

The background features the national flag of Antigua and Barbuda in the upper left corner, waving against a sky with soft, white clouds. Below the sky is a scenic view of a tropical coastline with turquoise water, white sand beaches, and lush green hills. The entire image is overlaid with abstract, flowing blue and white wave-like patterns.

Building a **NEW ECONOMY** for growth and prosperity

BUDGET STATEMENT 2014

Hon. Harold Lovell
Minister of Finance, the Economy,
Public Administration,
Public Broadcasting and Information

Antigua and Barbuda
January 2014



2014 Budget Statement

Hon. Harold E. Lovell

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

Acronyms and Abbreviations

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

Abbreviations	Description
CGF	Caribbean Growth Forum
CGS	Credit Guarantee Scheme
CHAPA	Central Housing and Planning Authority
CIDA	Canadian International Development Agency
CIP	Citizenship by Investment Programme
CLICO	Colonial Life Insurance Company
ComSec	Commonwealth Secretariat
CRIP	Caribbean Regional Indicative Programme
CSME	CARICOM Single Market and Economy
CST	Customs Service Tax
CTO	Caribbean Tourism Organization
CTCP	CARICOM Trade and Competitiveness Project
CVQ	Caribbean Vocational Qualification
DAGS	Direct Assistance Grant Scheme
DFID	UK Department for International Development
EACH	Enterprise Achievement Challenge
EC	European Commission
ECCB	Eastern Caribbean Central Bank
ECCU	Eastern Caribbean Currency Union
EDD	Enterprise Development Department
EDF	European Development Fund
eGRIP	Electronic Government Regional Integration Project
EPA	Economic Partnership Agreement
EU	European Union
FAO	Food and Agricultural Organisation
FATF	Financial Action Task Force
FCCA	Florida Caribbean Cruise Association
FCP	Fiscal Consolidation Programme
FCU	Financial Compliance Unit

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

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

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INTRODUCTION

Madam Speaker, over the past three years, there has been a heavy focus on economic stabilization and on improving our systems of fiscal management. This focus and the attendant initiatives were not ends in and of themselves, but rather the first stage of a comprehensive plan for economic development and transformation.

The scale and level of economic development and transformation envisioned by this Administration were, from inception, bold and visionary; and, once realized, were to be the most significant leap forward since Antigua and Barbuda made the transition from an agrarian economic system to a service-based one. This scale of transformation required some key ingredients, each being a critical factor in the success of the programme of transformation.

Firstly, there needed to be the collective aspiration of our people for a better and enhanced standard of living. As one analyst commented, “All economic development starts with the desire of local people to improve their economic conditions.” Madam Speaker, the process of economic development starts with us. We must yearn for it; crave it; hunger for it; and be willing to pay the price for it. Paying the price often means giving up immediate gratification and conveniences for longer term prosperity. Paying the price means staying committed to a course of action when the going gets tough. It means having faith even when detractors test our willingness to believe. The people of Antigua and Barbuda have demonstrated this collective aspiration by electing and re-electing the United Progressive Party to Office in 2004 and 2009. We are confident that Antiguan and Barbudans will stay the course in 2014.

Secondly, there must be a leader who personifies and embodies the aspirations and vision of our people – one who enthuses pride in our achievements; advocates excellence in our pursuits; maintains respect where there is disagreement; and exudes confidence in our abilities. This leader must be an architect, a builder, a communicator, a listener, an inspirer, a mobilizer, a fighter and a conciliator. Madam Speaker, we are blessed with such a leader, the Honourable Prime Minister, Winston Baldwin Spencer, whose primary and committed focus is the sustainable development and economic transformation of Antigua and Barbuda.

Thirdly, we as a country needed to reclaim our credibility. We had lost that essential ingredient that would assure others that we meant what we said, knew what we were about, would meet our commitments and live up to our responsibilities. We had to regain trust, rebuild friendships and restore our name. To accomplish this, we were required to do three basic things:

- (a) Acknowledge our indebtedness to domestic and external creditors and swiftly renegotiate and implement new payment arrangements;
- (b) Reinforce and rebuild technical capacity within the public sector to ensure competence at all levels of government; and
- (c) Reform our governance framework so as to build confidence in our systems by citizens, creditors, friendly countries and development partners, by promoting fairness, transparency and predictable outcomes.

These things, Madam Speaker, we have in large part accomplished. Whereas our arrears constituted more than fifty percent of our total debt prior to 2004, through constructive engagement with our creditors, they now represent only less than six percent. In terms of reinforcing capacity, this Administration has easily invested more in training public servants than any previous, in order to raise the level of the delivery of public services. In terms of governance, we have from the inception been instituting measures - legal, technical and administrative – to raise the level of confidence in the way that government conducts its business.

Fourthly, we as a country would need to have a high degree of clarity in terms of the structure and nature of the economy we desire. According to Sir K. Dwight Venner,

“The ‘how’ of restructuring is fairly complex, as it presumes a political and social environment conducive to consensus and clarity on major economic issues and the capacity of both the public and private sectors to deliver their stated objectives in the most efficient and effective manner.”

Madam Speaker, we are under no illusion that building a new economy is an easy task. However, there are important issues that we as Antiguans and Barbudans, irrespective of party affiliation and philosophical persuasion, should be able to coalesce around. For example what are our transformational economic sectors? What are our expectations of government? What is the role of the private sector? What are our broad macro-fiscal targets? And how do we position Antigua and Barbuda to take full advantage of its membership in the Organization of Eastern Caribbean States? Advancing our country and growing our economy depend on our collective focus and action.

Our strategic direction should be clear and comprehensive, and building a new economy should be our unifying and rallying force. Therefore over the ensuing twelve months, we shall be vigorous in building, promoting and nurturing an environment that would foster an informed national consensus on socioeconomic policy and on the roles of government, the private sector and civil society. From this process shall emerge the blueprint of a new economy designed and primed to deliver the following by the end of 2020:

- (a) annual economic growth in our Gross Domestic Product (GDP) of five to six per cent;

- (b) a debt to GDP ratio of or close to sixty percent;
- (c) full employment;
- (d) capital investments averaging ten to twelve percent of GDP;
- (e) an increase in per capita income to US\$20,000.00;
- (f) an Antigua and Barbuda that is deriving the full benefits of its membership in the Organization of Eastern Caribbean States (OECS).

These achievements will be underpinned by the successful implementation of our fiscal consolidation and structural reform programmes, a better equipped public sector; a clearer understanding by the government and non-government sectors of their respective roles and a national commitment to a chosen path leading to equitable growth and development – to a new economy for growth and prosperity.

Madam Speaker, I take this opportunity to express the gratitude of the Government and people of Antigua and Barbuda for the continued support of the Eastern Caribbean Central Bank (ECCB), the OECS Secretariat, the Caribbean Development Bank (CDB), the Caricom Secretariat, Caribbean Centre for Development Administration (CARICAD), the Caribbean Tourism Organisation, the Caribbean Regional Technical Assistance Centre (CARTAC), the World Bank, the International Monetary Fund (IMF), the European Union, the United Kingdom Department for International Development (DFID), Inter-American Development Bank (IDB), the Commonwealth Secretariat (ComSec), the Food and Agriculture Organisation (FAO), and the United Nations Population Fund (UNFPA).

We also appreciate the significant assistance received from a number of sovereign governments, including the Republic of Cuba, the Bolivarian Republic of Venezuela, the People's Republic of China, the Republic of Korea, the United States of America, Japan, the United Kingdom, and Canada.

Finally, a team of talented and committed technicians have gone above and beyond the call of duty over the past several weeks, so that I could deliver this statement today. I must thank all those who worked on the budget, including:

- Mr. Whitfield Harris Jr., Financial Secretary
- Ms. Rasona Davis, Deputy Financial Secretary
- Mr. Sean Cenac, Permanent Secretary
- Mrs. Carolyn Charles-Tonge, Budget Director; Ms. Sandra Henry, Deputy Budget Director; and other members of the Budget Office Staff
- Mrs. Nadia Spencer-Henry, Debt Manager, and the members of the Debt Unit

- Dr. Cleopatra Gittens, Accountant General
- Mr. Everett Christian, Project Manager, Revenue Reform
- Mr. John Edwards, PFM Reform Manager
- Ms. Hortensia Brookes, Strategic Development Coordinator, and her team
- Dr. Gale Archibald, Project Coordinator, Project Management Unit
- Mr. Ted Lewis and Ms. Denise Knight, Senior Economists
- Mrs. Gail Imhoff-Gordon - Senior PFM Officer

With your indulgence, Madam Speaker, I will now present an abbreviated version of the Budget Statement for 2014. The full statement will be available on the Government website immediately following.

ECONOMIC DEVELOPMENTS 2013

Madam Speaker

Global economic growth remained below expectations in 2013. The World Economic Outlook (WEO), published by the IMF in October 2013, estimates global growth of 2.9 percent, which is less than the 3.2 percent recorded in 2012. Recovery in the global economy remains anaemic due to prolonged recession in most of the Euro Area and slowed growth in emerging markets. In the developed economies, economic growth has gathered some momentum as a result of expansionary monetary policy in the USA and Japan. Inflationary pressure has remained subdued due to large output gaps by advanced economies and lower commodity prices due to improved supply and lower demand growth from key emerging economies, notably China. Global uncertainty and commodity price volatility remained high due to the fragile global recovery, the speculative tapering of the quantitative easing by the USA, and the declining growth of China's economy. These developments will continue to impact negatively on small open economies like Antigua and Barbuda and the rest of the region.

Table 1: GDP Growth Rate for Selected Countries and Regions

Countries and Regions	GDP Growth (%) 2012	GDP Growth (%) 2013^e
World Output	3.2	2.9
Advanced Economies	1.5	1.2
United States	2.8	1.6
Canada	1.7	1.6
China	7.7	7.6
France	0.0	0.2
Germany	0.6	0.5
Greece	(6.4)	(4.2)
Japan	2.0	2.0
Spain	(1.6)	(1.3)
United Kingdom	0.2	1.4
ECCU**	0.2	1.1
<i>Source: IMF World Economic Outlook, October 2013</i>		
^e - Estimate		
** - Data from Eastern Caribbean Central Bank		

Madam Speaker, the IMF projects that growth in advanced economies will amount to 1.2 percent in 2013, which is a third of a percentage point below the 1.5 percent growth recorded in 2012. In the United States, strong fiscal consolidation and the shutdown of the Federal Government negatively impacted the rate of economic growth, which is expected to be 1.6 percent in 2013 compared to 2.8 percent in 2012. In Canada the rate of growth of economic activity is estimated to be 1.6 percent in 2013 compared to 1.7 percent in 2012. Economic growth in Japan is estimated to remain flat at 2 percent. Finally, the United Kingdom is projected to experience a significant improvement in the growth rate from 0.2 percent in 2012 to 1.4 percent in 2013.

In the Euro Area, financial stress has moderated in response to policy action, but output remains below potential, with low inflation, low levels of liquidity, and high and rising unemployment. However, the IMF projects a slower rate of decline in the Euro Area from -0.6 percent in 2012 to -0.4 percent in 2013. Though there are signs of improvement in the Euro Area, additional policy actions and reform measures are needed to strengthen the financial sector to ensure financial stability and boost the recovery.

In the Asian Area economic growth is projected to increase slightly from 5.1 percent in 2012 to 5.2 percent in 2013 as reported by the World Economic Outlook in its October 2013 publication. The Advanced Asian countries, which include the Asian Tigers, Australia and New Zealand, are projected to grow by 2.3 percent in 2013, up from 2.1 percent in 2012. In Developing Asia, which includes China and India, economic growth is expected to be 6.3 percent in 2013. China is projected to grow by 7.6 percent versus 7.7 percent in 2012. The slower pace of economic expansion in the Asia Area may be attributed to weaker domestic demand, low capital inflow, and, in some cases, currency depreciation.

In Latin America growth has slowed due to lower external and domestic demand. Despite increased financial volatility and lower commodity prices, conditions in the external sector remain supportive. To induce growth in this area, policy actions that improve the quality and sustainability of growth and reduce financial volatility should be pursued. The IMF has projected that growth in Latin America will increase from 2.7 percent in 2012 to 3.3 percent in 2013. However, in Venezuela, economic growth is projected to be 1 percent in 2013, which is four percentage points below the 5 percent growth recorded in 2012.

The IMF WEO estimates that with the exception of Barbados where the growth rate is expected to be -0.8 percent, all other Caribbean countries outside the Eastern Caribbean Currency Union (ECCU) will experience an increase in output in 2013. Guyana is expected to achieve the highest increase in output by 5.3 percent. Expansion in output is also estimated for the Bahamas (1.9 percent), Belize (2.5 percent), Haiti (3.4 percent), Trinidad and Tobago (1.6 percent), Dominican Republic (2 percent) and Jamaica (0.04

percent). Despite the increase in growth in the Caribbean countries, stronger policy action and reforms are needed to strengthen fiscal consolidation and debt sustainability to return growth rates to pre-crisis levels. However, strengthening competitiveness and increasing productivity, savings and investment rates remain critical challenges for the Caribbean region.

Table 2: GDP Growth Rates for Selected Caribbean Countries

Country	GDP Growth (%) 2012	GDP Growth (%) 2013^e
The Bahamas	1.8	0.9
Barbados	0.0	(0.8)
Belize	5.3	2.5
Dominican Republic	3.9	2.0
Guyana	4.8	5.3
Haiti	2.8	3.4
Jamaica	(4.8)	0.0
Trinidad and Tobago	0.2	1.6
Venezuela	5.6	1.0
<i>Source: IMF World Economic Outlook, October 2013</i>		
^e - Estimate		

For the ECCU, the IMF and the ECCB are projecting an expansion in output for 2013. The ECCB estimates an increase in economic output for all members with the exception of Anguilla and Dominica. Overall, the ECCU is projected to grow by 1.1 percent in 2013 as compared to the 0.2 percent growth in 2012. This expansion in output was stimulated mainly by improved performance in the construction sector.

The rate of growth in construction for the ECCU area increased to 5.5 percent in 2013 compared to 4.2 percent in 2012. Other sectors such as transport, storage, communication; and real estate, renting, and business also saw improved rates of growth. However sectors such as agriculture and the hotels and restaurant sector experienced reductions in their respective rates of growth. Activity in the Agriculture sector declined from 4.7 percent in 2012 to 1.6 percent in 2013. This decline is mainly attributed to a decline in banana production, which fell from growth of 19.1 percent in 2012 to a contraction of 4.5 percent in 2013. The hotels and restaurant sector also declined from 1.4 percent in 2012 to 1.2 percent in 2013.

Table 3: GDP Growth Rates for ECCU Countries

Country	GDP Growth (%) 2012	GDP Growth (%) 2013^e
Anguilla	(2.6)	(0.9)
Antigua and Barbuda	2.8	1.2
Dominica	(0.2)	(0.4)
Grenada	(1.2)	2.4
Montserrat	1.9	0.7
St. Kitts	(0.9)	1.9
St. Lucia	(0.8)	0.3
St. Vincent and the Grenadines	1.5	2.3
<i>Source: ECCB - November, 2013</i>		
^e - Estimate		

Of the ECCU member countries Grenada is projected to have the highest expansion in output at 2.4 percent followed by St. Vincent and the Grenadines at 2.3 percent and St. Kitts and Nevis at 1.9 percent. St. Lucia is projected to grow by 0.4 percent and Montserrat by 0.7 percent, while the growth rates for Anguilla and Dominica are estimated at -0.9 and -0.4 respectively.

Based on the most recent data published by the ECCB, Antigua and Barbuda is projected to grow by 1.2 percent in 2013. This economic performance in Antigua and Barbuda can be attributed to continued implementation of policy actions and reform measures to improve growth and strengthen the fiscal environment. In 2013 the Government of Antigua and Barbuda continued the Construct Antigua and Barbuda Initiative, which helped to boost growth in the construction sector by 15.4 percent. The mining and quarrying sector also grew significantly by 21.7 percent in 2013 as compared to about 6 percent in 2012. The Agriculture sector rebounded from a decline of about 4 percent in 2012 to record an increase of 1.9 percent in 2013.

On the other hand, the hotel and restaurant sector is estimated to decline by 0.6 percent in 2013 compared to growth of 3.4 percent in 2012. The decline in this sector is mainly due to fewer stay-over arrivals in the summer months. Despite the developments in the tourism sector, economic performance in 2013 remained positive, reflecting the effectiveness of the policies pursued by the Government over the past three years. As the recovery in the global economy strengthens and the Government continues to pursue sound macroeconomic policies, the Antigua and Barbuda economy will continue to grow and the level of employment will rebound to at least pre-crisis levels.

MONEY AND CREDIT IN ANTIGUA AND BARBUDA

Madam Speaker

Data from end September 2012 to end September 2013 show that the money supply increased by 5.7 percent to \$2.9 billion. One contributor to this is an 8.8 percent increase in private sector savings deposits from about \$1 billion in September 2012 to \$1.1 billion in September 2013. Private sector demand deposits and private sector foreign currency deposits grew by 22.5 percent and 14.8 percent respectively. On the other hand, private sector time deposits declined by about 5 percent from about \$984 million in September 2012 to about \$935 million in September 2013. The expansion in the money supply during the period under review reflects, for the most part, increased activity in the real sector. With the start of the 2013/2014 tourist season it is anticipated that the money supply will continue to expand as a result of increased foreign currency deposits and currency in circulation, associated with enhanced activity in the tourism sector.

