006 and provide strict oversight of the financial operations of all statutory bodies.

The FAA requires that every State Owned Enterprise submits audited financial statements to the Ministry of Finance and to the responsible Minister for tabling in Parliament within 6 months of the financial year end.

It is critical that the Ministry of Finance receives timely annual audited financial statements so that the Ministry can manage fiscal risks associated with state owned enterprises.

In this regard, the Ministry of Finance, through the Office of the Financial Secretary, will be playing a more active role in ensuring that statutory bodies are compliant with the law.

Looking at 2015, the Government's interest and principal burden for debt repayment is over sixty percent of recurrent revenue.

More than three-quarters of total debt service payments are made to domestic creditors such as banks, certain statutory corporations, and investors in Government's Treasury bills and bonds.

Mr. Speaker the Government of Antigua and Barbuda will honour every debt obligation even though we are convinced, on the evidence, that much of this money should never have been borrowed and that the great portion of it was spent on wasteful and dubious projects.

But, we have to maintain the country's reputation and credibility that it honours its debts.

In our own case, this Government will ensure that all new borrowings are for productive use.

JOB CREATION THROUGH INCREASED INVESTMENTS

Mr. Speaker securing new investments, creating jobs and curbing crime are the three top priorities of this Administration.

At the heart of this Government's thrust to increase investments is an understanding that Tourism continues to be the driving force of our economy.

Most of the Nation's commercial activities and growth in GDP depend on this sector.

Also, increased employment opportunities will result directly and indirectly from Tourism receipts.

As such, the focal point of Antigua and Barbuda's growth agenda will be a strategic plan for Tourism that is based on sustainability, increased airlift, enhanced marketing, product development and increased room capacity through various investment projects.

Mr. Speaker, the number of stay-over arrivals in Antigua and Barbuda at the end of November 2014 was 223,216, a growth of 3 percent over the previous year.

These figures are expected to increase significantly as a result of the renewed focus on tourism in 2015 and the various marketing campaigns that this Government will pursue.

Antigua and Barbuda has developed a tourism action agenda centred on three new destination stewardship initiatives.

These initiatives were developed collaboratively and agreed to by more than fifty local stakeholders.

The action agenda includes the development of a sustainable tourism strategy and new community-based cultural tourism products, as well as, mapping cultural heritage sites in order to improve interpretation material for tourists.

We believe, that responsible tourism can play a role in fostering sustainability.

As a country, which derives 80 percent of its GDP from Tourism, we must ensure that the sector is developed in a sustainable way to ensure its long-term viability.

These tourism product initiatives will be supported by an aggressive marketing campaign in our major source markets, using all marketing channels to further create demand for the destination.

Antigua and Barbuda has excellent airlift from our major source markets in the USA, UK, Europe and Canada.

Mr. Speaker, we will also conclude negotiations for additional Airlift from new carriers such as COPA Airlines, Avianca and other carriers to allow us to take advantage of the anticipated growth and demand for the destination from Latin America that is expected to accompany the opening of new Airport terminal and the host of new tourism investment projects.

In fact, our government will launch a new carrier within the next sixty days which will commence operations out of North America in the fall of this year.

Mr. Speaker, Cruise Tourism will be given special attention with the sweeping of the St. John's Harbour and major modernization of St. John's as a cruise and commercial port.

This will return our destination to its marquee position as a premier Caribbean cruise port.

Significant work will be undertaken to upgrade our cruise facilities to improve the quality of product and service that we offer our cruise guests.

In order to help realize the first phase of this goal the Government has just secured a Caricom Development Fund (CDF) Loan in the amount of US\$1.79 million with a further contribution of US\$0.62 million from the St John's Development Corporation (SJDC).

The funds will assist in completing taxi parking areas and the establishment of a Transportation Hub. A seawall will be built to secure the water front area in front of the Old Bryson's building adjacent to the new Ferry Dock.

Repairs to roads, restructuring of gutters and sidewalks throughout lower St. John's, including installation of waste run-off collection areas, repairs and renovations to Heritage Quay and the Heritage Hotel will also be done.

The improvements will include a clear thoroughfare connecting Redcliffe Quay and Heritage Quay along Commissioners Alley, along with repairs and expansion of the Immigration and Customs Arrival/Departure Booth.

Mr. Speaker, Antigua and Barbuda will see an increase of Cruise ship calls for the 2014/15 season by approximately 15 percent in comparison to last season. Last season we recorded 253 ships and this season we will have 297 ship calls.

There will also be an approximate 20 percent increase in passenger count over last season.

Last year we received 551,000 passengers and this year we are looking at approximately 700,000 passengers for a bumper cruise season.

We have already welcomed a new cruise ship this year, the Royal Princess, and we look forward to welcoming even more new ships as we complete the development of the harbour and the enhanced Cruise facilities in downtown St John's.

Mr. Speaker, yachting has been identified as a key sector for major growth and requires targeted interventions to secure our status as the mecca of Caribbean yachting.

This includes improved customs and immigration processes, creating a duty free enclave with improved services for the yachting sector, while ensuring the safety and security of our visitors.

We boast the best sailing conditions and the finest first class landside yachting facilities in the region.

From refitting and refurbishing to provisioning, expert services with world-renowned reputations are available in this country.

Mr. Speaker, I am pleased to announce that the Government has abolished the duty on the importation of yachts to our country to help ensure that more yachts will be registered and based here during the winter season.