During the period under review domestic credit declined by 1.9 percent to \$2.7 billion. Credit to businesses declined by 6.2 percent, while lending to households declined by 2 percent. Credit by economic activity also declined by 2 percent. There were increases in credit for utilities (22 percent), distributive trades (1 percent), professional and other services (2.4 percent) and acquisition of property (1 percent). These increases were offset by decreases in lending for tourism (7.3 percent), transport (4.1 percent), manufacturing (4.0 percent), and public administration (1.8 percent).

Between September 2012 and September 2013 there was a decline in the net external assets position of commercial banks. This decline was offset by a more than doubling in their net assets position with banks and financial institutions within the ECCU. This has contributed to a 42 percent increase in the net foreign assets of the banking system to \$579.3 million.

Finally, Antigua and Barbuda's imputed share of the Central Bank's reserves amounted to \$549.9 million in September 2013; this is 17 percent higher than in September 2012.

THE EUROPEAN UNION AND THE ECONOMIC PARTNERSHIP AGREEMENT (EPA)

Madam Speaker:

The Department of the National Authorizing Officer (DNAO) continues to execute its mandate to effectively monitor and implement projects and programmes funded through the European Development Fund (EDF). The DNAO has also worked to ensure that

Antigua and Barbuda can benefit from the CARIFORUM-European Union Economic Partnership Agreement (EPA).

The National Indicative Programme for the 11th EDF is currently being finalized and Antigua and Barbuda is due to receive Euro 2.7 million or about \$10 million to continue implementation of Public Finance Management (PFM) reforms. These resources will allow the Government to build on the successes of the current PFM project that was funded by the 10th EDF. Since its genesis in December 2011, the project has resulted in major gains in the areas of budgeting, audit, treasury processes and procedures and revenue administration.

Under the 11th EDF, there will also be support to the Department of the NAO and the Non-State Actors Panel. The focus of this intervention will be on providing capacity building and small grants to qualified EDF-compliant organizations to strengthen their impact on development in Antigua and Barbuda.

The European Union will also provide financial assistance to the Government to acquire ASYCUDA World software to enhance the operations of the Customs and Excise Division. This will be implemented in conjunction with the United Nations Conference on Trade and Development (UNCTAD), which will train the staff at Customs in the use of the software. Upgrading to ASYCUDA World will improve the customs clearance and revenue collection processes; simplifying procedures for both the employees and the public.

The Government continues to value the EU as an important development partner. Over the past few years Antigua and Barbuda has benefitted from financial support in the areas of education and training. In particular, funding has been received to expand and renovate the Antigua Barbuda Hospitality Training Institute; construct the Science Block at the Antigua State College; renovate the Engineering Workshop at the Antigua State College; and expand and furnish the Antigua Barbuda Institute of Continuing Education (ABICE). The EU has also underwritten the cost of infrastructure improvement projects such as the seawall at Nelson's Dockyard and the Ferry Docking facility in St. John's. Also, in 2010, the EU provided Euro 9 million (\$30 million) in direct budget support to the Government through the Vulnerability FLEX programme.

Madam Speaker:

With respect to the CARIFORUM-European Union Economic Partnership Agreement (EPA), Antigua and Barbuda received initial financial support from the Caribbean Aid for Trade and Regional Integration Trust Fund (CARTfund) in order to make significant progress with the implementation of our EPA administrative and legislative obligations in the area of services, movement of goods, and legislative compliance.

In order to build on this progress, Antigua and Barbuda has made an application to the EPA Standby Facility under the 10th EDF, which is being managed by the CDB. The Standby Facility was established to assist CARIFORUM countries to build national capacity to continue the implementation of the EPA. In this regard, Antigua and Barbuda is eligible to receive direct financial assistance that will focus on the following pillars:

- (a) Devising strategies and programmes that would assist the private sector to export goods and services to the EU;
- (b) Developing suitable and practical mechanisms to enhance the private sector's competitiveness and innovative capacity;
- (c) Developing public education and training programmes to assist stakeholders (civil society, public and private sectors) to understand and utilize the provisions of the EPA to their advantage; and
- (d) Continuing the implementation of a legislative, administrative and policy framework to fulfill the national obligations and commitments of the EPA.

The support under the EPA Standby Facility will help Antigua and Barbuda to address its core obligations and commitments under the EPA and will give critical and practical assistance to the private sector to develop and sustain its capacity to trade at the regional and international levels.

In this regard, the use of the requested resources for this project will aid in the building of national capacity to dissect and understand the provisions of the EPA through a structured public awareness programme; the establishment of national framework and institutions required for the implementation of the Agreement; the full incorporation of the principles of the Agreement in the development and policy agenda; and increasing the capabilities of the private sector to exploit the opportunities of the Agreement.

Madam Speaker:

The other priorities of the Department of the NAO include:

1. Activating Bilateral cooperation Agreements with Haiti, Martinique, and Guadeloupe

During this budget cycle, the DNAO will work with its counterparts in Haiti, Martinique and Guadeloupe to finalize an implementation plan that will draw on the different strategic elements of the enhanced Bilateral Cooperation Agreements signed with these territories.

The Agreements are evidence of a change in the strategic orientation of Antigua and Barbuda within the Caribbean archipelago, where enhanced cooperation is seen as a necessary tool of development. During the year, the technicians in the

various sectors such as agriculture, tourism, education, health, and sports will benefit from mutually pursued initiatives.

2. *Providing Public Access to EPA Implementation Information*

The German International Development Agency (GIZ) has provided technical and financial support for the re-design of the Antigua and Barbuda EPA Implementation Unit Website. The Website is an integral feature of the Unit's Communication Strategy and is a means of providing valuable information and updates on the implementation of the EPA both at the national and regional levels. Additionally, the website will be used to facilitate stakeholder engagement and will also serve as an alternative communication point and consultative medium whereby stakeholders can interact with the Unit on matters pertaining to the Agreement. It is expected that the website will be completed by January 2014.

3. *Improving EPA Compliance*

With financial support from the CARTFund, which is managed by the CDB, the DNAO in collaboration with the Office of the Attorney General has launched a six-month legal drafting consultancy which commenced in July 2013.

The consultant is reviewing and drafting several pieces of new legislation including: Standards Act and Regulations, Metrology Act and Regulations, and the CARIFORUM-EU Economic Partnership Agreement Implementation Bill. All of these will assist Antigua and Barbuda to become compliant with its EPA obligations in the area of services, agriculture and standards.

REGIONAL INTEGRATION

CARICOM Single Market and Economy (CSME)

Madam Speaker

As the Caribbean Community celebrates 40 years of existence, active members like Antigua and Barbuda continue to support this important regional pillar. However, we also take this time to reflect on the successes and even the implementation challenges that have formed part of the history of CARICOM and its member states. CARICOM can only be as strong as its Member States, whose ability to comply and implement decisions will have an impact on the 15 million CARICOM nationals.

The CSME continues to consolidate and find ways to promote its intended benefits such as larger markets for the private sector and an increased standard of living for all. Recent discussions on the landmark Caribbean Court of Justice (CCJ) ruling on the Shanique Myrie case strengthen the development of regional jurisprudence and establish that the

rights of all CARICOM nationals are enshrined in the Revised Treaty of Chaguaramas (RTC).

Antigua and Barbuda continues to increase its compliance and this will be strengthened in 2014 by the CARICOM Trade and Competitiveness Project (CTCP) funded by the Canadian International Development Agency (CIDA), and the CDB CSME Stand-by Facility.

The functioning of the CARICOM Single Market (CSM) is expected to provide real benefits to private sector companies. However, our private sector has not yet been able to fully access the intended benefits of the single market. Some of the reasons for this include lack of a clear strategy to export, lack of knowledge about the CSM and the proposed export markets and institutional weakness of Business Support Organisations (BSOs). Through the *CSME Stand-by Facility*, therefore, key areas that currently prohibit the private sector from fully engaging in the regional market will be the focus of the intervention. It is expected that this intervention will result in increased production and export into the regional market and addressing the balance of trade deficit.

The CTCP has a multi-focused approach. In 2014 the CTCP will assist the National Training Agency (NTA) to train over 20 verifiers and assessors and to complete a detailed work plan that will bring Antigua and Barbuda closer to issuing the Caribbean Vocational Qualification (CVQ). This will allow our tradesmen to become certified and give them the right to move for the purpose of work within the CSME.

The CTCP will also assist with the reengineering of various administrative practices that affect both the private and public sectors in being efficient. This will support the government's continued thrust to simplify and remove administrative practices that frustrate the end users.

OECS Economic Union

The Government of Antigua and Barbuda continues to be a strong supporter of the OECS Economic Union. We believe that successful implementation of the Union will result in significant benefits and reform, nationally and regionally. This is due to the wider ambit that the Revised Treaty of Basseterre gives to the OECS Commission in areas such as trade policy and the common market, including the customs union.

The Revised Treaty now creates a single financial and economic space, within which there is free movement of people, capital and soon the free circulation of goods. Likewise, monetary and fiscal policies are harmonized and territories are better-placed to adopt a common approach to trade, health, education, the environment and the development of critical sectors as agriculture, tourism and energy. These are key factors in the region's thrust towards achieving sustainable growth and development. This was

recently outlined in the seminal OECS Growth and Development Strategy approved by the 58th Meeting of the OECS Authority, which was chaired by Antigua and Barbuda's Prime Minister.

To effectively harness and capitalize on these opportunities the necessary policy and legislative adjustments must be approved nationally. The Parliament has approved the OECS Treaty, and it has been brought into effect at the national level. The process of enacting the enabling legislation and administrative practices to implement the Economic Union is ongoing. This includes formalising the administrative arrangements relating to movement of people regime that will ensure that all OECS nationals are treated in accordance with the Treaty.

The Cabinet Sub-Committee on the OECS Economic Union has been overseeing the implementation of OECS Economic Union. In addition, work has been ongoing at the legislative and administrative levels, with the ministries of Legal Affairs and National Security and Labour, and the Immigration Department being major drivers and players in the process.

Another critical area that government will focus on in 2014 is the Monitoring and Evaluation (M&E) of the OECS Economic Union. The monitoring and evaluation system is a new mechanism introduced by the Revised Treaty of Basseterre establishing the OECS Economic Union. This system will ensure that member states comply with and implement the Treaty and the decisions of the OECS Authority and other administrative procedures to enable the functioning of the economic union. This system will strengthen the government's thrust to improve data collection. This work will be undertaken by several departments within the government service and led by the Department of Trade, Industry and Commerce, the Statistics Division, the Policy and Planning Unit and the Immigration Department.

Antigua and Barbuda continues to firmly believe that active participation in regional arrangements like the OECS Economic Union will result in the pooling of scarce critical resources - finance, human resources, technical expertise and strengthening our economic resilience in a dynamic global marketplace.

In this regard, the Government devotes its undying commitment and continues to stand ready in making the realities to be garnered from the Economic Union within reach of all nationals of Antigua and Barbuda.

CARICOM-Canada Trade and Development Agreement

Madam Speaker:

The Government of Antigua and Barbuda has been an active participant in negotiating the CARICOM/Canada Trade and Development Agreement. Since the start of the

negotiations in 2009, there have been several rounds of talks. As the waiver expiration on the CARIBCAN approaches, negotiating parties - CARICOM and Canada, have been engaged regularly on the technical and political levels to reach an agreement that will be beneficial for all. This agreement is expected to cover goods and include provisions on alcoholic beverages, investment, services, trade facilitation and development cooperation.

Arriving at such a complex agreement has not been an easy task, given that at all stages relevant national and regional stakeholders must accept the terms being negotiated. However, the Department of Trade, Industry and Commerce has been working with public and private sector stakeholders to consolidate and submit Antigua and Barbuda's position to the Office of Trade Negotiations (OTN), to ensure that the views and requests of national stakeholders are covered in the agreement.

Agreements like this will allow the private sector to set up strategic partnerships with Canadian firms and vice versa. This often leads to greater access to foreign markets that will in turn lead to the export-led growth that all countries strive for.

We ask our private sector to look beyond the borders of our twin-island nation and understand that the world is now their marketplace. To grow, businesses need the larger markets, access to capital, and strategic relationships that trade agreements can provide.

BILATERAL RELATIONS AND SOCIAL AND ECONOMIC COOPERATION

The Ministry of Foreign Affairs is primarily responsible for maintaining good relations between Antigua and Barbuda and its regional and international counterparts and is tasked with utilising diplomacy as a tool for national development. Antigua and Barbuda has diplomatic relations with over 85 countries and the Government's engagement with these countries is guided by a core set of principles that emphasise economic and social development, poverty reduction, good governance, and environmental sustainability.

Through the efforts of the Minister of Foreign Affairs and his energetic team of Ambassadors, foreign relations officers, and other staff, Antigua and Barbuda continues to obtain tangible support for national projects, technical development, and education and training for our people.

Japan

Antigua and Barbuda will join the rest of the Caribbean to commemorate 2014 as the CARICOM - Japan Friendship year as a way of celebrating the good relations between the people of Japan and the Caribbean Community.

Antigua and Barbuda over the years has benefitted tremendously from technical assistance and economic cooperation in the areas of health, education, agriculture, fisheries, and disaster management.

For the period 2013 to 2014 it is anticipated that nine Antiguan and Barbudans will benefit from training scholarships in Japan valued at over \$737,000.00.

The Ministry of Agriculture, through the Fisheries Department, will benefit from a Fisheries Complex refurbishment project in 2014.

As an important sector in our national development thrust, Fisheries has the potential to make an even greater contribution to our economic growth. In this regard the Governments of the OECS have agreed to explore the establishment of a Fisheries Promotion Fund with the Government of Japan that will provide significant financial support for projects in the sector over the next 10 years.

Additionally, it is anticipated that in 2014 the Government of Japan, through its Grant Assistance for Grassroots Human Security Projects, will support local non-governmental organizations or community based organizations in small development projects. Sectors to be given priority are basic education; primary health; vocational training; special education; agriculture; public welfare; and the environment.

Republic of Cuba

Antigua and Barbuda and the Republic of Cuba will celebrate 20 years of diplomatic relations in 2014. Since 1994, the relationship between the two countries has grown stronger as we have nurtured our mutual interests. These interests include providing quality healthcare to our respective populations; ensuring our people have access to the highest levels of education and training; developing infrastructure; and collaborating in sports.

Since establishing diplomatic relations with the Republic of Cuba nearly 20 years ago, Antigua and Barbuda has benefitted from significant support for education and health care. Over 400 Antiguan and Barbudans have received scholarships to pursue tertiary education in Cuba in various fields of study including medicine, engineering, agriculture, and special needs education. In addition, Antigua and Barbuda has received and will continue to benefit from technical assistance in health care. Young medical doctors will continue to receive specialized training and we will benefit from technical assistance to strengthen community health care services.

The Ministry of Works and Transport continues to receive technical support from visiting Cuban hydraulic, quarry and road engineers. This technical assistance is expected to continue in 2014 and will significantly benefit the Government's enhanced road construction and repair and maintenance programmes.

Finally, Antigua and Barbuda will provide assistance to Cuba to expose Cuban students to tourism training at the Antigua and Barbuda Hospitality Training Institute (ABHTI).

The Bolivarian Republic of Venezuela

Over the past several years, Antigua and Barbuda has benefited significantly from the generosity of the people and the late President Hugo Chavez of the Bolivarian Republic of Venezuela. Antigua and Barbuda is very grateful for its close and enduring friendship with the people and Government of Venezuela and we are pleased that under the leadership of the new President, Nicholas Maduro, our bilateral relationship with the Bolivarian Republic of Venezuela continues to strengthen.

The PetroCaribe initiative continues to be the cornerstone of Antigua and Barbuda's ongoing relations with Venezuela. Since signing on to the PetroCaribe Agreement in 2005, Antigua and Barbuda has purchased fuel valued at about \$695 million. Approximately 40 percent of this is in the form of concessional loans to be repaid over a period of 25 years at an interest rate of 2 percent. As a result of this arrangement, the Government, through its wholly owned company, PDV Caribe (Antigua and Barbuda) Ltd. has been able to develop and implement a number of social and infrastructural programmes.

Social Programmes

Since its inception in 2008 a total of \$25.2 million has been spent on the Senior Citizens Utility Subsidy Programme (SCUSP). This programme provides \$100 monthly towards utility services for pensioners in Antigua and Barbuda. There are currently 4,968 SCUSP beneficiaries and it is expected that an additional 500 beneficiaries will be added in 2014.

The Peoples Benefit Programme (PBP) was launched in 2009 and targets vulnerable groups in Antigua and Barbuda. As at November 2013, there were 2,163 active beneficiaries and these beneficiaries have received special debit cards valued at \$215 monthly. To date, nearly \$20 million has been spent on vulnerable groups through this programme.

LPG subsidy for Barbudans

Over the past four years the cost of transporting LPG cylinders from Antigua to Barbuda has been subsidized by PDVCAB. This programme was implemented in order to reduce the retail price of propane gas in Barbuda. Since its inception in 2009, about \$140,000 has been spent on subsidising the cost of propane gas to Barbudans.