We have also allowed for the expansion of fuel services to provide the low-sulphur diesel that is critical to the efficient operation of the luxury yachts.

Finally, the decision to make the entire Falmouth and English Harbour area into a duty free enclave will serve to extend the yachting season into the summer months for increased business activity.

TOURISM INVESTMENTS

Mr. Speaker, since coming to office in June of 2014, my Government has signed a series of memoranda on new hotel projects and investments that are valued in excess of two billion dollars.

These projects will create thousands of jobs, promote economic growth, and ensure the goal of increasing room capacity to 5,000 hotel rooms in Antigua and Barbuda is achieved.

The investment projects include the following:

- i. The Sunny Hill Group has announced a \$200 million investment project in Antigua and Barbuda. The 400-unit project will be located on a 100-acre site in the Falmouth/Bethesda area of Antigua, on land owned by CO Williams Property Development Company Limited. This project will create over one thousand new jobs for Antiguan and Barbudans with five hundred in the construction sector and over five hundred in operation and management positions.
- ii. The new US\$150 million Beaches Resort by Sandals Resorts International at Long Bay will finally become a reality and not a mere promise. It will provide up to 400 rooms, 1,000 construction jobs and 850 permanent hotel positions when completed.
- iii. The Replay Group out of Canada, which had sought for over three years to take over the defunct Half Moon Bay Hotel is finally moving forward with the project.

- iv. The Hodges Bay Club renamed “The Resort at Hodges Bay,” after lying derelict for many years, will be finally completed and become fully operational in 2015. This new 79-room resort facility will provide meaningful employment to as many as 150 persons at any given time and upwards of 200 jobs when all phases of the development are completed.
- v. A Memorandum of Agreement for the Morris Bay Project was signed last July with His Excellency Sheik Tariq Faisal Alqassemi of Dubai. This is a five-star luxury hotel project valued at US\$120M which will be developed in partnership with the Government. It will include a Public National Park for residents.
- vi. The Government has also signed a joint venture agreement with the Sun Wing Group out of Canada to build a 500 room resort property adjacent to the Royal Antiguan Resort. This \$150 million project will be built in two phases. The \$75M investment in the first phase will see the construction of a “Royalton” hotel complex with 300 rooms, multiple restaurants, a casino, disco, full service spa, tennis courts and theatres. Phase two will include the \$50M construction of 200 mixed-use condominiums.

This joint venture will see Sun Wing contributing about 85 percent of the \$150 million with the remaining 15 percent injected by the Government whose equity will be in the form of land.

These projects are in addition to the YIDA International Investment Group’s Island Paradise Resorts at Guiana Island and surrounding areas - an agreement reached within days of ABLP’s election victory.

The group has recently acquired the Stanford Guiana Island property at a cost of US\$70M and will break ground in the first quarter of this year.

Finally, the appointment of actor Robert De Niro as an Economic Envoy for Antigua and Barbuda has started the process for the sale and upgrade of the former K-Club in Barbuda.

A new US\$250 million luxury resort project will shortly begin in Barbuda.

This announcement has been well received and publicised in the international media and has positively raised our country’s profile and reputation around the world.

This list is not exhaustive; other projects are currently being negotiated.

Early next week, a group of investors from the Middle East will visit our country to explore a number of investment opportunities in various sectors of our country's economy.

Other Projects

2000 HOMES TO BE BUILT

Mr. Speaker my Government will continue to aggressively pursue foreign direct investment and we will also encourage the participation of local entrepreneurs in meaningful activities to support the economic developing of our nation.

My Government will build 2,000 homes for citizens of this country over several years.

Before the general elections, I promised that my government would build 500 homes.

I have since enlarged that number and pledged to construct 2,000 homes over several years to move closer to satisfying the 7,000 plus applications we received for housing.

That pledge remains and its fulfilment is a priority of my Government's work and an important element in our growth strategy.

During the past several months, the Government has established the infrastructure for the Housing program.

The infrastructure includes the establishment of the National Housing and Urban Renewal Company which will develop different sites on the island.

Already several sites are being acquired and subdivided.

At least one site at Dredge Bay will become development-ready early in the New Year.

The construction of the first batch of homes should start within weeks.

I am pushing hard to complete the first batch of homes at Dredge Bay within six months.

I know that the proof of the pudding is in the eating, and the 'doubting Thomases' in our midst will not be silenced until construction starts.

Let me assure you they will be silenced, and 2,000 homes will be constructed.

CRIME REDUCTION AND IMPROVED NATIONAL SECURITY

Mr. Speaker crime control and security are crucial to any society.

Without these life could be nasty, short and brutish, and economies suffer from the factors of fear and loss of confidence by the business community.

There are far too many home invasions and criminal activities in our country.

My Administration has zero tolerance for crime.

Other than the budgetary amounts, our Government recently allocated EC\$540K from the CIP Development Fund to assist the police to acquire equipment for effective crime fighting.

Mr. Speaker, while we will always have criminals and criminal behaviour, my government is driven by a view that people empowerment, is at the heart of the solution of controlling and managing crime effectively.

Most of the convicted criminals have common traits and deprivations: low education and skill training, weak moral fibre - a function of poor socialization, poor household conditions and or neighbourhood experience - poor economic and social opportunities, high levels of unemployment, alienation and atrophied social and spiritual development.

They also tend to abuse drugs and alcohol and many times they are abusive to their women and children.

Mr. Speaker my Government is fashioning programmes for human development by expanding opportunities for training, employment, proper housing, sports and recreational development that will empower our people and remove the temptation to pursue a life of crime and violence.

We will not give the criminal any excuses.

We are creating opportunities for economic and social achievement.

Those who choose a life of crime will do so because that is their disposition and choice.

In such cases, they will feel the full force of the law.

Our economy, our society, our people, our businesses – all need to live in freedom and safety, and that is the environment that my Government is determined to create.

PLAN TO FIGHT CRIME

Mr. Speaker I will now outline the framework of the Government's Plan to fight crime:

The first element of the government's Crime Plan is the strengthening of the law enforcement agencies.

We will do so by ensuring strong and effective leadership of these agencies', and by providing the necessary resources to facilitate effective implementation of the operational plans.

There will also be robust patrolling of communities and neighbourhoods with special focus on the high incident crime areas.

In this regard, soldiers will assist the police in the night with patrolling duties.

Standard rapid response times will be established and supported by a strategic combination of electronic monitoring devices and special quick response teams to support general patrol teams.

Our Defence Force's main task will be crime fighting, especially in areas of intelligence gathering, special rapid response units, and nightly patrols.

A network of individuals will be recruited and additional resources provided for intelligence gathering.

Undercover security personnel, cultivated informants, crime analysis, and data base development and utilisation will be a critical component of this programme.

A standard reward of \$50,000 for any information leading to the arrest and conviction of any individual involved in a gun crime or the crime of rape.

Government will provide assistance for the establishment and operations of Neighbourhood and Community Watch Groups.

This assistance will include training and other logistic support.

Proliferation of home security electronic devices linked via internet to homeowners' phones, and neighbourhood watch centres and police electronic surveillance centres, will be an important component of neighbourhood protection programmes.

In this regard, government will continue to waive duties on the importation of security equipment.

Mobilising and utilising the power of communities for information, surveillance and patrol will be a powerful tool in the fight against crime.

Mr Speaker, criminals must be brought to swift justice with maximum penalties imposed on violent criminals.

Additionally, consideration will be given to amending the law to allow electronic tagging of repeat offenders, since most crimes are committed by repeat offenders known to the courts.

Knowing where criminals are will aid in the rapid apprehension of guilty individuals.

Let me make it clear, that we will be tough on those who persist in crime.

The problem of crime is now real and deadly serious.

It demands that we seek change in our legal system so that our society is not threatened and terrorised by criminals, and that our people can live without fear.

Our society cannot sacrifice to give individuals a leg-up and a helping hand and yet allow a handful to hold guns at our heads, and spoil the tranquillity of our national life.

Therefore, in the coming months, my government will introduce legislation to administer stiff penalties for the illegal possession of weapons.

We will also legislate severe punishments for violent crimes, especially those associated with weapons.

ENHANCING ENERGY EFFICIENCY

Mr Speaker, my Government is committed to developing and reforming the country's energy sector. This is based on the platform outlined in the ABLPs Manifesto "The People's Rescue Plan" and is intended to bring tangible enhancements to the people of Antigua and Barbuda including:

1. Reduced cost of energy, with improvements in the reliability of the electricity supply;
2. Harnessing Antigua and Barbuda's considerable renewable energy resources in wind and solar energy;
3. Initiatives for fostering energy efficiency in all sectors of the economy;

4. Establishing Barbuda as a model for sustainable “green energy” development;
5. Collaboration with regional and international partners in promoting sustainable approaches to energy in Antigua and Barbuda.

Mr. Speaker, our objectives are very simple:

1. To reduce the cost of electricity
2. To reduce the cost of living
3. To enhance competitiveness
4. To restore APUA to an efficient profitable corporation capable of contributing through its profits to the restoration of fiscal sustainability.

In 2015, APUA is expected to reduce the cost of electricity by approximately twenty percent and develop and implement a plan based on technical analysis and review of its operations.

The Corporation will also begin the process of restoring efficiency and profitability to its operations.

In this connection, the World Bank has already agreed to carry out a study to develop this plan and steps are being taken to refinance the Authority’s debts to improve its solvency.

Additionally this year, work will start on the construction of a renewable energy plant that will ensure that by 2018, at least twenty percent of our national power requirements are met through renewable energy.

Finally, Mr. Speaker, effective January 13th 2015, the reduction in fuel prices will be passed on to consumers in the form of lower electricity costs.

Notwithstanding the advice of the World Bank to use the increased revenues from the reduction in oil prices to repair poor Government finances: effective February 1st, 2015, the price of fuel at the pump will be reduced.

IMPROVING HUMAN DEVELOPMENT

And, that bring me to the issue of human development.

Mr Speaker, our Government is putting our people first.

We will focus on building our human capital into internationally competitive individuals capable of driving the growth and social development of our nation state.

Let me provide a quick highlight of our objectives in this area of Human Development.

We will concentrate on youth empowerment providing our youth with employment, the opportunity to own a piece of the rock under our land for youth program, a home under our home for youth program or his/her own business through a dedicated entrepreneurial loan program, that will commence in 2015 at the Antigua & Barbuda Development Bank. Our main focus of human development will be through education and training.