Other projects and programmes funded by PDVCAB:

In addition to these ongoing programmes, over the years PDVCAB has provided funding totalling more than \$24 million for several other projects and programmes that have benefitted the people of Antigua and Barbuda. These include:

- \$3 million towards the construction of the new National Public Library
- \$622,000 for fencing and drainage work at the King George V Grounds
- \$250,000 to assist the Antigua Barbuda Tennis Association to construct a National Tennis Centre
- \$53,000 to fund construction of solar dryers at the Gilbert Agriculture and Rural Development Centre
- \$6 million for infrastructural work at the Sir Vivian Richards Cricket Stadium
- \$1.1 million to provide relief to citizens and residents affected by Hurricane Omar
- \$1.88 million for upgrading Codrington Airport in Barbuda
- \$1.5 million to support the sweeping and dredging of the Nevis Street Pier

Over the next several months, PDVCAB will partner with the Government to implement a street lighting project and will continue to provide funding to implement the Enterprise Achievement Challenge. Further, PDVCAB will engage in projects related to the Agriculture and Healthcare sectors in 2014.

Repayment of financed portion of shipments

The PetroCaribe Agreement contains a debt compensation component that offers member countries the option of paying for fuel with local goods and services. This option reduces the need to purchase foreign exchange to pay for petroleum and allows for increased production of locally grown and manufactured produce for export.

Discussions are ongoing about how Antigua and Barbuda's tourism and educational products may be traded to Venezuela and/or other PetroCaribe member countries as payment on our invoices. While this debt compensation mechanism is being explored, PDVCAB has put in place the financial arrangements to ensure that all obligations due to Venezuela are paid when they become due. The Government established PDVCAB to ensure that execution of the PetroCaribe Agreement could be achieved without any impact on the Consolidated Fund. To date, over \$17.5 million has been repaid to Venezuela for the financed portion of shipments received.

Madam Speaker, the Government is extremely grateful for its relationship with the Bolivarian Republic of Venezuela and we look forward to many more years of mutually beneficial cooperation with the President, Government, and people of Venezuela.

People's Republic of China

The Government and people of Antigua and Barbuda celebrated 31 years of diplomatic relations with the People's Republic of China on January 1st, 2014. During 2013 we hosted a number of Chinese officials and several agreements have been entered into for projects as well as economic and technical cooperation.

The Grays Green Gutter was completed in January 2013 and the final construction contract for the Five Islands Secondary School was signed on November 17th, 2013, at the official ground breaking ceremony. The school is to be built at a cost of approximately \$44 million and is scheduled to be completed in September 2015.

Additionally, a grant aid agreement has been entered into for the construction of a community centre and basketball court in the Grays Green Community. Work continues on the new Airport Terminal Building, which is scheduled to be completed in September 2014.

The Government will also benefit from assistance to upgrade existing infrastructure. This will be achieved through a Memoranda of Understanding executed between the Government and the China Civil Engineering Construction Corporation. The MOU provides for rehabilitating the Deep Water Harbour as well as improving the facilities at the soon to be decommissioned V.C. Bird International Airport terminal. The work on the VC Bird Airport facilities will include a runway extension; and construction of a cargo building, fire services building, and an Air Traffic Control Tower.

Antigua and Barbuda has benefitted from ongoing technical cooperation with the People's Republic of China in 2013. Several technicians were able to attend conferences, seminars and training programmes in China. Additionally, over 100 university scholarships were provided to Antiguan and Barbudan nationals.

The Government appreciates the invaluable support received from the Government and People of the People's Republic of China and anticipates that in 2014 economic and social cooperation will expand. In fact, there are a number of projects slated to commence. These include the expansion of the King George V grounds; a maintenance agreement for the Sir Vivian Richards Cricket Stadium; a tennis and swimming pool complex in Cedar Grove; and a packaging, storage and agro-processing plant. An agricultural demonstration project will be executed and will involve experts dispatched from China to introduce new technologies and techniques to help increase the yield of agricultural produce.

Bilateral Relations with selected other countries:

Mexico

The Government of Mexico during 2013 contributed \$675,000 towards Antigua and Barbuda's electoral reform exercise. This significant contribution will ensure continued transparency of the democratic process in Antigua and Barbuda.

Antigua and Barbuda is very grateful for its strong relationship with Mexico and we look forward to greater collaboration in 2014. Our Governments will continue to explore areas for intervention, particularly with respect to education, in order to advance the development process.

The Republic of Korea

The Government of Antigua and Barbuda and the Republic of Korea continue to have good relations, which will be strengthened in 2014. Grant funding valued at US\$100,000 to upgrade Antigua and Barbuda's fleet of protocol vehicles has already been committed.

Additionally, Antigua and Barbuda will continue to collaborate with the Republic of Korea within multilateral organizations.

United Arab Emirates (UAE)

The Government of Antigua and Barbuda will deepen its cooperation with the people and Government of the United Arab Emirates. A number of cooperation activities in health, information and communication technologies, transportation, disaster management and education will receive grant support amounting to \$2.7 million.

Columbia

Antigua and Barbuda continues to experience productive relations with the Government of Columbia. In 2014 the Government of Columbia will provide US\$250,000.00 in grant funding to support the Government's electoral reform and good governance project.

Additionally, Antigua and Barbuda will receive support for drug prevention, and tertiary level scholarships for young Antiguan and Barbudans to study in Colombia.

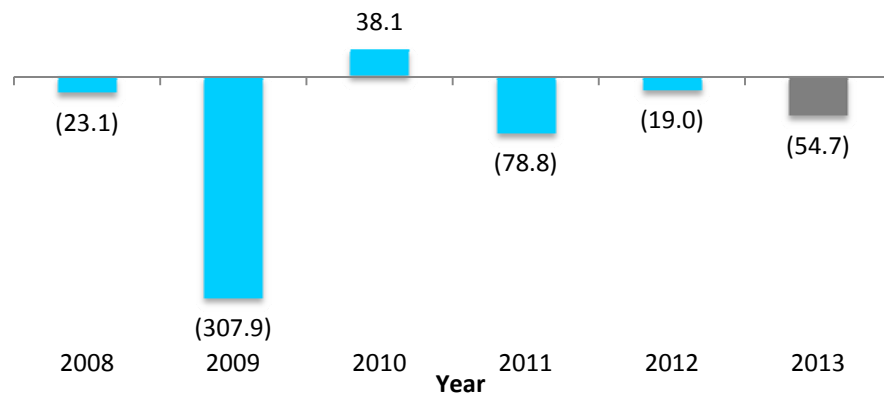
FISCAL PERFORMANCE 2013

Madam Speaker

The current account balance is expected to deteriorate from a deficit of \$18 million or about 0.6 percent of GDP in 2012 to \$54.7 million or 1.6 percent of GDP in 2013. At \$612.3 million, the projected outturn for current revenue in 2013 is about 19 percent below the \$757.9 million that was budgeted for the year. The main factors contributing to lower than forecasted revenue are the slower pace of economic recovery than was originally estimated for 2013, delays in implementation of revenue administration reforms, and setbacks in implementing the Citizenship by Investment Programme.

Chart 1 presents the current account balance from 2008 to 2013. The current account balance is the difference between current revenue and current expenditure. It represents a Government's ability to cover its recurring operational expenses. Current expenditure comprises expenditure on wages and salaries; goods and services such as utilities, office supplies, and travel; payments to Mount St. John Medical Centre; and interest payments on debt.

Chart 1: Current Account Balance (EC\$M): 2008 to 2013



An overall objective of the Government is to ensure that it is able to generate the revenue needed to meet its current expenditure. This means that current revenue, which is generated from tax and non-tax sources, must be aligned with current expenditure. As seen in Chart 1, the Government was able to realise this objective in 2010 as the current account balance improved considerably from a deficit of \$307.9 million or 10 percent of GDP in 2009¹ to a surplus of \$38.1 million in 2010. While the current account balance

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

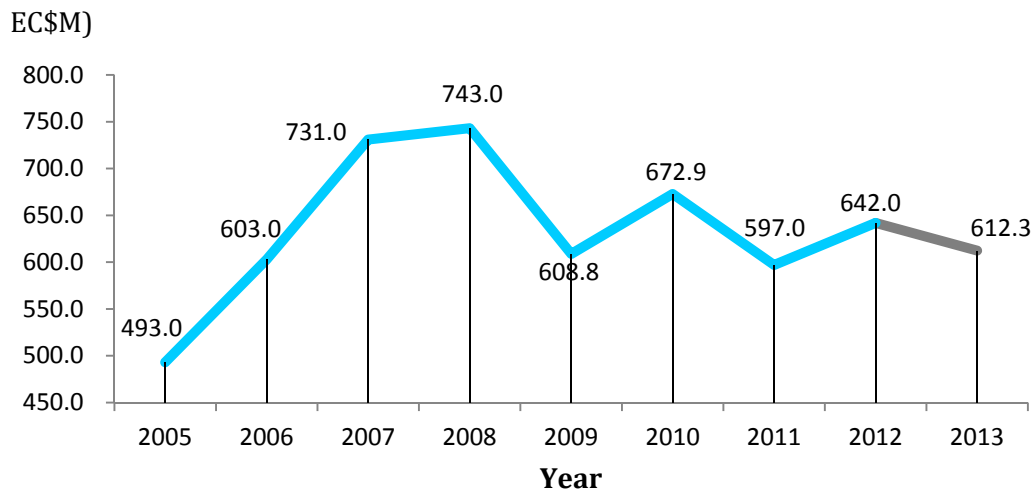
remains significantly below the deficit recorded in 2009, the alignment of current expenditure and current revenue has not yet been fully realised due to the underperformance of revenue between 2011 and 2013.

Current expenditure for 2013 is projected to be \$667.1 million, which is about 1 percent above current expenditure recorded in 2012. This outcome for 2013 reflects the Government's efforts to increase spending in critical areas as well as a number of one-off payments that arose during the year.

Revenue Performance

As seen in Chart 2, current revenue grew steadily between 2005 and 2008, as a result of strong economic growth and a number of tax reform initiatives implemented over that period. Current revenue declined sharply in 2009 due to the fallout from the global economic and financial crisis. Despite the continued impact of the global recession on the domestic economy, current revenue improved in 2010 to \$672.9 million. Included in this amount is a \$34 million grant from the European Union in support of Antigua and Barbuda's NEST Plan and \$20 million in tax arrears. Current revenue amounted to \$642 million in 2012, which was less than current revenue generated in 2010 but 7.5 percent greater than current revenue collected in 2011.

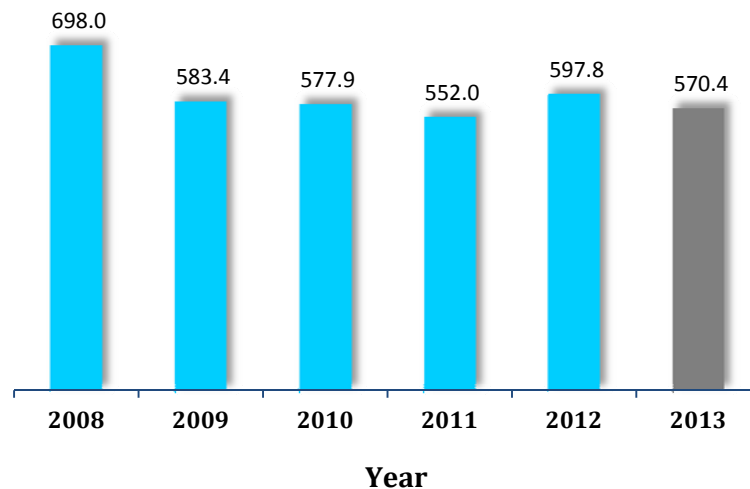
Chart 2: Current Revenue (EC\$M): 2005 to 2013



For 2013 current revenue is expected to amount to \$612.3 million or about 5 percent less than current revenue generated in 2012. The main contributor to this decline in current revenue between 2012 and 2013 is the reallocation of the Passenger Facility Charge, Embarkation Tax (in the form of the Airport Administration Charge) and the Cruise Passenger Tax from central government to the Antigua Barbuda Airport Authority and the Antigua Pier Group respectively. These revenue sources generated an average of \$40 million between 2010 and 2012.

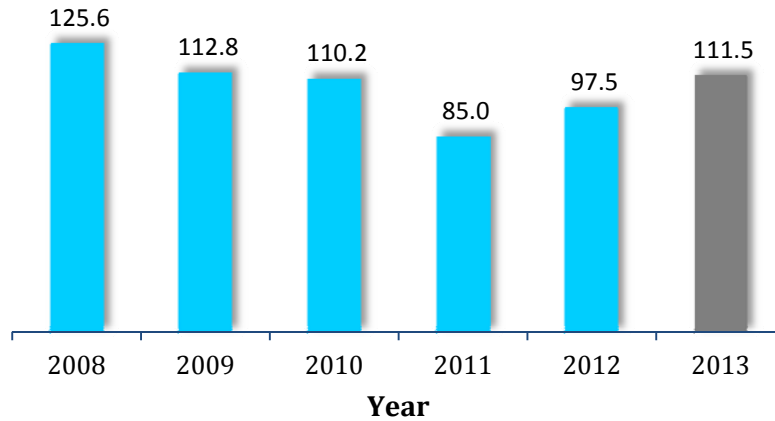
Tax revenue is presented in Chart 3. In Budget 2013 tax revenue was projected at \$670.2 million. Actual outturn for 2013 is estimated to be about 15 percent less at \$570.4 million. This is due to lower than anticipated economic performance and delays in implementing a number of revenue boosting tax administration reforms. Tax revenue for 2013 is also \$27.4 million less than tax revenue generated in 2012. This is mainly a result of the reallocation of the Passenger Facility Charge, Embarkation and Cruise Passenger taxes.

Chart 3: Tax Revenue (EC\$M): 2008 to 2013



Direct taxes are projected to yield \$111.5 million in revenue in 2013, which is about 14 percent more than the \$97.5 million generated in 2012. The increased yield from direct taxes in 2013 is mainly due to enhanced collection of revenue from the corporation tax. There was also a slight increase in revenue from the personal income tax. Revenue collected from direct taxes between 2008 and 2013 is presented in Chart 4. The main components of direct taxes are taxes on income and taxes on property, shown in Charts 5 and 6.

Chart 4: Direct Taxes (EC\$M): 2008 to 2013



Taxes on income are projected to generate \$91.4 million in revenue in 2013. This is about 18 percent or \$14.1 million more than revenue collected from taxes on income in 2012. Corporation tax and personal income tax, which make up taxes on income, are expected to yield \$48.4 million and \$42.5 million in revenue respectively. The yield from the Corporation Tax is expected to be 37 percent above the amount collected in 2012. This improved performance is a result of the Inland Revenue Department's efforts to boost compliance and collect outstanding arrears. Revenue collection from personal income tax grew slightly by 1.4 percent in 2013 compared to 2012.

Property tax, the main component of taxes on property, generated \$17.3 million in revenue in 2012. This is expected to increase by about 12 percent in 2013 to \$19.4 million. The improvement in revenue from the property tax is a result of commendable work by the staff of the Property Valuation Department to increase collections and improve tax payer compliance.

Chart 5: Taxes on Income (EC\$M): 2008 to 2013

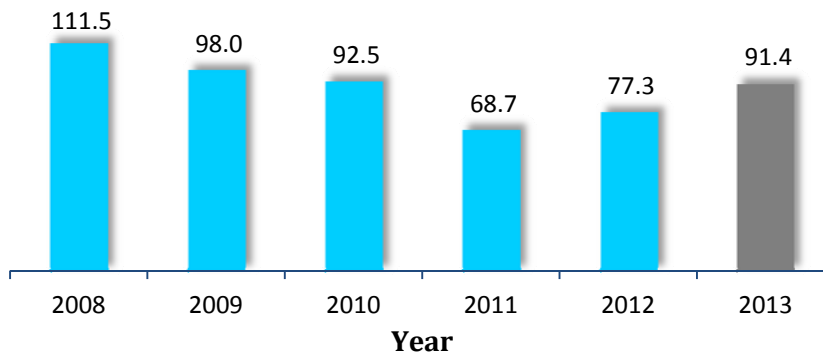
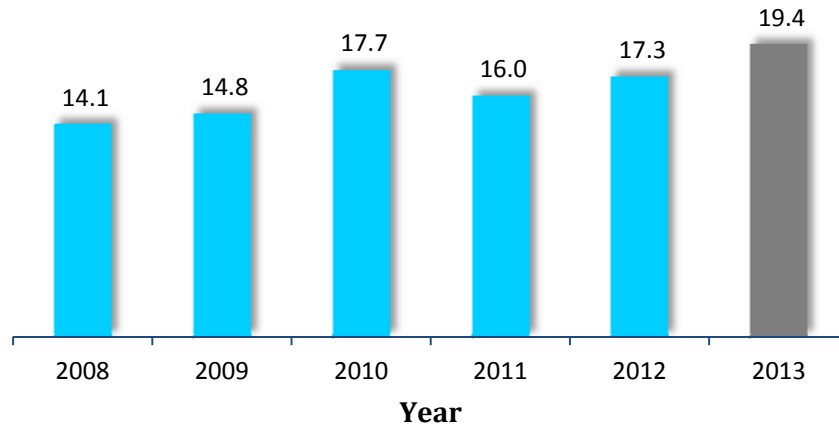
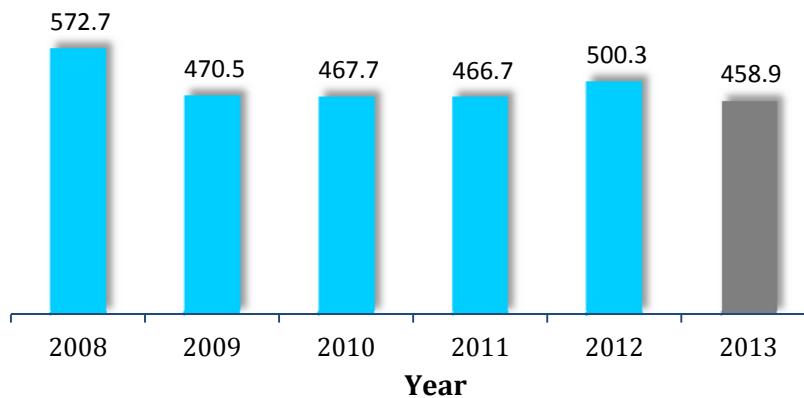


Chart 6: Property Tax Revenue (EC\$M): 2008 to 2013



Indirect taxes are expected to yield \$458.9 million in 2013, which is about 8 percent below the amount generated in 2012. This outcome is mainly a result of the reallocation of some revenue sources from central government to statutory corporations. Chart 7 depicts indirect tax revenue from 2008 to 2013 (see Chart 7).

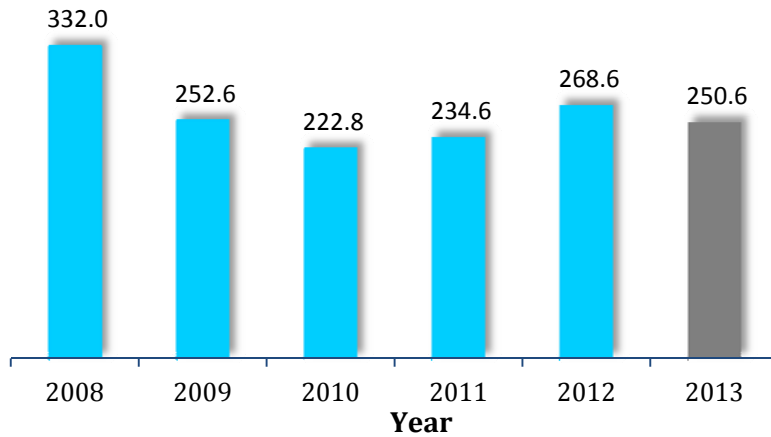
Chart 7: Indirect Taxes (EC\$M): 2008 to 2013



Indirect tax revenue is generated by taxes on domestic production and consumption and by taxes on international trade and transactions. Taxes on domestic production and consumption, which include stamp duties and the Antigua and Barbuda Sales Tax (ABST), are projected to yield revenue of \$250.6 million in 2013. This is about 7 percent

less than the \$268.6 million collected in 2012. Chart 8 presents revenue collections from this category of indirect taxes.

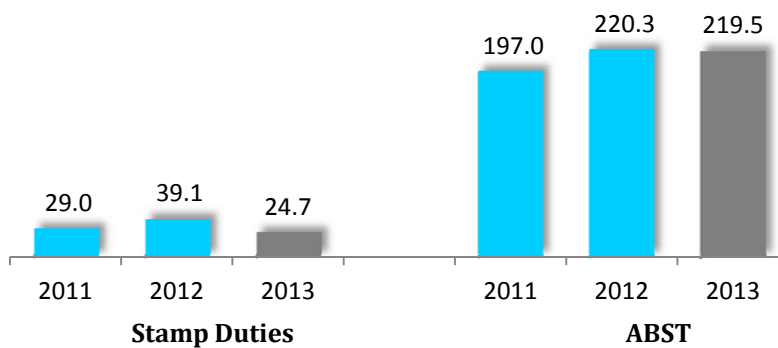
Chart 8: Taxes on Domestic Production and Consumption (EC\$M):2008 to 2013



The main contributor to the decline in revenue from this source is a projected 37 percent reduction in revenue from Stamp Duties. In 2012 revenue collected from Stamp Duties increased significantly over the previous year and amounted to \$39.1 million. This reflected increased activity with respect to transfers of property, particularly in relation to the expansion work at the Jumby Bay Resort. In 2013 revenue from Stamp Duties is expected to amount to \$24.7 million.

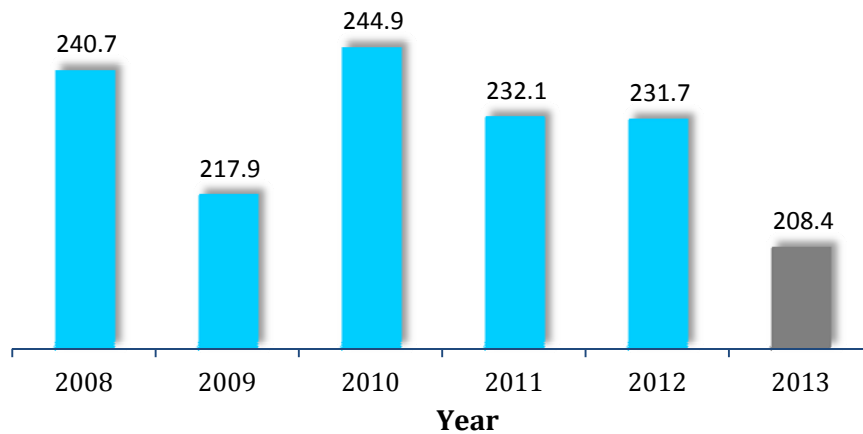
The ABST is the main source of revenue from taxes on domestic production and consumption and is expected to yield \$217.7 million in 2013, which is 1 percent below the \$220.3 million generated in 2012. Chart 9 presents revenue collected from Stamp Duties and the ABST between 2011 and 2013.

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



As seen in Chart 10, revenue from taxes on international trade and transactions is projected to be \$208.4 million in 2013, which is 10 percent less than the \$231.7 million generated from these taxes in 2012. Included in this group of taxes are the revenue recovery charge (RRC), import duty, the throughput levy, and the travel tax. In 2012 this group of taxes also included the embarkation tax, the passenger facility charge (PFC), and the cruise passenger tax, which were reallocated to the Antigua Barbuda Airport Authority and the Antigua Pier Group. These taxes generated about \$36 million in 2012. However, the reduction in revenue from taxes on international trade and transactions amounted to about \$23 million. This indicates that revenue from other taxes in this category increased compared to 2012.

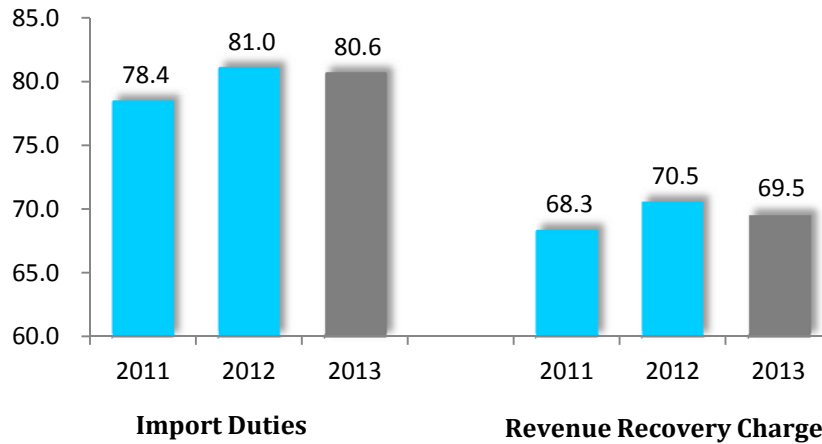
Chart 10: Taxes on International Trade and Transactions (EC\$M):2008 to 2013



The RRC generated \$70.5 million in 2012 and is projected to yield \$69.5 million in 2013. The RRC replaced the Customs Service Tax in 2010 and is applied at a rate of 10 percent on all non-oil imports. Import Duties generated \$81 million in 2012 and are expected to yield \$80.6 million in 2013. Chart 11 shows revenue from the Import Duty and the RRC for the period 2011 to 2013.

The Travel Tax and the Throughput Levy are expected to generate increased revenue in 2013 compared to 2012. The Travel Tax yielded \$5.8 million in 2012 and is projected to generate revenue of \$6.1 million in 2013. Revenue from the Throughput Levy is expected to increase by \$13.6 million from \$1.5 million in 2012 to \$15.1 million in 2013. The increase in revenue from this source is due to collection of arrears from the West Indies Oil Company (WIOC).

Chart 11: Revenue from Import Duty and Revenue Recovery Charge (EC\$M)



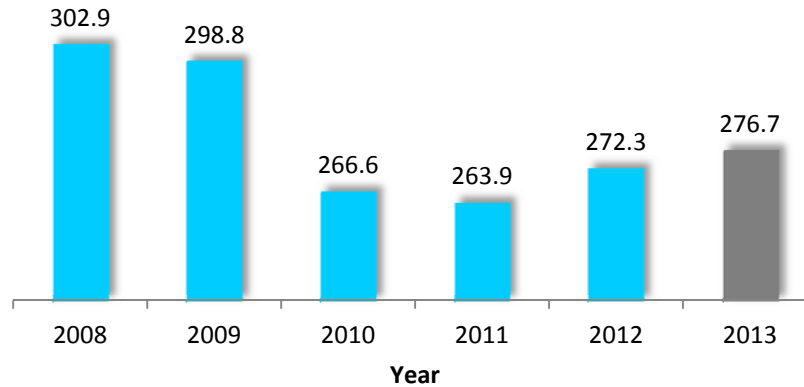
Finally, Non-tax revenue accounts for about 7 percent of current revenue. This category of revenue comprises profits from statutory corporations, U.S. Naval Base lease payments, profits from the ECCB, and surplus funds from merchant shipping. In 2013 non-tax revenue is expected to amount to \$41.8 million, which is about 5 percent below the \$44.3 million collected in 2012. This decline in revenue from Non-tax revenue reflects lower profits from statutory corporations, including the State Insurance Corporation, a reduction in profits from the ECCB, and a small reduction in revenue from the sale of stamps.

Expenditure Performance

Recurrent expenditure is projected to amount to \$667.1 million in 2013, which is about 0.5 percent above the \$663.9 million forecasted in Budget 2013. The components of recurrent expenditure include wages and salaries, transfer payments, goods and services, contributions to statutory corporations and interest payments on public debt.

Wages and salaries are expected to amount to \$276.7 million in 2013, accounting for about 41 percent of recurrent expenditure. This is about 1 percent less than the \$279.9 million estimated in Budget 2013 and 1.6 percent more than the \$272.3 million spent on wages and salaries in 2012. The increase in wages and salaries in 2013 compared to 2012 is mainly a result of recruitment of police officers; new defence force recruits; additional prison guards, additional staff in the Ministry of Agriculture; and recruitment of personnel for the electoral process, including the re-registration exercise. Chart 12 presents the changes in expenditure on wages and salaries between 2008 and 2013.

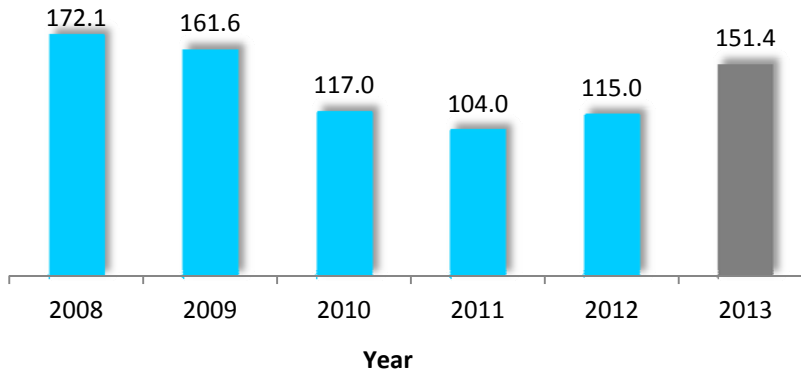
Chart 12: Wages and Salaries (EC\$M): 2008 to 2013



In Budget 2013 expenditure on goods and services was estimated at \$117 million. Actual expenditure on goods and services is projected to be about \$151.4 million. This is about 29 percent above the budgeted amount and about 32 percent more than expenditure on goods and services in 2012. The areas of government spending that comprise goods and services include office and computer supplies, cleaning and security services, rents, and utilities. Also included in expenditure on goods and services are road repair and maintenance and associated services such as heavy equipment rental and transportation. Expenditure on road repair and maintenance is projected to amount to about \$10 million in 2013 compared to \$2.5 million in 2012. This threefold increase in spending on road repair and maintenance is indicative of the Government's policy position to invest more resources in infrastructure development and maintenance. Chart 13 presents the movement in expenditure on goods and services between 2008 and 2013.

Transfer payments, which comprise spending on pensions and gratuities as well as other transfers, are expected to amount to about \$150.1 million in 2013. This is about 4 percent below the \$156.1 million estimated in Budget 2013 and about 15 percent below the \$177.4 million recorded in 2012. Expenditure on pensions and gratuities is projected to amount to \$69.1 million in 2013 and is about 4 percent more than the amount spent in 2012. One contributor to the additional spending on pensions and gratuities is the number of officers leaving the public sector through attrition.

Chart 13: Goods and Services (EC\$M): 2008 to 2013



Expenditure on other transfers, which include transfers to state-owned corporations such as Mount St. John Medical Centre, Antigua and Barbuda Investment Authority, and the overseas offices and missions, is projected to be \$80.9 million for 2013. This is about 27 percent less than the \$110.8 million spent in 2012. The main reason for this reduction in other transfer payments is that the Government is no longer required to make transfer payments to the Antigua and Barbuda Airport Authority (ABAA). With the introduction of the Airport Administration Charge, the ABAA is able to generate the revenues required to effectively operate the airport. In 2012 about \$25 million² of other transfer payments was associated with the ABAA.

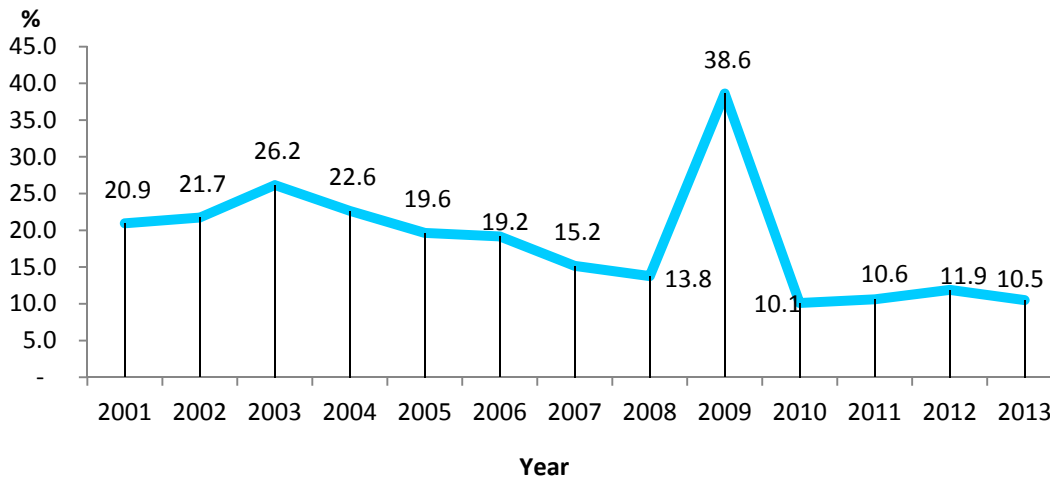
Interest payments are projected to amount to \$63.8 million, which is 35 percent less than the \$90.2 million estimated in Budget 2013. This reduction in the interest bill is a result of our debt management strategy. The debt management section of this document presents the details of the activities undertaken by the Debt Unit and the impact of the debt strategy on the public debt. Chart 14 tracks interest obligations as a percentage of current revenue between 2001 and 2013.

Between January and December 2013, the Government paid \$267.6 million in principal and interest payments. Of this total, interest payments amounted to \$63.8 million. Of this, 76 percent or \$48.5 million was paid to domestic creditors, while the remaining \$15.3 million of interest payments was made to external creditors. Domestic creditors include citizens and residents as well as institutions who invest in treasury bills and bonds, commercial banks, and certain statutory corporations. In 2013 the Government paid \$9.0 million in interest payments to investors in treasury bills and bonds that were issued before 2004. Over the same period \$4.6 million was paid to investors in securities

² This includes the amount collected from the Passenger Facility Charge

issued on the RGSM. Also, \$29.8 million was paid to domestic commercial banks in 2013. In addition to these interest payments, the Government made \$203.8 million in principal repayments to domestic and external creditors in 2013. Of this amount, \$167.3 million represents payments to domestic creditors, while \$36.5 million was paid to external creditors.