Education

Mr. Speaker, our main objectives in Education include:

- (i) Construction of the university college of Antigua and Barbuda and the establishment of two new secondary schools in the medium term.
- (ii) Achieving specialized teacher training for all specialist math teachers and science teachers
- (iii) Achieving 90% of all students receiving Post- Secondary school training in academic or skills training
- (iv) Achieving pass rates in Math and Science of over 60%
- (v) Doubling the number of students achieving university training
- (vi) Creating centers of excellence in aviation and marine tourism, health care and professional training
- (vii) Expanding capacity in secondary schools
- (viii) Creating special programmes using cutting edge techniques to train our special needs children

Mr. Speaker, my government will deliver for our special needs children.

We have just made available a building located at Nugent Avenue to establish a specialised school for our special needs children.

No one will be left behind.

We will continue to fulfil our obligations to persons with disabilities.

My Government will ratify all outstanding conventions and codify them into law, to ensure the inclusion and participation of persons with disabilities in the national development process.

Our development initiatives will always take into consideration their special needs and circumstances.

For example, a number of properties will be earmarked for persons with disabilities as part of our housing initiative.

Healthcare and Wellness

Mr. Speaker a healthy population is a prosperous population.

Fortunately we have a young population which should make any job easier.

Mr. Speaker it was an ABLP government that introduced the Medical Benefit Scheme (MBS).

There are some who seem not to understand that MBS and the Board of Education are parts of government's consolidated fund, albeit a special fund for a dedicated purpose.

MBS funds are for financing recurring healthcare needs. While we acknowledge the need for reserves to be maintained, stock piling cash is not the reason MBS was established.

MBS will not be an investment house, as it was under the previous government, where the fund lost nearly \$20 million in the BAICO collapse.

Mr. Speaker, our government is committed to ensuring the provision of good quality healthcare to all regardless of their status.

Our community clinics will be serviced by medical doctors who will be mandated to see all sick persons regardless of age or income.

Also, we will provide support to fitness centres, community based gyms, sporting programmes, hiking and walking clubs and other programmes that promote healthy lifestyles.

The reduction in health care costs as a result of these wellness programmes is expected to be significant.

Transforming Mount St. John Medical Centre into a centre of excellence is another priority, as well as, upgrading the conditions at Clarendon Psychiatric Hospital and Fines Institute to a level that meets international standards.

Training of Doctors, Nurses, Public Health officials, Nutritionists, and Wellness experts will also be a priority.

The diagnostic equipment at Mt. St. John were repaired and steps are now being taken to replace them with more modern, state of the art diagnostic equipment to facilitate globally competitive health care delivery.

At least two poly clinics will be constructed, one to be located in the Villa Community.

A drive through pharmacy to be operated by Medical Benefits will be established with a supporting ICT platform to fill prescriptions on line.

PROMOTING BARBUDA’S DEVELOPMENT

Mr Speaker, I turn now to Barbuda.

As Prime Minister, I have made it clear that Barbuda will not be “Cinderella” in our family; it will not be a step-child whose needs and aspirations are neglected.

My government is on record committing itself to the transformation of Barbuda.

Barbuda is larger in size than St. Maarten and we all know the economic output of St. Maarten.

Now this is not to say we want to develop Barbuda based on the St. Maarten model, it is simply to make the point that Barbuda has tremendous potential and should be a net contributor to its own development and the development of the nation of Antigua and Barbuda.

My Government’s vision for Barbuda is to make it into a model of sustainable development exploiting both green and blue technology, utilising renewable power sources, and sustainable use of the sea for marine harvesting, sea transport, and recreational purposes.

The development projects that will drive the transformation of Barbuda over the next five years include:

1. The establishment of wind and solar power plants with sufficient capacity to supply all the power needs of the island including the new development projects that will be built.
2. The establishment of Barbuda Airways (BA) to provide dedicated and affordable air transportation for Barbudans and visitors alike.

This is an absolute necessity since Barbuda cannot grow and develop without adequate, reliable and affordable airlift.

The absence of reliable and affordable air lift will be more costly than operating the proposed Barbuda Airways.

Consequently, the Cabinet has decided to purchase two nine-seater aircrafts in this financial year to establish the airline.

3. Construction of several hundred new hotel rooms and condominiums all based on exclusive high-end properties
4. A yacht marina
5. An offshore marine school and tropical laboratory
6. An international standard golf course
7. Barbuda will also benefit from the National Housing initiative
8. Completing the Barbuda Justice Complex
9. The Barbuda Council will also be encouraged to operate its own CIP real estate development program as a revenue generator, to raise funds for infrastructure development including the construction of a new air and sea port. Steps are being taken to make Barbuda a port of entry to increase trade and to reduce the cost of living.
10. The Government and the Barbuda Council are also inviting local Antiguan & Barbudans to participate in the development of Barbuda by investing in tourism-related and other sectoral investments.

Mr. Speaker, Barbuda can be transformed into the Green and Blue sustainable capital of the Caribbean.

Our Government is determined to pursue Barbuda's development, but we will not be able to accomplish this alone.

The full co-operation and support of the Barbuda Council and the Barbudan people will be essential to execute this transformation and we are confident that we have their support.

SPORTS AND CULTURE

Mr. Speaker, Sport is not only for recreation and entertainment, it is also a tool for export and to drive economic growth.

Antigua and Barbuda will strengthen sports on both a community basis and a club basis.

The long outstanding community centre at Knuckle Block will commence later this year and the national sporting infrastructure will be enhanced.