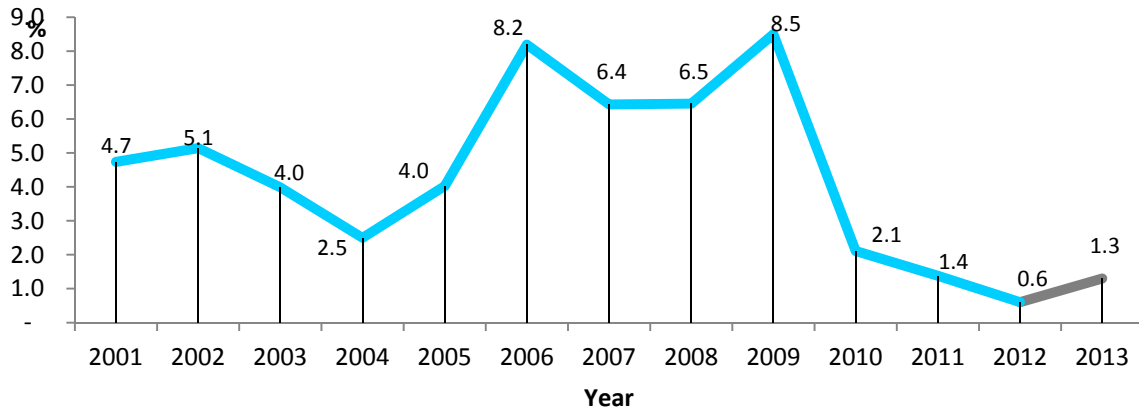
Chart 14: Ratio of Interest to Current Revenue (EC\$M)



In Budget 2013 we projected capital expenditure would be \$115 million, with \$28.3 million of this expenditure to be funded with grant resources. Actual capital expenditure for 2013 is estimated to be \$43 million, which is more than twice the amount spent in 2012. The majority of the grant resources included in Budget 2013 was related to the construction of a new school in Five Islands. However, due to the delay in implementing this project, these funds will be programmed for use in 2014. Though there has been some increase in capital spending, lower revenue outturn continues to limit the Government’s efforts to more aggressively increase capital spending. At 1.3 percent of GDP for 2013, capital expenditure remains below the level of investment required to maintain the capital stock and fund new infrastructural development projects. Chart 15 tracks capital expenditure as a percentage of GDP from 2001 to 2013.

Between 2010 and 2013 average spending on capital projects amounted to about 1.3 percent of GDP. This is significantly below average capital expenditure of over 7 percent of GDP between 2006 and 2009. Capital spending has been constrained over the past four years because of limited fiscal space and the Government’s policy decision to safeguard public sector employment and key social programmes.

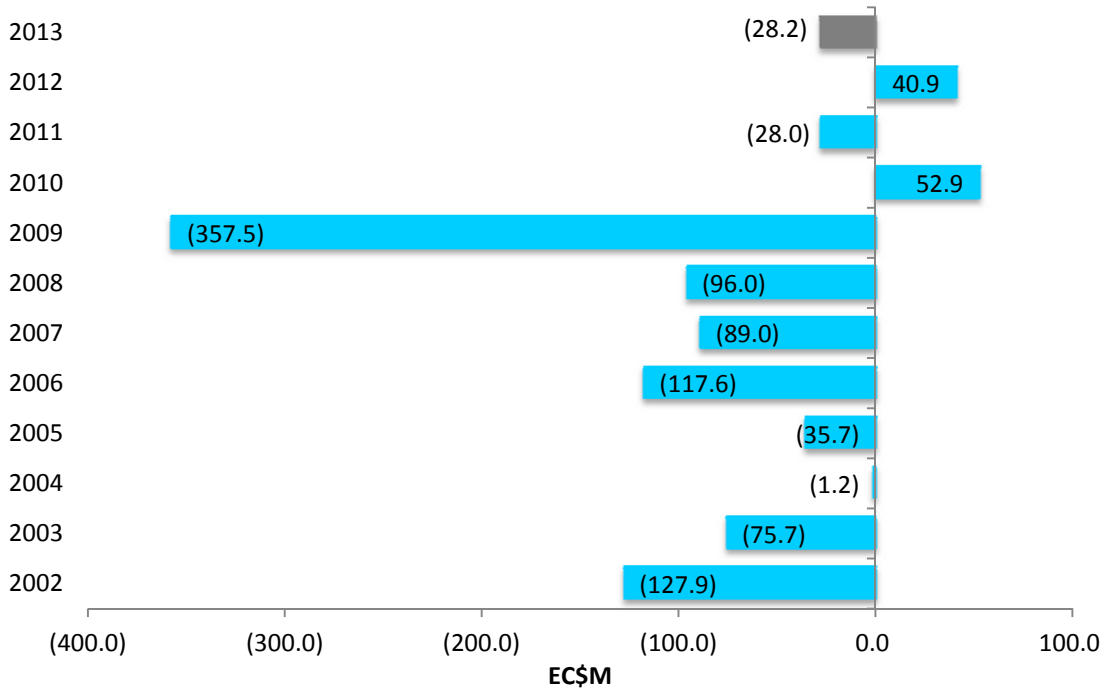
Chart 15: Capital Expenditure in Percent of GDP



Madam Speaker, though investment in new capital projects has been restricted, the Government has prioritised settlement of outstanding amounts due to contractors and local merchants and suppliers. Between January and November 2013 we made \$78.7 million in payments to contractors and local merchants and suppliers. Since June 2010 the Treasury has paid more than \$350 million to contractors and local merchants and suppliers. I wish to commend the Accountant General, Dr. Cleopatra Gittens, the management and staff of the Treasury Department for their herculean efforts in the face of unprecedented and challenging circumstances.

Total primary expenditure, which is capital expenditure, plus recurrent expenditure, less interest payments, represents the Government's total spending in the fiscal year. A good indicator of the sustainability of a Government's fiscal policies is its ability to cover its primary or non-debt expenditure with revenues generated in the fiscal year. In 2010, when the Fiscal Consolidation Programme was in the early stages of implementation, Antigua and Barbuda was able to generate the revenues required to cover its non-debt expenditure in that fiscal year. As seen in Chart 16, this was the first time Antigua and Barbuda generated a primary surplus over the period 2002 to 2013.

Chart 16: Primary Balance (EC\$M): 2002 to 2013



After realising a primary surplus of about \$53 million in 2010, the primary balance deteriorated in 2011 to a deficit of \$28 million in 2011, which was mainly a result of the Government's \$40 million financial support to ABI Bank in that year. By 2012 the position was reversed as the Government recorded a primary surplus of \$40.9 million. For 2013 the primary balance is projected to amount to a deficit of about \$28 million. This outcome is mainly due to significantly lower revenues than forecasted in Budget 2013. Despite this underperformance in revenue, the Government decided not to make as deep an adjustment to expenditure, which had been the case in previous years when revenue fell short of budgeted amounts. It was determined that a small primary deficit would be acceptable to avoid reducing critical expenditure on capital works, road repair and maintenance, and essential social programmes. Table 2 presents a summary of expenditure and revenue for 2011 and 2012; the amounts estimated in Budget 2013; and the projected outcome for 2013.

Table 3 – Fiscal Summary

	Actual 2011	Actual 2012	Budgeted 2013	Prelim Estimate 2013
Total Revenue and Grants	623.2	644.2	790.1	618.3
Current revenue	597.4	642.0	757.9	612.4
<i>of which: Tax revenue</i>	552.4	597.8	670.2	570.4
Capital revenue	3.0	2.2	4.0	0.9
Capital grants	23.0	0.0	28.3	5.1
Total Expenditure	715.0	677.8	778.9	710.3
Current expenditure	676.1	659.7	663.9	667.1
Wages and salaries	263.9	272.3	279.9	276.7
Contribution to SSB, MBS,BOE	19.8	20.0	20.6	25.1
Goods and services	103.8	115.5	117.0	151.4
Interest payments	63.3	74.5	90.2	63.8
Pensions, other transfers	225.3	177.4	156.1	150.0
Capital Expenditure & Net Lending	38.7	18.1	115.0	43.2
Current Account Balance	(78.7)	(17.7)	94.0	(54.7)
Primary Balance	(28.5)	40.9	101.4	(28.2)
Overall balance	(91.8)	(33.6)	11.2	(92.0)

In 2004, when the UPP Administration began the process of reforming fiscal management in Antigua and Barbuda, the overall objective was to secure fiscal stability by ensuring that, on average, the Government attains a balanced budget. This means that if the Government runs a fiscal deficit in any year, it would not exceed the benchmark of 3 percent of GDP which was established by the ECCU Monetary Council. Further, the intention is to generate some fiscal surpluses so that Antigua and Barbuda's fiscal position can be sustainable and the Government can position itself to better respond to economic and other shocks. Having implemented the Fiscal Consolidation Programme, Antigua and Barbuda has made significant strides towards achieving fiscal stability. This is reflected in the improvement in the overall fiscal deficit, which has declined from \$592 million or about 20 percent of GDP in 2009 to \$92 million or 2.7 percent of GDP in 2013.

Madam Speaker

These achievements are remarkable, particularly since they occurred at a time when our nation was facing one of the most challenging periods in its history. Though the past three years were tough for our citizens and residents, I am certain that the actions taken by this Administration helped to mitigate the effects of the Great Recession.

As a result of this Government's interventions, we were able to avoid some of the more severe fiscal policies that had to be pursued by other countries. Some of these austere policies include sizeable wage reductions for public servants in some countries; retrenchment of public workers in other countries, disbanding social programmes, reducing Government pensions; and cutting or eliminating essential services.

When the Fiscal Consolidation Programme was being developed, this Administration determined that it would not pursue a retrenchment programme and that it would safeguard the social programmes provided to the population.

These positions were integral to the Government's engagement with the International Monetary Fund and the Caribbean Development Bank, and this Administration made that clear during its NEST Plan consultations. However, at the time the announcement was made that the Government would enter into a Stand-by Arrangement with the IMF, the Opposition took to the airwaves and held a number of marches in vehement protest of the Government's decision.

They decried the Fiscal Consolidation Programme and proclaimed that engagement with the IMF would mean economic havoc and irremediable social ills for Antigua and Barbuda. At that time, the ALP claimed that if Antigua and Barbuda sought assistance from the IMF, it would lead to severe social and economic hardship from which the country would never recover.

Our critics pointed to Jamaica and Guyana as examples of what would happen in our nation as a result of engagement with the IMF. They declared that there would be a massive layoff of public servants, reduction or elimination of social services such as the national school meals programme, and a devaluation of the currency. Not one of these predictions has proven accurate.

The outcome of Antigua and Barbuda's engagement with the IMF has been an opportunity to access over \$270 million from the Fund and to leverage an additional \$150 million from other sources such as the Caribbean Development Bank, the European Union and the World Bank. Madam Speaker, this Administration successfully completed its engagement with the IMF in June 2013 and, having achieved the goals and objectives set out in the Fiscal Consolidation Programme, Antigua and Barbuda is firmly on the path to fiscal and debt sustainability.

ECONOMIC OUTLOOK 2014

Madam Speaker

Looking forward to 2014, the global economy is still recuperating from the 2008 meltdown, even as some remnants of the crisis continue to threaten sustained growth and stability. Specifically, in both advanced economies and emerging market economies, concerns remain about fundamental challenges such as fiscal vulnerabilities and alarming levels of public debt stock. These challenges require the immediate attention of policy makers in the respective spheres. In addition, the financial system in the Euro area requires more cleansing and synchronization.

In our projections for 2013 we anticipated continued, albeit slow recovery for the global economy, with emerging market economies being the main drivers of growth and the areas of stress concentrated in the Euro area and to a lesser extent the United States. While vestiges of the 2008 meltdown are still evident today in the major advanced economies and can potentially trigger new crises, on the positive side these economies are now showing more promising signs of recovery and gradual strengthening. In fact, in 2014 the drivers of growth are expected to be the major advanced economies which are expected to grow at around 2 per cent, compared to 1.25 per cent in 2013. Though emerging market and developing economies continue to grow and still account for a major portion of world economic growth, there is reason to believe that the area of stress is now shifting to these economies as growth rates continue to decline.

The October 2013 edition of the IMF's *World Economic Outlook* anticipates the global economy will grow by 3.6 per cent in 2014. This represents a very modest increase of 0.7 percentage points over the 2.9 percent growth in world output experienced in 2013.

There is some concern that the global economy could be entering a period of relatively flat growth, as improvements in advanced economies are counterbalanced by declining growth rates in emerging market and developing economies.

Growth in the major advanced economies has been relatively flat for the last three years at 1.7 per cent, 1.5 per cent and 1.2 per cent for 2011, 2012 and 2013 respectively. For 2014 economic output in these countries is expected to experience a slight uptick, with projections for 2014 at 2.0 per cent. The US is estimated to grow by 2.6 per cent in 2014, up from 1.6 per cent in 2013. Similarly, Canada, which grew by 1.6 per cent in 2013, is expected to record 2.6 per cent growth in 2014. The UK is also demonstrating encouraging signs of growth, achieving 1.4 per cent in 2013, up from 0.2 per cent in 2012. Projections are for 1.9 percent growth in 2014.

Table 4: GDP Growth Rates for Selected Countries

Country	GDP Growth (%) 2013^e	GDP Growth (%) 2014^e
World Output	2.9	3.6
United States	0.6	2.6
Canada	1.6	2.2
China	7.6	7.3
France	0.2	1.0
Germany	0.5	1.4
India	3.8	5.1
Japan	2.0	1.2
Spain	(1.3)	0.2
United Kingdom	1.4	1.9
ECCU**	1.1	1.9

Source: IMF World Economic Outlook, October 2013
^e - Estimate
** - Data from Eastern Caribbean Central Bank

The US is expected to be at the epicenter of the global recovery in 2014. Private demand in the US has been strong for several consecutive quarters and this trend is expected to continue into 2014 as financial conditions are ideal to boost private demand. Additionally, notwithstanding pending fiscal adjustment there is likely to be increased public sector demand and this should spur further growth. As the economy continues on its growth path, the Federal Reserve will be challenged to respond appropriately – not too aggressively or too timidly – to the inevitable changes in growth and inflation prospects.

In the Euro Area the slippage which began in 2012 continued in 2013, though there are indications that the core economies are on a recovery path. The Euro Area contracted by 0.4 percent in 2013 compared to a 0.6 percent decline in 2012. In 2014 the Euro Area is projected to grow by 1.0 per cent.

Interestingly, both Japan and core economies of the Euro Area continue to show signs of recovery. However, Japan's economy is expected to go through a downturn in 2014 amid structural reforms and fiscal consolidation. In the Euro Area, periphery economies continue to experience weak growth. Though indicators point to recovery in the core economies, internal demand remains depressed as the Euro Area continues to grapple with competitiveness and boosting exports. In addition, the familiar vulnerability and struggle of the Euro Area – repairing a weak financial system – remains present. In both Japan and the Euro Area potential output needs to be boosted to avoid modest and sluggish growth.

Notwithstanding the fact that emerging market and developing economies continue to experience better growth rates than advanced economies, their economic outlook is likely to continue to weaken as the pace of growth continues to slow. In 2013 emerging market and developing economies grew by 4.5 percent as compared with 6.2 percent recorded in 2010. The anticipated rate of growth for 2014 is 5 percent but there are downside risks to this forecast. This weakening can, in some cases, be attributed to the cyclical nature of economic activity as these economies had previously been experiencing elevated levels of growth. However, there are indications that for other emerging economies such as China, lower growth rates are occurring as a result of capacity constraints. While there is no homogeneity across these economies, in a general sense, policy makers will now need to turn their immediate attention to structural reform programs that address their individual domestic vulnerabilities in order to assist their respective economies to adjust to flagging growth rates. Potential trouble spots are likely to include widening fiscal deficits, balance of payments disruptions, inflationary pressures and fiscal consolidation, and a weakened monetary policy framework.

The latest data published by the ECCB indicate that the ECCU is projected to grow by 1.1 per cent in 2013. Relative to the marginal growth rate of 0.2 per cent in 2012, this is a significant improvement for the currency union in 2013. Projections for 2014 show the growth trajectory for the currency union flattening out somewhat at 1.9 per cent. Notwithstanding this subdued growth, it is important to note that all economies in the union are projected to grow in 2014 in contrast to 2013. Anguilla is projected to record the lowest growth rate of 0.8 per cent, but this represents a recovery for the economy, which contracted by 0.9 per cent in 2013. At the other end of the growth spectrum is St. Kitts and Nevis, which is projected to grow by 3.0 per cent in 2014.

Antigua and Barbuda is projected to continue its economic recovery in 2014 as the country records its third successive year of growth at a projected rate of 1.9 percent. Already we are seeing that there is significant potential for greater economic performance as several investment projects are slated to begin in 2014. We are also encouraged by the growth prospects for our main source markets – the United States and United Kingdom.

STRATEGY FOR 2014 – BUILDING THE NEW ECONOMY FOR GROWTH AND PROSPERITY

Madam Speaker

When this Administration began to implement its NEST Plan in 2010, the focus was on stabilising the economy, securing the financial sector, and protecting the most vulnerable. Much of our focus over the past few years has also been on repairing the reputation of Antigua and Barbuda and improving the credibility of our country regionally and internationally. At the onset, we faced many challenges and, like the rest of the world

stood at the brink of an economic abyss that was even more daunting than the Great Depression. Whilst we fought the fallout from the monster that is now termed the Great Recession, our opponents decried all of the policies and programmes we pursued to safeguard the interests of the people of this country. However, Madam Speaker, this Administration was determined that no force, no matter how indomitable it seemed, would deter us from doing what was right and necessary to protect Antigua and Barbuda.

This Administration took the tough decisions and implemented policies and programmes that undoubtedly prevented a total collapse of the Antigua and Barbuda economy. Recall Madam Speaker, that our people did not only have the Great Recession to contend with; we were impacted at the same time by the Clico/BAICO and the Stanford debacles. The combination of these three events resulted in the most severe economic crisis our nation has ever experienced. Thankfully, under the guiding hand of our Prime Minister, this Government introduced the policies and programmes that were necessary to successfully navigate the crisis.

Though the process took longer than originally anticipated, the Government stabilised its fiscal operations, reduced public sector debt, and pursued a number of legislative and institutional reforms that are critical for sustainable development. The NEST Plan also included a number of policies that were intended to stimulate economic activity and strengthen social safety nets. However, the protracted recession in the US and Europe along with the diversion of Government resources to support the resolution of ABI Bank delayed implementation of a stimulus programme and a number of social programmes. By 2012 a number of projects and economic programmes were implemented and efforts to develop new and strengthen existing social programmes were intensified. The result has been increased economic activity over the past two years.

Madam Speaker, we spent the last few years establishing the foundation that will support the new economy for growth and prosperity. In 2014 we will continue to develop and implement policies that relate to the four pillars of the NEST Plan. This means that our strategy in 2014 will emphasise:

1. Fiscal Stability
2. Priorities for the New Economy
3. Social Transformation
4. Financial Sector Stability

Moreover, the Government's priority in this final year of the NEST Plan will be to augment programmes that will bring about strong and sustained economic growth. Madam Speaker, the policies pursued by this Government over the past few years could be likened to a farmer preparing his land: tilling the soil, removing any weeds and rocks that would impede the growth of his crop, introducing fertilizer and irrigation systems, and planting the seeds. The seeds that we planted have begun to develop and Antigua

and Barbuda is set to yield the fruits of this Administration's efforts. In 2014 we will continue to cultivate the land and nurture the crop in preparation for harvest. This will be a harvest of strong economic growth, job creation, improved services for all citizens and residents, and enhanced social programmes for the vulnerable in society.

FISCAL STABILITY

Madam Speaker

In June of 2013 Antigua and Barbuda successfully completed and exited the three year Stand-by Arrangement with the IMF. I would like to thank my cabinet colleagues and other colleagues in the lower and upper house for their unwavering support during this process. More importantly I would like to thank the people of Antigua and Barbuda for their continued support as we navigated through this period of fiscal consolidation.

Madam Speaker, fiscal adjustments are generally difficult but what made our adjustments more challenging is that we embarked on this process during a period when economic activity was weak. As I have stated before, our preference would have been to pursue more gradual fiscal consolidation over a five-year period. However, decades of weak economic fundamentals, coupled with the debilitating effects of the global financial crisis, meant that quick and decisive action to accelerate the pace of the fiscal reform was necessary.

Since embarking on the path to fiscal stability, many have asked: what have we achieved to date from this reform process? How has it benefitted Antigua and Barbuda in terms of economic stability and supporting growth and development? What will be the goal of fiscal policy going forward?

Based on economic theory and on the experience of a number of countries worldwide, we know there are various channels through which a sound fiscal position can improve macroeconomic stability and support long run growth and development. Firstly, sound fiscal policy reduces inflationary pressures and improves the efficiency of the pricing system. Secondly, it reduces the possibility of the government crowding out the private sector by decreasing the amount of funds available to the private sector and increasing the cost of these funds. Further it improves the investment climate by creating certainty as to the projected level of debt, the level of taxation required to service that debt, the stability of the financial sector, and the government's overall approach to managing the economy.

This Administration's fiscal policies are based on an understanding of these principles. We have made every effort to ensure that our economic policies are evidence-based and grounded in economic theory, as opposed to relying on policies based on conjecture. I

am happy to say that after three years of a tight fiscal stance, we have begun to reap the benefits of our comprehensive fiscal reform programme.

Madam Speaker we have normalized relations with our domestic and external creditors and our debt is on a downward trajectory. This has improved our credibility and creditworthiness and reduced the risk premium that local and foreign investors paid for funds to invest in Antigua and Barbuda. We took decisive measures in collaboration with the ECCB and other regional and international partners, to maintain stability in the financial sector, despite several challenges in the banking and insurance industries. Our efforts at comprehensive fiscal reform have resulted in improvements in tax administration, expenditure management and public financial management. Madam Speaker, this administration has achieved a lot during its time in office but the job is far from over. We have taken huge steps in reversing decades of fiscal mismanagement and we will stay the course.

The UPP Administration is of the view that our prudent fiscal policy stance has supported economic recovery and will be critical for strong economic performance going forward. We will therefore continue to pursue fiscal policies that secure a stable macroeconomic environment and engender investor confidence. The broad objectives of our fiscal policies in the medium term will be to:

- (a) achieve fiscal and debt sustainability;
- (b) maintain financial sector stability;
- (c) support growth and development;
- (d) improve the structure and efficiency of social safety nets; and
- (e) build fiscal buffers to mitigate the impact of external shocks.

Through our Fiscal Consolidation Programme we have established a solid fiscal framework that can ensure fiscal and debt sustainability. Our focus in 2014 and over the medium term will be to reinforce that fiscal framework by improving institutional and legislative arrangements and continuing to implement a comprehensive Public Financial Management reform programme.

Enhancing Public Financial Management (PFM)

An important aspect of the Government's efforts to improve macroeconomic management in Antigua and Barbuda is a comprehensive Public Financial Management (PFM) Reform programme. The PFM Reform Action Plan was developed in 2010 following a Public Expenditure and Financial Accountability (PEFA) assessment in May 2010. Implementation of this Action Plan has been financed with \$10.9 million from the

EU and is supported by the IMF Fiscal Affairs Department. The objectives of the PFM Reform programme include:

- (a) Ensuring transparency and accountability in the use of public funds;
- (b) Increasing oversight and management of government expenditure;
- (c) Modernizing and streamlining institutional arrangements and procedures for public financial and operational management;
- (d) Enhancing predictability and control in budget execution;
- (e) Ensuring efficient and cost effective delivery of Government services.

In an effort to attain these objectives, the Government has benefitted from significant technical assistance to a wide range of Government agencies including the Inland Revenue Department, the Customs and Excise Division, Treasury Department, Budget Office, and Audit Department. There has been some significant progress in respect of the PFM system in Antigua and Barbuda since 2010. A number of the successes include:

- (a) Development and implementation of a budget calendar that specifies the procedures and timelines associated with the budget preparation process.
- (b) Improving the Budget Circular by providing more detailed guidelines to line ministries and statutory corporations on budget preparation, including improved templates for baseline budgeting and preparing business plans.
- (c) Significant training and technical support to selected line ministries to enhance their capacity to prepare and execute performance-based budgets.
- (d) Implementation of automated procedures for bank reconciliation and assistance from a local consultant funded by the World Bank has resulted in clearing most of the bank reconciliation backlogs at the Treasury.
- (e) Tabling audited financial statements for 2006 and 2007 at Parliament and submission of financial statements for 2008, 2010, 2011 and 2012 to the Audit Department by Treasury.
- (f) Strengthening the Internal Audit function in the Treasury by increasing human resource capacity and developing an Internal Audit Mid-Term Development Plan and an Internal Audit Charter.
- (g) Training the staff of the Audit Department in risk-based auditing among other skills, and development and approval of a Strategic Plan for the Audit Department for the period 2013 to 2017.
- (h) Reorganising the Inland Revenue Department along functional lines to ensure more efficient tax administration. A number of the units created or strengthened include: the Audit Department, Arrears Collection and Enforcement Unit, Data

- Capture and Information Technology Unit, and a Taxpayer Services Unit, which has responsibility for taxpayer registration, education and outreach.
- (i) Simplification of Vehicle import procedure and introduction of a Rapid Clearance of Imports Policy.
 - (j) Implementation of a new Container Checking Policy, including risk-based selective container checking.
 - (k) Acceptance of credit and debit card payments at Inland Revenue and Customs.

Another development under the PFM Reform project involves strengthening institutional arrangements for macro-fiscal planning and policy development; oversight and management of statutory corporations; and enhancing Government's procurement system. The Macro-Fiscal Policy Unit centralizes the functions of macro-fiscal management and is tasked with preparing and implementing fiscal policy that accurately reflects the Government's social and economic objectives. This Unit has responsibility for the medium term fiscal framework, which informs the decision making process and establishes the context within which the budget is developed and executed. The MFPU will also be the Government's counterpart to the IMF, CDB, ECCB and other international and regional agencies that may support Antigua and Barbuda's fiscal and economic planning processes. A number of training workshops have been delivered on revenue forecasting and preparing medium term fiscal projections. Over the next few months additional training and capacity building initiatives will be undertaken to equip the staff of the MFPU with the appropriate knowledge and expertise to carry out their mandate.

The Government has created a State-owned Enterprises (SOE) Oversight Unit that serves as a direct and formal link between the Government and statutory corporations (SOEs) to ensure consistent dialogue and collaboration. The mandate of the SOE Oversight Unit is established through the Finance Administration Act and it is anticipated that the operations of this Unit will help to improve SOE governance, efficiency and financial performance. Another critical mandate of the Unit is to monitor the operations of SOEs and assess and report on any potential fiscal risks. The SOE Oversight Unit will review the annual business plans, annual audited financial statements, and quarterly management reports of statutory corporations in order to assess the financial operations of these entities. The Unit will prepare performance reports detailing the compliance of statutory corporations within the approved oversight and risk management framework. These reports will ultimately be submitted to Cabinet along with recommendations for addressing any potential fiscal risks associated with statutory corporations.

The technical assistance provided under the PFM reform project over the past two years has been comprehensive and the interventions have yielded improvements in public

financial management. In light of this progress, the Government is negotiating with the EU for additional funding to continue to modernise public financial management in Antigua and Barbuda. As part of the process of finalising a successor financing arrangement with the EU, Antigua and Barbuda will participate in another Public Expenditure and Financial Accountability (PEFA) assessment in February 2014. This exercise will assess the progress made in public financial management since the 2010 assessment, and generate an updated PFM Reform Action Plan. In order to facilitate the PEFA assessment and to ensure effective implementation of the updated PFM Reform Action Plan, the Government has created a PFM Coordination Unit in the Ministry of Finance. This Unit will coordinate implementation of Government's public financial management agenda, and monitor and report on the execution of recommendations coming out of the assessment. The PFM Coordination Unit will also serve as the Government's focal point for interaction with regional and international agencies that provide technical assistance and financial support for PFM reform activities.

According to the World Bank, "public financial management entails the development of laws, organizations and systems to enable sustainable, efficient, effective and transparent management of public finance". Essentially, PFM underpins the Government's operations and involves revenue generation, allocation of resources for public expenditure, monitoring the use of these resources, and reporting on the use of public resources. Given the significant role played by the Government in the economy, it is critical that its processes and operational procedures are effective and efficient. This Government is therefore committed to creating and maintaining good public financial management systems that will optimize scarce public resources to achieve our national development objectives.

Strengthening Government Procurement

Improving the Government procurement system is another critical area of focus in the PFM reform action plan. The Government enacted a new Procurement Administration Act in 2011 that has the objective of modernizing and enhancing the procedures and institutional arrangements for procurement by Central Government and statutory corporations. While the Act was passed in 2011, implementation has been delayed due to technical and financial constraints. Under the PFM Reform project, the Government received technical assistance to develop a roadmap for implementing the Procurement Administration Act.

The first steps in this process involve the creation of a new Procurement Unit to be headed by a Chief Procurement Officer, and the appointment of a Procurement Board. They will manage, oversee, regulate and report on Government procurement in accordance with the provisions of the new law. Based on the provisions of the Procurement Act, Ministries and Departments will have greater autonomy in procuring

goods and services. However, this will demand greater responsibility and accountability on the part of the Ministries and Departments, particularly in respect of compliance with stipulated procurement rules and procedures.

The new procurement legislation emphasizes transparency, accountability and adherence to the highest ethical standards associated with international best practice in procurement. It provides strict penalties, including possible imprisonment, for any individual or corporate entity that engages in corrupt practices. Further, there are specific requirements for the publication of information regarding the awarding of contracts and the release of information to the public in respect of Government procurement practices. In particular, the Procurement Board is required to undertake an annual assessment of procurement and contract administration practices and to make recommendations, where necessary, to strengthen systems for Government procurement and contract administration. The Board's report is to be completed by March 31 of each year and is to be presented to the responsible Minister who is required by law to table the report in Parliament.

This effort to improve the system for procurement and contract administration is part of the Government's ongoing "*War on Waste*" in the public sector. The rules and procedures that form part of this enhanced procurement system will help to increase Ministries' operational efficiency while at the same time establishing higher performance standards. The "*War on Waste*" has been an important element of the Government's efforts to improve fiscal management in Antigua and Barbuda. Over the past few years the Government has pursued policies and implemented measures to reduce expenditure in areas prone to inefficiency. Two areas consistently raised during public consultations were spending on vehicles and utilities. In response to this, a Vehicle Use and Management Policy is being implemented. This policy has focused on reducing the fleet of Government vehicles and establishing rules and procedures for the use and management of these public assets. The process of reducing the fleet of Government vehicles involved the sale of vehicles to public servants and to the public at large. The Policy is implemented by a Vehicle Policy Advisory Committee (VPAC) and has established:

- (a) Monitoring and reporting requirements for the use of Government vehicles;
- (b) Procedures for securing vehicles and for reporting accidents;
- (c) Guidelines for procuring and disposing of Government vehicles;
- (d) Driver Education and Training requirements; and
- (e) Penalties for failing to comply with the provisions of the policy.

With respect to the Utilities Policy, the Government introduced a cap on utilities provided to civil servants, public officials, and senior citizens to reduce the financial impact on the Antigua Public Utilities Authority (APUA). Before implementing these caps, the estimated annual cost of providing utilities services to these categories of persons was

more than \$5 million. As a result of the new Utilities Policy the cost to APUA and, ultimately, the Government, is estimated to have been reduced by about 40 percent or \$2 million per year.

Another area where there has been a reduction in expenditure is overtime. In 2009 nearly \$20 million was budgeted for overtime. Since then, significant effort has been made to improve management of staff and allocation of resources within Ministries and Departments to ensure that they carry out their functions in a more cost effective manner. Expenditure on overtime is 80 percent less than the amount allocated in budget 2009. Further, overtime spending amounted to \$4.5 million in 2012 and is projected to amount to \$3.5 million in 2013.

Madam Speaker, this Government has demonstrated a commitment to reducing spending by improving expenditure management systems and introducing policies and measures that target areas of abuse and wastage. An indication of our success is the reduction in non-debt or primary expenditure compared to 2009, with the implementation of the Fiscal Consolidation Programme. Total primary expenditure at the end of 2013 will be more than 30 percent below the expenditure outturn for 2009. This outcome is due to deliberate efforts by this Government to better manage its resources. Implementing the Procurement Administration Act is yet another weapon to be used in the “*War on Waste*” to ensure public resources are optimally allocated for the delivery of services to the people of Antigua and Barbuda.

TRANSFORMING THE PUBLIC SECTOR TO SUPPORT THE NEW ECONOMY

Madam Speaker

Our bold and broad public sector transformation strategy remains on track as 2014 unfolds. With continued support from our development partners, the World Bank, Caribbean Development Bank and others, relevant and timely reforms will be introduced; some incremental, others radical, to fuel a new economy for growth and prosperity. Of paramount importance is equipping public officers with the skills and knowledge indispensable to delivering the services to sustain growth and prosperity. A specific capacity building programme will be designed for public service management entities to enhance their ability to execute their functions. These functions will include policy development, oversight, coordination, and information management roles. Based on the recommendations from functional reviews of all ministries, including the Cabinet Secretariat, new structures, reengineered business processes, and information technology will be used to boost organisational capacity across Government.

Strengthening strategic management of government policies

A review of the functions of the Cabinet Secretariat and the administration of Cabinet meetings was conducted during 2013. The review helped raise senior government officials' awareness of the possibilities to improve the quality of policy-making by instituting a predictable and regulated system of policy coordination. Among the reforms to be achieved during 2014 are:

- (a) Strengthening technical capacity in the Cabinet Secretariat so it is better able to coordinate policy submissions, and to monitor policy implementation. The Cabinet recently approved two positions, *Assistant to the Cabinet Secretary* and a *Public Policy Officer* to allow it to carry out these new duties.
- (b) Setting up sector policy units in line ministries to support the Permanent Secretary and the Minister in developing policy options and assessing policy impacts;
- (c) Providing training in public policy development, monitoring and analysis. This will be accomplished with training and development methods such as attachments, formal classroom and on-the-job training;
- (d) Developing a set of rules and tools for defining types of policy and planning documents; the process of their preparation for government approval, including inter-ministerial coordination; the process of impact assessment to ensure that the newly identified activities and priorities are realistic, affordable and coordinated with the already approved policies; and incorporating these new rules into a Cabinet Handbook;
- (e) Imposing the requirement for ministries to consult other ministries on their proposals before submitting them to Cabinet, especially the Ministry of Finance and the Ministry of Legal Affairs;
- (f) Maintaining and regularly updating a schedule of major decisions taken by the Cabinet, periodically surveying ministries to check on implementation, and reporting on progress to the Prime Minister.