The JSC Complex will be upgraded into a modern indoor basketball arena, and several sporting facilities and playfields including Black Burn Park in Villa, Jennings, Grays Farm, Point, Ottos, Willikes, Bolans, Seaview Farm, and Liberta will be upgraded.

Strategically, the government will implement special support programmes for individual based sports simply because of their potential for producing a world class performer.

As such, boxing, track and field, swimming, golf, tennis will be our top priority.

My Government hopes to see an Olympic medal from one of these five disciplines in the near future.

The Ministry of Sports will develop support programmes and activities in coordination, with the relevant associations, to try to make this happen.

Football, cricket, basketball and softball, will continue to receive Government support especially because of their mass participation and their role in wellness programmes, promoting community spirit and pride, and in keeping the youth involved in healthy and wholesome activities.

In terms of cricket our Government is of the view, that Antigua and Barbuda has a special role in the resurgence of the West Indies cricket team and the restoration of Caribbean pride.

To this end, we have secured the England versus West Indies Test match to be held in Antigua in April this year.

Mr. Speaker, we expect a boost in tourism arrivals as thousands of English Cricketing fans descend on our shores.

The Ministry of Sports will develop sporting and cultural events and a sporting and cultural calendar of activities. Car racing, special horse racing, boat shows and races, special sports

meets, cultural weeks of drama, and cultural presentations should transform Antigua and Barbuda into a sporting, cultural and entertainment capital in the region, supporting the development of a regional Tourism marketing segment.

We are actively negotiating with a group of investors to establish an international music festival in Antigua and Barbuda this year.

The Sir Vivian Richards Stadium, Multi-Purpose Cultural Centre, Antigua Recreation Grounds, and YASCO must be the centre of these activities. Their lights should never be turned off; their grounds always buzzing with performers and fully entertained audiences.

Sports and Culture are important.

They can help Antigua and Barbuda to impact the world and to earn important revenues from human and intellectual capital.

Finally, Mr. Speaker, this Government will incentivise participation in the creative arts by making importation of musical instruments and equipment free of all duties and taxes.

This is yet another strategy to encourage development of the arts and productive engagement of our people, especially our youth.

BUDGET PROJECTIONS – 2015

Now, Mr. Speaker, I turn to the Budget Projections for 2015.

Recurrent expenditure for fiscal year 2015 is estimated at \$1,037,446,295 while recurrent revenue is estimated at \$649,201,288.

Recurrent expenditure excluding principal payments is estimated at \$698,539, 269, which is only about 1 percent above the \$692.3 million in budget 2014.

Accordingly, we project a current account deficit of \$49,337,981 for fiscal year 2015.

As seen in Chart 1, Recurrent expenditure comprises the following categories:

Salaries, wages and allowances, budgeted at \$304,661,069

Contributions to Social Security and Medical Benefits, budgeted at \$24,612,288

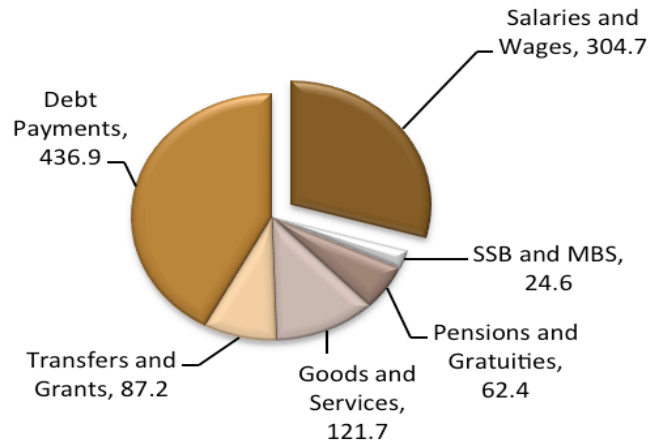
Pensions and Gratuities, budgeted at \$62,436,522

Goods and services including utilities, budgeted at \$121,706,095

Transfers and grants, budgeted at \$87,158,368

Debt service payments, budgeted at \$436,877,173.

CHART 1- Recurrent Expenditure Distribution



BUDGETARY ALLOCATIONS

Mr. Speaker, I now present my Government's 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 2015. However, I will mention a number of the policies and programmes to be pursued by a few of the Ministries.

Ministry of Agriculture, Lands, Fisheries & Barbuda Affairs

The Ministry of Agriculture, Lands, Fisheries and Barbuda Affairs (MALFBA) has responsibility for policy, legislation, general oversight to and administrative governance of the operations within and related to the agriculture sector and its allied agencies and institutions, as well as for Barbuda affairs.

The budgetary allocation for this Ministry in 2015 is \$16,481,889

In the coming financial year the ministry will focus on implementing the National Food and Nutrition Security Action Plan, which was completed in 2014.

To this end a Planning and Implementation Unit will be established within the Ministry and an Inter-sectoral Committee will be commissioned to guide the process.

The Ministry's other priorities include:

- i. Mainstreaming key issues such as climate change adaptation and disaster risk management into the budgeting process;
- ii. Reducing the food import bill by facilitating increased local production;
- iii. Revitalizing the research and development capacity of the Ministry;
- iv. Providing real time marketing information to all stakeholders in the agricultural value chain;
- v. Instituting mechanisms for increased and improved revenue generation and collection;
- vi. Facilitating the development of Barbuda to enhance the economic and social condition of its residents.

Ministry of Works and Housing

The Ministry of Works and Housing has been allocated the sum of \$76,172,648 to carry out its mandate in 2015.

Its strategic priorities for the coming financial year include:

- i. Developing and implementing structured and targeted skills training for ministry personnel;
- ii. Reducing the Government's payments for rented properties by fifteen percent;
- iii. Developing a comprehensive plan for the upgrade and rehabilitation of the country's road infrastructure;
- iv. Maintaining main roads and upgrading critical secondary roads;
- v. Surfacing ten miles of completed base-work with asphaltic concrete;
- vi. Purchasing a new crushing plant for the Burma Quarry;

- vii. Establishing a vehicle maintenance plan with the Transport Board;
- viii. Reviewing the government's vehicle policy and motor pool operations;
- ix. Starting preparatory activities for the construction of new ministry headquarters;
- x. Formalizing the merger of the GIS/State Property and Survey units;
- xi. Facilitating execution of the Government's housing construction initiative.

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

With regard to the Attorney-General's Office and the Ministry of Justice and Legal Affairs, Public Safety, Immigration and Labour, the 2015 allocation is \$71,561,290

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

- i. Establishing two additional courtrooms to help reduce the backlog of cases in the magistrate's court;
- ii. Recruiting additional staff to improve capacity within the legal service and the legal drafting units;
- iii. Repairing the High Court, the Magistrate's Court and the office of the Director of Prosecutions;
- iv. Establishing a Labour Market Information System;
- v. Identifying and implementing systematic training programmes for Prison Officers;
- vi. Making the Prison farm fully operational;
- vii. Completing implementation of the new border management system;
- viii. Executing policies and programmes to prevent trafficking in humans and to ensure Antigua and Barbuda is compliant with international requirements in this regard.

A key priority for this Ministry will be implementing various programmes to address the issues of crime and national security.

To this end, over \$30 million has been allocated for the Police Force to execute its mandate in 2015. These resources will facilitate increased visibility and crime fighting interventions; strengthen Community Based Policing; and enhancing collaboration and joint operations with other agencies, particularly the Defence Force.

Further, the funds allocated will be used to increase the tools and equipment available to the Police and to bolster the number of officers through training of new recruits.

Ministry of Tourism, Economic Development, Investment and Energy

Mr Speaker, I now give some details of the Ministry of Tourism, Economic Development, Investment and Energy.

The financial allocation for this ministry in 2015 is \$19,422,264

Tourism must be a perpetual national priority.

It has the capacity to attract foreign investment, earn foreign exchange and to provide employment directly and indirectly drawing on our country's natural resources.

For the foreseeable future, Tourism will be the driver of our nation's economic growth and development.

With this in mind, the ministry's comprehensive five-year plan will focus on three thematic areas – Behaviour, Business Support, and Government Procedures and Processes.

Among the priorities for the coming financial year are:

- i. Enhanced marketing and development of Antigua and Barbuda's tourism product;
- ii. Implementation of a strategy to develop the Information technology-enabled services/Business Process Outsourcing (ITES/BPO) sector;
- iii. Promotion and implementation of the use of renewable energy and energy efficiency;
- iv. Creation of a one-stop-shop business registration window;
- v. Re-branding and revitalizing the yachting industry.

In his contribution to the debate on this Budget, the Minister of Tourism, Energy and Economic Development will provide a comprehensive picture of how these plans will be implemented and the gains that will flow to the people of Antigua and Barbuda.

Allocations for other Ministries

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

<i>Ministry of Foreign Affairs and International Trade</i>	<i>\$19,309,157</i>
<i>Ministry of Health & The Environment</i>	<i>\$74,116,668</i>
<i>Ministry of Education Science & Technology</i>	<i>\$78,539,140</i>
<i>Ministry of Public Utilities, Civil Aviation & Transportation</i>	<i>\$6,968,868</i>
<i>Ministry of Trade, Commerce & Industry, Sports, Culture & National Festivals and Community Service</i>	<i>\$23,474,686</i>
<i>Ministry of Information, Broadcasting, Telecommunications and Information Technology</i>	<i>\$14,956,625</i>

The 2015 budget also includes allocations for:

• <i>Office of the Governor General</i>	<i>\$1,349,686</i>
• <i>The Legislature</i>	<i>\$2,202,671</i>
• <i>The Cabinet</i>	<i>\$3,565,033</i>
• <i>The Judiciary</i>	<i>\$2,000,288</i>
• <i>The Service Commissions</i>	<i>\$663,591</i>
• <i>The Director of Audit</i>	<i>\$1,113,274</i>
• <i>Pensions and Gratuities</i>	<i>\$60,198,737</i>
• <i>Electoral Commission</i>	<i>\$3,712,045</i>
• <i>Ombudsman</i>	<i>\$480,553</i>
• <i>Charges on Public Debt</i>	<i>\$436,877,173</i>

Finally, Mr. Speaker, the budgetary allocation for the Office of the Prime Minister and Prime Minister's Ministry is \$26,831,132 while the allocation for the Ministry of Finance and Corporate Governance is \$81,460,458.