Modernising civil service management

A comprehensive review of civil service management was conducted during 2013. Recommendations were offered for improving the organisational structure, staffing and business processes in the Establishment Department and the Training Division. Once implemented, these reforms will introduce and institutionalise modernised human resource management practices. Among the specific reforms to be implemented in 2014 are:

- (a) Restructuring the Establishment Department into a configuration that offers people management services for a modernised public service;
- (b) Training practitioners in human resource management so they will understand the new dispensation and assist in bringing about changes in public service management.
- (c) Designing an human resource management curriculum to be delivered by a local institution. Senior public officers, heads of department and other relevant officers will be taught the people management skills and knowledge suited for the Antigua and Barbuda context, while respecting international and regional HRM imperatives and standards;
- (d) Updating and enacting a Public Service Bill that provides for, *inter alia*.
 - i. the main institutions (bodies) that will have authority and oversight for human resource management and development, along with their, responsibilities, accountabilities and reporting requirements;
 - ii. the degree of centralised versus decentralised human resource management and allocating development functions among the main institutions, permanent secretaries, heads of departments and agencies;
 - iii. A mechanism for performance review and evaluation;
 - iv. Terms and conditions of employment and service;
 - v. A mechanism for ensuring fairness and equity of pay.

Madam Speaker

You will deduce from our public sector transformation agenda that there is a heavy focus on training for public servants. The new economy and a modernised way of delivering public services necessitate retooling the people who will be required to take on this charge. In light of this imperative we will be developing and implementing an action plan to transform the Training Division based on the recommendations from a functional review of the Division that was conducted in 2013. By transforming this critical Government agency, we will be shifting toward a more strategic approach to learning and development in the public sector, to ensure we deliver the right training, at the right time to the right people. The proposed functions are significantly wider than those currently undertaken by the Training Division and would thus require a policy directive. The intent is to transform the Division into a strategic learning and development establishment in order that it can:

- (a) support our public sector reform agenda;
- (b) support a strategic human resources function, particularly in the areas of work-force planning, performance management and succession planning;

- (c) advise on and support the training needs of line ministries;
- (d) source alternative funding/training opportunities to supplement the training budget;
- (e) manage costs more effectively, ensuring that procurement processes deliver the best quality at the best price;

We intend to set up a Learning and Development Committee enshrined in a new Public Service Act. This will be a mechanism to ensure that training is relevant, integrated, strategic and well-coordinated among the various ministries and departments. Its membership will be made representative of the public sector, private sector, academic entities and our social partners.

Madam Speaker

To date, we have had functional reviews of two ministries, the Cabinet Secretariat and two key departments in the Ministry of Finance – Establishment Department and the Training Division. We will continue in 2014 with the review of the Budget Office, the Treasury Department, and the Development Planning Unit - three Government agencies that are very important players in public financial management. Though we have been implementing a public financial management programme, it focuses primarily on legislation, rules, procedures and systems. The functional reviews will facilitate the design of appropriate organisational structures, staffing and strategies to ensure the public financial management reforms are effective and can be sustained. All ministries and departments will thus be subjected to a functional review in 2014 with support from our development partners, including the Caribbean Development Bank.

Developing statistics for the economy

Madam Speaker

In 2013 the Government enacted the Statistics Act that establishes the National Bureau of Statistics. The Bureau will have the following functions:

- (a) collect, compile, analyse and publish official statistics;
- (b) carry out such censuses and surveys as may be necessary from time to time;
- (c) formulate and ensure compliance with regional and national standards for statistical purposes;
- (d) collaborate with any person who furnishes or is required to furnish any information under this Act;

- (e) promote, develop and maintain an integrated statistical system in Antigua and Barbuda; and
- (f) liaise with other countries and regional and international organizations in relation to statistical matters.

Though these functions are not too different from those provided for in the General Statistics Act 1975, the new legislation creates an independent and semi-autonomous agency by removing the production of official statistics from the operations of the Central Government. The powers of the Bureau will be vested in a Board that will oversee its operations and management.

We are determined to create and sustain the foundation and the environment for evidenced-based decision-making and policy formulation, for informed debates and discussions and for tracking and analysing our development progress. In light of this, we encourage and invite our young professionals and students to receive this information as an opportunity to direct their education and learning to disciplines that can contribute to the production and use of official statistics. We would expect that they will begin to carve the specialist skills and knowledge central to the conduct of professional statistical work in government. We intend to entice our young and new minds to pursue training and receive qualifications in areas such as demography, cartography, econometrics, labour statistics, social statistics, economics, national accounting, information management, statistical computing, survey design and management among others. We will ensure that these disciplines form part of the Government's list of priorities for funding to ensure that those who are inclined toward statistics as a profession can access the requisite financing.

In 2014 the transitional arrangements for the existing staff, assets, and operations of the Statistics Division to the National Statistics Bureau will be put into effect with support from our development partners. Changing the national statistical office to an autonomous statistical agency is a solution that can enhance the credibility and impartiality of official statistics. The investment will pay for itself many times over, since good statistics will enable proper planning, implementing and monitoring of policies and development activities.

PRIORITIES FOR THE NEW ECONOMY

Madam Speaker

Madam Speaker, I have stated in the past that a stable and predictable fiscal environment is a necessary condition for sustainable economic growth. Sound fiscal management is a critical factor for securing investor confidence and encouraging private sector activity.

However, though fiscal stability is necessary for sustainable growth, it is not sufficient on its own to bring about lasting growth in economic output. This Administration is cognisant of this fact and has, since assuming office in 2004, taken steps to develop policies and establish institutions that promote investment and encourage private sector development. Our efforts to create a business-friendly environment continued over the past year through Antigua and Barbuda's involvement in the Caribbean Growth Forum (CGF). The CGF is a collaborative effort involving the CDB, World Bank, IDB, DFID, CIDA, CARICOM, and the University of the West Indies (UWI). This initiative brings together national stakeholders to identify practical and implementable solutions to the growth challenge. Antigua and Barbuda launched its CGF national chapter in November 2012, which brought together public sector, civil society, private sector and youth representatives to consider the country's growth challenges. Three working groups comprising the participants at this event were created to discuss and make recommendations on the following issues:

- (a) investment climate
- (b) logistics and connectivity
- (c) skills and productivity

The working groups developed a number of policy prescriptions relating to these three thematic areas. These policy recommendations include:

- (a) ensuring consistent and affordable access to technology
- (b) improving air and sea connectivity
- (c) creating a one-stop-shop for investment
- (d) improving the process of starting a business
- (e) building sustainable agriculture and agro-processing industry
- (f) elaborating a human resources development plan
- (g) improving the flexibility, responsiveness and capacity of the education system to satisfy labour/skills demand

The next step is to develop action plans containing specific activities and milestones and the resources required to achieve these milestones. Over the next few months the Government will work with the civil society, private sector and youth representatives along with other stakeholders to finalise the action plans and begin implementing the recommendations of the working groups. Particular emphasis will be placed on those recommendations that will result in quick wins for the business community. These include improving access to affordable technology, creating the one-stop shop for investment and simplifying the process of starting a business.

We have already started to address the access to technology recommendation through a number of initiatives, which include import duty and ABST exemptions for personal computers and laptops along with certain equipment for use with personal computers and laptops. The Government Assisted Technology Endeavour (GATE) as well as the Connect Antigua Biz also have the objective of improving competitiveness, creating opportunities for growth and job creation, and providing access to consistent and affordable technology.

In terms of the one-stop-shop and simplifying the process of starting a business, the Antigua Barbuda Investment Authority (ABIA) has already begun to identify possible sources of support to give effect to these recommendations. The ABIA has begun to work with the World Bank's International Finance Corporation (IFC) to automate the business registration process through a Business Entry Reform Project. This project is intended to reduce the time, number of procedures, and costs associated with starting a business in Antigua and Barbuda. It will improve institutional and administrative arrangements for registering businesses at the Intellectual Property Office and will create critical linkages between the business registration and employer registration processes. In addition to these interventions, the Government is pursuing a trade facilitation project that will involve comprehensive reform of operations at the Port and Customs and Excise Division. The anticipated outcome of this project is a reduction in the time taken to import and export goods; simplification of trade procedures and documentation; and improvement of the trade clearance process.

These projects, along with the activities to be undertaken under the aegis of the CGF, will help to improve the business environment in Antigua and Barbuda. The overall objective is to ensure that investors find it easier to conduct business in our jurisdiction and to create an environment where competition and private enterprise can thrive. In Budget 2011 I indicated that this Administration would pursue a series of programmes to improve Antigua and Barbuda's performance in the World Bank's Ease of Doing Business Report. The stated goal was to improve our doing business ranking to within the top 20 jurisdictions in a five year period. When this announcement was made, Antigua and Barbuda's ranking was 64 out of 183 countries in the world and second in the Caribbean region. For 2013 we have again retained our ranking of second in the Caribbean and are ranked 63 out of 185 countries.

While the Government is pleased that Antigua and Barbuda has retained its ranking in the region and has improved in the global ranking, we recognise that that progress towards the goal of attaining a ranking within the top 20 has been slower than desired. Over the next 12 months we will redouble our efforts to bring about significant improvement in the areas requiring reform. Along with the Business Entry Reform and the trade facilitation projects, the Government will undertake a number of interventions to address the "paying taxes" component of the ease of doing business survey. It is expected that these interventions will be informed by the recommendations of the Tax Policy Review Task

Force, which was established in 2012 to assess the tax structure and rates in Antigua and Barbuda and to determine their impact on economic growth and competitiveness. The Task Force was constituted to consider how tax policy may be improved to create a more business-friendly environment that can encourage investment and improve the viability of existing businesses.

Finally, the first draft of a Medium Term Strategic Development Plan (MTSDP) has been completed. This Plan will succeed the NEST Plan and will highlight the strategic development priorities for Antigua and Barbuda over the next three to five years. The Caribbean Development Bank has approved a grant for the Government to contract the services of a consultant to complete the MTSDP. The process of recruiting the consultant has begun and it is expected that the Plan will be finalised in the first half of 2014. The MTSDP will serve as the roadmap for development in Antigua and Barbuda for the period 2015 to 2019 and will be the basis upon which the Government will seek financial and other support from its bilateral, regional and international partners.

As projects and programmes that will transform the business environment and help define the new economy are being implemented, we will broaden our scope of activity in the following priority areas:

- Small Business Development
- Agriculture
- Tourism
- Investment for Growth and Development

Small Business Development

Creating an enabling environment that facilitates the development and supports the long-term viability of small businesses is about more than tax concessions and incentives. The development of locally-owned and successful small businesses requires legislative and institutional arrangements that encourage and nurture entrepreneurship. This Administration understood these issues and therefore enacted the Small Business Development Act, which provides support, including incentives and concessions to local entrepreneurs. The Government also created an Enterprise Development Department (EDD) in the ABIA that is dedicated to providing technical support and guidance to existing and potential small business owners. Interventions undertaken by the Government help to bolster small businesses, foster entrepreneurship and innovation, and serve as a medium for effective collaboration among stakeholders. This stakeholder collaboration is critical to boosting competitiveness of small businesses and ensuring these businesses can contribute to growth in the economy.

In order to ensure small businesses are able to effectively contribute to economic growth and job creation, the EDD has adopted a holistic approach to creating an enabling environment for these enterprises. With the enactment of the Small Business Development Act, inadequacies in the policy and procedures for assisting small businesses have been largely addressed. Through this legislation small, local businesses have access to the same types of concessions and incentives that are available to foreign direct investment. An added benefit for small local businesses is financing at favourable terms under the Small Business Credit Guarantee Scheme, and technical assistance through various Government programmes.

The sectors eligible for concessions and incentives include traditional and new or emerging sectors such as ICT, Arts and Cultural activities, Entertainment, Personal Care, Education and Human Resource Development and even Consultancy Services. Since its enactment in 2007, nearly 70 businesses have been approved and registered under the Small Business Development Act. These businesses fall within more than twenty subsectors and have received total concessions valued at about \$2 million.

Business facilitation includes a knowledge component that helps businesses to incorporate new techniques and technologies into their day-to-day operations. This knowledge component must assist small business owners in adopting new practices and technologies to increase productivity and efficiency in their operations. “The Mind Your Business” (MYB) small business development series is the avenue through which this type of knowledge component is provided, at a subsidized cost. The MYB series offers 20 courses, and two new courses will be introduced in 2014. The new courses, Microsoft Project and Business Networking, reflect the changing business landscape and the sensitivity of ABIA to what is needed for local businesses to evolve and become competitive. Since its inception in 2010, nearly 600 enterprises ranging from one-man operations to larger companies have benefitted from the MYB programme.

The ABIA actively pursues partnerships with the private sector and other stakeholders in supporting small businesses. Partnerships have been developed with Scotiabank, a number of Credit Unions, the Ministry of Education, the GARDC, the Bureau of Standards and other public and private sector organizations.

Over the past few years the ABIA has partnered with the Caribbean Export Development Agency (CEDA) to assist local entrepreneurs with funding proposals. More than sixty percent of Antigua and Barbudan applicants have been successful in receiving grants. Before this collaboration, Antigua and Barbudan businesses did not access the grant funding available through CEDA’s Direct Access Grant Scheme (DAGS). Since 2010 six Antigua businesses have received about \$400,000.00 in grant funding through the DAGS. The DAGS provides small businesses an opportunity to access to funding for projects that can increase their export potential, enhance competitiveness, promote increases in productivity, and encourage programmes that will benefit disadvantaged sectors or vulnerable groups. In 2014 new lines of credit will be introduced to provide

further assistance to businesses in the region. The EDD will increase its capacity to provide support to local businesses to ensure Antiguan and Barbudan enterprises take full advantage of these and other funding sources.

The MYB contains a youth development component that is intended to awake and inculcate the entrepreneurial spirit among the students and young people. In conjunction with the Ministry of Education the ABIA designed a programme called "*The Real Hustle*" which brought alive the CXC Business syllabus. This programme engaged the participants on issues of innovation, use of technology, and how their natural talents and attributes can be parlayed into lifelong careers. The Youth Camp was funded by MYB business participants and afforded local businesses an opportunity to showcase various careers. Secondary students from third to fifth form benefitted from a six-day immersion in the business world. The Real Hustle will be expanded in 2014 to allow for continued activities throughout the year.

Madam Speaker, the MYB has been very effective at providing practical support and useful interventions to improve the operations of small businesses. A testament to the success of the MYP programme is the fact that the ABIA has granted a licence for the use of the MYB by another country in the region. The ABIA is currently developing an initiative for franchising the MYB as a regional small business development programme.

The ABIA has collaborated with regional and local experts and consultants to create additional opportunities for small business development through a *Business Factory* and *Outsource-Antigua*. The *Business Factory* was created to provide participating businesses with operating and manufacturing facilities, specialised equipment, and business support services that will help these businesses to take advantage of regional and international export opportunities. Business support services as well as a network of expert incubation and coaching professionals will be made available to the enterprises. The types of businesses that will form part of the Business Factory include software development and other ICT related fields, sales and marketing, high-end clothing and fabric design, visual arts, jewellery design, and agro-processing. Thirty businesses will benefit from this programme, ultimately providing employment for at least 100 persons. The Government will provide up to \$500,000 to the ABIA over the course of 2014 to facilitate implementation of this programme.

In terms of *Outsource-Antigua*, the ABIA has engaged a consultant to complete the preparatory work to make outsourcing a reality in Antigua and Barbuda. Through outsourcing, a company contracts out certain business processes to third parties in an effort to leverage benefits ranging from low cost labour to improvement in the quality of its products and services. The well educated, highly skilled workforce; language; proximity to North American markets; and access to advanced ICT services make Antigua and Barbuda an excellent jurisdiction for outsourcing businesses. An information campaign has been ongoing to inform local businesses and other potential stakeholders of the investment opportunities associated with *Outsource-Antigua*. Also, a

database of candidates who could access employment in businesses participating in outsourcing has been compiled.

A workshop will be held this month to further prepare locals to participate in this new industry. It is expected that a number of outsourcing businesses will start up in 2014 providing employment for up to 300 citizens and residents. Preliminary estimates indicate that once Outsource-Antigua is fully rolled out, up to 1200 jobs will be created in areas such as call centre services, data entry services, engineering services, mobile app development, web analytics services, healthcare services, photo editing services, and software development. Initially, Outsource-Antigua will target unemployed youth and provide business opportunities for micro and small businesses.

Madam Speaker, access to credit is still a major challenge. It can prevent individuals from starting a business and impact the ability of small business owners to remain viable, finance the expansion of their operations, or enhance their productivity. Recognising the importance of funding to the continued viability of small businesses, the Government included a Credit Guarantee Scheme (CGS) as a component of the Small Business Development Act. The CGS, which is being administered by the Antigua Barbuda Development Bank (ABDB), offers a credit guarantee of up to 80 percent of the amount being borrowed by a small business. It should be noted that the funding provided through the CGS is not a hand-out. Small businesses that access this programme will have been granted a loan, having met the prudential requirements established by the lending institution. Over the past year the ABDB has provided credit guarantees amounting to \$1 million for small businesses that have been registered with and approved by the ABIA. The types of businesses that have benefitted from the credit guarantee scheme include retail trade, manufacturing, tourism services and accommodation, agro-processing, and medical services.