I have direct responsibility for these Ministries whose priorities for 2015 include:

- i. Continuing to enhance the capacity of the Office of National Drug Control and Money Laundering Policy (ONDCP) to execute its monitoring and supervisory functions and to ensure Antigua and Barbuda is compliant with international AML/CFT policies and standards;
- ii. Increasing the number of registered Antigua and Barbuda flagship vessels through the work of the Antigua and Barbuda Department of Marine Services (ADOMS);
- iii. Continuing to expand the Citizenship by Investment Programme while securing the integrity of the Antigua and Barbuda passport;
- iv. Disseminating information pertaining to the operations of the Government.
- v. Formalizing an Advisory Committee on Corporate Governance to help improve the efficacy and efficiency of operations in the public sector;
- vi. Developing and implementing policies and programmes to ensure medium term fiscal and debt targets are attained;
- vii. Continuing implementation of a debt management strategy and negotiating with creditors to ensure the debt service burden is reduced;
- viii. Seeking financial and technical assistance from regional and international agencies and bilateral partners to support Government's fiscal and other economic objectives;
- ix. Improving oversight and monitoring of all government departments and statutory corporations;
- x. Enhancing the Ministry's capacity to undertake internal audits by increasing capacity in the Internal Audit Unit;
- xi. Improving the accounting structures and systems in all Government Accounts Departments;
- xii. Expanding and enhancing Postal services;
- xiii. Executing a new Public Financial Management (PFM) reform action plan with funding from the EU and continue the process of implementing the cash based, International Public Sector Accounting Standards (IPSAS).

The PFM action plan will be financed with a \$10 million grant from the EU. Our Public Finance Management Programme is a key component of our fiscal strategy to facilitate institutional and organisational strengthening to improve the governance of the public sector.

RECURRENT REVENUE

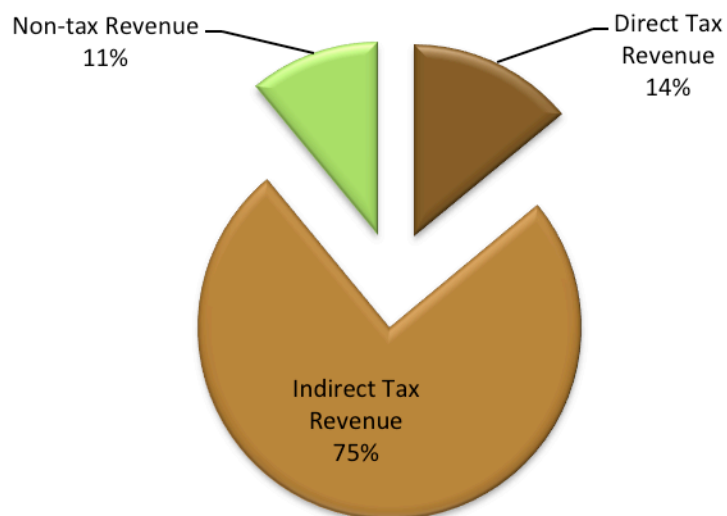
Mr. Speaker, I come now to Recurrent Revenue which is budgeted at \$649,201,288 for Fiscal Year 2015.

This is conservatively and prudently set at, 11 percent below the \$728.7 million projected in budget 2014.

Let me state categorically, that despite the prevailing fiscal burden and predictions of the naysayers – There will be no new taxes.

Tax revenue, comprising of direct and indirect taxes, will account for about 89 percent or \$579,617,642, while non-tax revenue of \$69,583,646, will make up the remaining 11 percent.

CHART 2 – Revenue Distribution



Direct taxes are expected to yield \$92,234,952 of which Corporate Income Tax, Personal Income Tax and Property Tax are expected to yield \$36,200,000, \$32,146,687 and \$23,500,000 respectively.

Mr. Speaker, my Government remains committed to removing the personal income tax because we say work must be rewarded.

As a Labour Party we put workers first.

But the dire fiscal situation that we have inherited from the previous government – far beyond what we imagined, and as I described very early in this presentation, prohibits us from implementing that pledge today.

This delay is not new since the Labour Party had to wait almost two years after the 1976 elections to abolish personal income tax in May, 1978.

Nonetheless, my Government remains committed to the abolition of personal income tax both philosophically and as an instrument for spurring economic growth.

We will remove income tax as soon as practicable.

First, we must fix the terrible conditions that we inherited that have driven our nation to the very edge of collapse.

Our immediate targets are to grow the economy, create compensatory revenue, enlarge the scale of employment in a bigger, more sustainable private sector, and restructure and pay down the massive debt with which the previous government saddled our nation.

The huge arrears in debt payments, the hidden overspending of over one billion dollars, the complete bankruptcy of most of the 28 government statutory bodies, and the protracted negotiations over Spectrum Licensing fees, mean that income tax removal must be deferred.

No one should believe for a single second that I am anything but deeply unhappy about this delay in the abolition of personal income tax but we must be responsible and prudent in the timing of its abolition.

My Government will abolish it as soon as we have cleaned-up the horrible mess into which the previous government dumped our country.

Mr. Speaker, my Government is committed to restoring fiscal balance, honouring all our debts, and building a prosperous economy for all our people.

Indirect taxes are expected to yield \$487,382,690, which is about 84 percent of tax revenue.

A total of \$237,600,000 or 48.8 percent of the revenue from indirect taxes will be generated from the Antigua Barbuda Sales Tax (ABST).

Revenue from import duty is budgeted at \$78,200,000 while the Revenue Recovery Charge is projected to yield \$77,200,000.

Of the \$69,583,646 budgeted for non-tax revenue, \$35 million represents receipts from the Citizenship by Investment Programme (CIP).

I want to emphasise that revenues from the CIP are not going into a black hole; they are being treated as part of the Government's revenues and they are being monitored and accounted for by officials of the Ministry of Finance. An audit covering the first year of its operation will be conducted shortly by independent external auditors.

I also want to stress that, in the operations of the CIP, our Government is working with other governments and authorities to ensure that only the highest-calibre persons are granted Antigua and Barbuda Citizenship, and that the integrity of our passports is respected and preserved.

Finally, Mr Speaker, we have budgeted \$20, 219,108 for capital receipts for Fiscal Year 2015.

Grant funding will account for 60 percent or \$12.3 million while land sales and other capital receipts will account for the remaining 10 percent and 30 percent respectively.

CAPITAL EXPENDITURE

Now, Mr Speaker, I want to provide insights of our Capital Expenditure which is budgeted at \$74,013,053. This about 32 percent less than the \$108 million projected in Budget 2014.

Major projects to be undertaken include:

• Lands Development	-	\$2,945,228	
• Airport Radar Restoration	-	\$4,681,281	
• Learning Resource Centre Antigua State College by the CARICOM Development Fund)	-	\$6,212,281	(funded
• Renovation of Military Facility	-	\$2,000,000	
• Immigration Border Management System	-	\$3,382,975	
• Police Station – Bolans	-	\$1,455,000	
• Road Works and Bridges	-	\$14,000,000	
• Purchase of Fire Tender for Airport (To be funded by the government of Turkey)	-	\$6,810,000	

Additionally, \$1.5 million has been allocated for the purchase of vehicles.

Of this, \$1 million is earmarked for providing vehicles to the Police and the Military.

FINANCING THE DEFICIT: A RESPONSIBLE AND VIABLE

APPROACH

Mr. Speaker, regrettably an overall deficit of \$103,131,926 is budgeted for fiscal year 2015.

This along with principal payments amounting to \$338,907,026 means there is a funding gap of \$442,038,952.

Our Government's contribution to this funding gap is minimal, with negligible borrowings and about \$50 million in capital works budgeted from domestic resources.

Neither I nor any member of my Cabinet is content with this whopping deficit forced upon us by the conditions we inherited.

We are unhappy that these conditions have constrained us to follow this route.

But, I hasten to assure members of this Honourable House and every Citizen and Resident of Antigua and Barbuda, that we have approached this deficit with prudence and caution, including how the funding gap will be financed.

The following is how we plan to finance it:

1. We plan to raise \$177 million from Securities issued on the Regional Government Securities Market (RGSM).
2. We will secure \$51 million from loans and advances, including \$10.8 million from the China Civil Engineering Construction Company to finance the sweeping of the St. John's Harbour.
3. We will raise \$113 million from the sale of assets, including US\$22 million for the Half Moon Bay property and the net proceeds resulting from the acquisition and sale of a proportion of shares in the West Indies Oil Company.
4. Another \$74 million will come from debt restructuring.
5. And, finally, we will raise \$27 million from the Caribbean Development Bank Policy Based Loan.

We expect to significantly exceed the CIP budgetary receipts and will utilise the excess for debt repayment.

The plans that I have outlined here for financing the deficit should put an end to those who have been speculating that we were simply running a deficit without concrete and viable arrangements in place to fund it.

We are facing the problem of cleaning up a very difficult fiscal situation inherited from the incompetence, mismanagement and maladministration of the previous government, AND the real pressing and urgent desire of our people for economic growth, for employment, for poverty alleviation and for a better quality of life.

Those are the two imperatives that our Government is seeking to balance.

Both problems have to be addressed simultaneously.

That is why we have the deficit financing that we do, but we have put in place responsible and viable measures to manage it.

CONCLUSION

Mr. Speaker in concluding, I would like to thank the Minister of State in the Ministry of Finance and Corporate Governance, the Financial Secretary, the Deputy Financial Secretary, the Budget Director, the Debt Manager, the Accountant General and all their technical and administrative staff for the work done in contributing to the presentation of this Budget.

Their support was invaluable.

Mr. Speaker we have a lot of work to do.

It is work upon which my Government has already embarked.

Already, we can see unemployment being reduced.

We want to put every person willing to work back in to a job.

The central mission of this government is to deliver economic security.

You can see from this Budget that we are taking all the necessary steps in a systematic and prudent manner.

The forecasts I've presented show that this year:

- Economic growth will go up
- Investments will go up
- Jobs will go up
- the debt burden will go down
- crime will go down

We are securing Antigua and Barbuda's economic future with:

- increased foreign and local investment in our productive sectors
- diversifying our economy
- putting machinery in place for energy security and lower costs

We're building a resilient economy.

This is a Budget that tackles the hard task of cleaning up the fiscal mess left by the previous administration and strengthens the foundations for a vibrant economy and a prosperous people in the future.

I call on all the people of Antigua and Barbuda to recognize that we are all in this together.

This is our country – if we do no work for it, no one else will.

That is why the theme of this Budget is: *“Rebuilding Our Nation: A Call to Action, Performance and Excellence”*.

My Government will be in the forefront of the effort, but all hands are summoned to the plough and all shoulders to the wheel.

With God's guidance and your contribution we will succeed.

Mr. Speaker, This is not the time for tear down politics - it is time for us all to get to work.

I commend this Budget to this Honourable House.

Thank You.