Currently, the maximum loan for which a credit guarantee can be granted is \$50,000.00. In 2014 the ceiling will be increased to \$100,000.00. While all businesses will have an opportunity to access the CGS, special consideration will be given to a number of priority areas. These include tourism, agriculture, fishing, agro-processing, community tourism services, and IT/social media. I wish to commend the ABDB for the work done in administering this programme and to thank the other participating banks, Antigua Commercial Bank, Caribbean Union Bank and Eastern Caribbean Amalgamated Bank, for their involvement in this programme. These institutions have certainly stepped up to the plate to contribute to the development of the small business sector.

Support for manufacturing is another critical element of the Government's strategy to encourage the development of local businesses. Manufacturing businesses in Antigua and Barbuda have access to the incentives and concessions provided through legislation such as the Investment Code enshrined in the Investment Authority Act and the Small Business Development Act. These include exemption or reduction of duties on the importation or purchase of raw materials, building materials, furniture, furnishings,

fixtures, fittings, appliances, tools, spare parts, vehicles, machinery and equipment for use in the construction and/or operation of the manufacturing business. In addition, the Small Business Development Act affords manufacturers the benefit of exemption or reduction of property tax, income tax, and stamp duties. Over the past few years, these concessions have been supplemented by a Manufacturers' Incentives Programme, which was developed to provide further relief to the manufacturing sector during the economic crisis.

The Department of Trade, Industry and Commerce (DTIC) is responsible for implementing and monitoring the Manufacturers' Incentives Programme. This programme provides exemption from the Revenue Recovery Charge (RRC) and deferral of payment of the ABST on raw materials. The ABST relief provided to manufacturers is enshrined in the Antigua and Barbuda Sales tax (Manufacturers Exemption) Regulation. By waiving the duties and the RRC applicable to the inputs and raw materials of manufacturers, the Government has helped to reduce the operating costs of these businesses. Further, the deferral of payment of the ABST has helped to improve the cash flow of these businesses. Any manufacturing business that wishes to take advantage of this programme must apply to the Department which, upon verifying the business is a bona fide manufacturer, will approve and register the business as a participant in the programme. A manufacturing business participating in this programme is expected to file ABST and PAYE returns and pay any taxes due to the Inland Revenue Department on a monthly basis as required by law. Failure to do so will result in that business being barred from the programme.

To date the DTIC has received over 40 applications to the programme and more than 30 have been approved. Between January and November 2013 total waivers of duty and RRC granted under this programme amounted to about \$3.4 million. A further \$2.6 million in ABST payments was deferred over the same period. Since the introduction of this programme a number of new small manufacturing businesses have been established and these have benefited from the incentives offered.

In 2014 the programme will be reviewed to determine how best to improve the application and approval processes and to enhance efficiency in granting the incentives to participants. Further, the DTIC will enhance its capacity to provide technical assistance to manufacturing businesses by partnering with regional organisations to develop targeted industrial development programmes. The Manufacturers Incentives Programme has clearly provided significant benefits to the participants and has helped to secure the continued operation of manufacturing businesses and thereby preserve the jobs of hundreds of Antiguan and Barbudans.

Tourism

Madam Speaker

Tourism continues to be the main driver in our economy, contributing directly and indirectly to about 80 percent of domestic output and providing direct and indirect employment to about 70 percent of the workforce. Undoubtedly, the development of tourism in Antigua and Barbuda has been pivotal in improving living standards in the country over the past three decades. As a small, open, service-oriented economy, we will need to continue to earn high levels of foreign exchange in order to further improve our standard of living. Since tourism generates 85 percent of our foreign exchange, our interventions in this industry will determine our success at building a new economy for growth and prosperity. There is increasing competition for market share regionally and globally, as well as evolving tourist tastes and interests. Antigua and Barbuda will therefore need to mature in order to overcome challenges and capitalise on opportunities arising in the industry. This is critical to ensure our country remains competitive and a leader in the export of tourism services.

A viable tourism sector requires strong public/private sector partnership, inclusion and support of the national community and the strategic application of modern communication and technology platforms to ensure efficiency and cost effectiveness. The Government will therefore enhance efforts to implement the National Sustainable Tourism Development Plan which sets the strategic direction for the comprehensive overhaul of tourism in Antigua and Barbuda. The policies and programmes pursued by the Government in 2014 will boost Antigua and Barbuda's competitiveness and increase market share. Improving the tourism product would be one of the most critical interventions needed to bring about the desired transformation of the industry. Augmenting Antigua and Barbuda's appeal will be crucial if we are to increase our market share and promote growth and increased employment in tourism. As such, our priority in 2014 will be to create new and refreshed tourism product offerings, services and events. This will involve new investment in infrastructure, public attractions and services, and accommodation.

In terms of accommodations, the focus will be two-fold: attracting new investors to develop four and five star properties, and supporting the rehabilitation and upgrading of existing properties. The work of the Antigua and Barbuda Investment Authority along with the Citizenship by Investment Unit will contribute to our efforts to secure the new investments that will lead to development of world class properties that meet the demands of all visitors. An important tool in respect of this drive to increase the quality of our accommodations is the Tourism and Business (Special Incentives) Act 2013. This sunset legislation provides added incentives for investments in tourism and other sectors of the economy over a specific period.

The intention is to encourage investors and developers to construct new properties or make major upgrades to existing properties in Antigua and Barbuda over the next two years so that the quality and quantity of our room stock can be enhanced. There are already two major tourism projects that will benefit from the provisions of this legislation – the Beaches and Azure Bay projects. For those owners and operators of existing hotels that are not eligible for the incentives under the Act, concessions are available through the Memorandum of Understanding executed between the Government and the Antigua Hotels and Tourist Association in 2008. This MOU provides concessions for capital items, and operating and security equipment to be used by hotels, and offers incentives for refurbishing and upgrading existing properties. The overall objective is to increase the room stock and help reduce operating costs, thereby improving the competitiveness and viability of hotels in Antigua and Barbuda.

The tourism products and services offered are just as important to enhancing Antigua and Barbuda's appeal as a premier tourist destination as the quality of accommodations. In 2014 the Government will enhance a number of existing programmes and develop new initiatives to improve our tourism product. Among the specific interventions to be pursued over the course of the year are the Service Excellence Initiative, Community Tourism Entrepreneurship Programme, encouraging the development of heritage sites, and undertaking repairs and upgrades to various areas in the city.

The Service Excellence Initiative

This involves a series of programmes that focus on improving the quality of service provided by all tourism stakeholders from the moment the visitor arrives in Antigua and Barbuda to the time of his departure. These programmes include the National Tourism Awards Programme, a National Tourism Quality Service Improvement Programme, an Engaging Tourism Awareness Programme, and a National Tourism Certification Programme. The overall objective of the Service Excellence Initiative is to engender a culture of excellence in the delivery of service across all aspects of the tourism experience in Antigua and Barbuda. This will involve setting and maintaining a minimum standard of service in the industry and providing ongoing behavioural, customer service and other skills training to all participants in the industry. The Government will persist with its interventions in this area until our nation consistently delivers tourism and hospitality services that are internationally renowned.

Community Tourism Entrepreneurship Programme

This is an important intervention to promote the engagement and participation of citizens and residents in tourism development. The Community Tourism Entrepreneurship Programme is intended to provide opportunities for community groups and other non-government organisations to develop and implement sustainable community tourism projects. Also, a community tourism ambassador certification programme will be

developed by the Government in conjunction with the community groups and associations through which tourism ambassadors will be trained and appointed in various communities.

Product Development Strategy

Antigua and Barbuda's success at improving its competitiveness and securing greater market share will depend on the variety, uniqueness, and attractiveness of the tourism product it offers. The objective of the Government's product development strategy is to formulate a menu – a veritable carte du jour – of products, services, and experiences that represent the rich culture, history, talents, and heart of our nation and people. This requires ongoing collaboration among the Government, businesses and the wider community to ensure the “Antigua and Barbuda Experience” is top notch, unforgettable and second to none. In 2014 we will pursue a number of programmes to enhance existing attractions and create new offerings that will satisfy the demands of those who know us and entice persons from new markets to visit our shores.

We will continue to work on our Sports Tourism Promotion Initiative by revamping and strengthening the mandate of the Antigua and Barbuda Sports Tourism Alliance. This Alliance will bring together public and private sector interests and outstanding national sports icons to plan, organize, implement and monitor sports tourism events and activities across the twin island state. Sports Tourism has become one of the most lucrative segments in the tourism market. It is one of the fastest growing sectors of the global travel and tourism industry, accounting for over 14 percent of the total international tourism market. Antigua and Barbuda's geographic location, physical infrastructure, technical expertise, and a host of qualified volunteers are just some of the factors that make it an ideal sports tourism destination. Through the work of the Sports Tourism Alliance, we will unleash our nation's potential in this area and take full advantage of the opportunities presented in this multibillion dollar market. The Sir Vivian Richards Cricket Stadium will be a critical component of our sports tourism thrust. It is a premier multi-purpose facility that can be used by international sporting groups and can be the backdrop for innovative sports entertainment events.

A targeted refurbishment and development programme will help to increase the potential of our heritage sites to enhance visitor satisfaction and expenditure in Antigua and Barbuda. The \$8 million Clarence House Restoration Project funded by the Peter Harrison Foundation, a UK-based charity, will revitalise an important part of Antigua and Barbuda's history and offer an incredible experience to visitors and locals alike. In order to encourage the restoration and preservation of other strategic natural and man-made sites, the Government will offer tax credits to businesses that contribute to restoring and preserving historical sites such as Betty's Hope, Fort Barrington and Devils Bridge.

Madam Speaker, another priority in the product development strategy will be developing an impressive events calendar. The process of developing an events Calendar in Antigua

and Barbuda will begin with the formulation of an Events Strategic Plan that will underpin future investment, management, development, and programming of major festivals and events. Such a calendar will help to broaden our profile as a leading tourism destination; strengthen our brand in the Caribbean and globally; and give visitors a myriad reasons to keep returning to our twin island nation.

Our capital city is a very significant component of the tourism product. It is no doubt an important consideration when choosing among holiday options. A well designed, clean, safe and secure city makes the country not only a compelling destination but a must stop on the cruise visit. Priority will therefore be given to developing and uplifting various parts of the city to improve the aesthetics of St. John's. The Government is negotiating with the CARICOM Development Fund (CDF) to provide funding to the St. John's Development Corporation to undertake a re-development programme for lower St. John's. The CDF is an institution created under the Revised CARICOM Treaty to ameliorate disparities among Member States. This programme will include rehabilitating the seawall of the waterfront from the Old Bryson's Building to the new Ferry Dock; repairing streets; restructuring gutters and sidewalks; installing waste run-off collection areas; providing a clear path connecting Redcliffe Quay and Heritage Quay along Commissioners Alley; and repairing and upgrading public bathrooms. The financing arrangements should be concluded shortly so that work can commence by the second quarter of 2014. It is expected that the project will be completed in time to unveil a reinigorated city at the beginning of the 2014/2015 tourist season.

Marketing and Promotion

Improving performance of the tourism industry in Antigua and Barbuda requires effective marketing and promotion in the key source markets. Financial limitations have tended to restrict the Government's ability to undertake more traditional marketing and promotion activities. This has led to the adoption of more cost effective and innovative marketing tools. One major strategy implemented by the Government is an Integrated Online Strategy. Antigua and Barbuda revealed aspects of the new integrated online and mobile strategy in early 2013 with a full launch of the new global website VisitAntiguaBarbuda.com The new integrated web presence marks a departure from a mostly informational website to a hybrid of informational and transactional services. The website will be produced in seven languages to appeal to Antigua and Barbuda's new and existing tourism markets. It features a world class content management system and the best in class design, using high quality rich content and video.

The new website is supported by a full-time team of young Antiguan and Barbudans who are dedicated to ensuring that the site is constantly updated with rich content to present our nation's "story" to potential visitors. An important part of this "story" is the products and services that our local businesses and individuals can offer visitors. In this regard, local businesses, regardless of size, that have products to offer visitors are

encouraged to provide their information to the Ministry of Tourism so that it can be uploaded on the website. This is an opportunity for local businesses to showcase their goods and services on a sophisticated platform that is viewed across the globe.

Antigua and Barbuda's advanced web presence has so far presented a unique opportunity to efficiently reach target markets and to draw in visitors from new and untapped markets. The site and the newly developed iPhone and IPAD apps make the booking process for those planning to holiday in Antigua and Barbuda simple and enjoyable. It offers consumers an easily navigable trip planning and travel booking resource as visitors are able to book everything, from their flights and accommodation, to excursions, and even a table at their favourite restaurant, all on this website.

There has been a marked increase in demand for the destination following two high profile promotional and public relations initiatives in 2013. Two popular Primetime TV programmes - *The Bachelorette* and *The X-Factor* – showcased Antigua and Barbuda to millions of television viewers in the United States and the United Kingdom, our two largest source markets. As a result, there has already been a spike in enquiries and demand for Antigua and Barbuda. These initiatives have been supplemented with TV advertising on NBC, and Global Cricket Cable TV channel Willow TV with commercials featuring Sir Viv Richards. These and new promotional and public relations initiatives will remain at the forefront of the Government's strategy to spread the word about the Antigua and Barbuda Experience.

Finally, an important source of funds for the marketing and promotion efforts of the Government is the 2 percent ABST fund that was established in 2012 to finance tourism marketing activities. Since its establishment, the fund has generated about \$11.5 million that has been used by the Tourism Authority to market Antigua and Barbuda.

Airlift

All our efforts to improve service, enhance the tourism product, and expand marketing and promotion activities will be ineffective without consistent and reliable airlift from our source markets. This Government has pursued a partnership strategy with the airlines to ensure airlift to Antigua and Barbuda remains strong. While building alliances and partnerships with airlines is critical to ensuring increased airline capacity, the Government is pleased that it has not had to pay airlines to fly to our destination. This, Madam Speaker, is a testament to the strength of Brand Antigua and Barbuda.

Airlift from North America will remain strong as American Airlines flights to Antigua continue with daily service all year round from Miami. In November 2013 the airline service from JFK New York increased from 4 times weekly to a daily service. Delta Airlines will operate on Saturday from JFK during the 2013/2014 winter season from December to April 2014, while the airline's service out of Atlanta will operate each Saturday from December to March 2014. On December 19, 2013 United Airlines started

operating ten flights per week out of Newark, New Jersey and this number could increase in January and February 2014. US Airways continues its once weekly service from Charlotte, North Carolina between December 2013 and March 2014.

There has been increased airlift out of Canada over the past year, leading to 30 percent growth in tourist arrivals from that source market compared to 2012. Air Transat will again operate two flights per week from Canada with 189 seats each out of Montreal and Toronto for the 2013/2014 tourist season. WestJet will operate twice weekly out of Toronto for the winter season and continue its weekly service post-season including a weekly flight during the summer months from May to October 2014. Air Canada will continue its four times weekly service for the winter season.

There are also more flights originating in the European market. Virgin Atlantic increased its flights from three to four per week with three being direct turnaround flights to Antigua and one tagged with St. Lucia. The configuration of the new fuel efficient aircraft will result in increased seats in the first class cabin, a development that has been welcomed by the high end properties in Antigua and Barbuda. This means that there are more seats available on these flights for the high net worth visitors that tend to vacation in our country. Further, British Airways will return to weekly service from London during the winter season and will also increase the number of flights in the summer schedule from five to six.

A new once weekly service out of Manchester operated by Thomas Cook started on December 19, 2013, bringing an additional 320 seats weekly. Altogether the increase in flights and seats from the UK will return the airlift from this market to pre-crisis levels. This is indeed a significant development, since the UK market traditionally yields longer stay-over visitors who tend to spend more.

Finally, a new twice-weekly service operated by Air Antilles Express began between Antigua and Guadeloupe in December 2013. These flights will coincide with daily arrivals of transatlantic flights from Paris to Guadeloupe. This will facilitate same day transfer of travellers from France to Antigua and Barbuda. This code share agreement between Corsair and Air Antilles Express will open up the opportunity for more French tour operators from France and Guadeloupe to sell packages to our destination.

Cruise and Yachting

Antigua and Barbuda is estimated to have received 550,000 cruise passengers from 293 cruise ship calls in 2013. This was an increase over the 284 cruise ship calls in 2012, while the number of passengers was about the same as in 2013 at 551,000. In 2014 Antigua and Barbuda will see an increase to 310 calls and a projected 610,000 cruise passenger arrivals. During this Cruise Season small cruise ship vessels will be making beach-stops to Barbuda. This means that cruise passengers will be able to experience the wonders of the sister isle.

Cruise ship visitors to Antigua and Barbuda can expect improvements that incorporate new ground transportation dispatching facilities within the cruise facility to enhance the visitor experience, and ensure our cruise guests are dispatched on their tours as efficiently as possible. New retail spaces will also enhance the Heritage Quay shopping district. Further, significant investments have been made in Cruise Service Excellence training for hundreds of stakeholders operating in the cruise sector. This will greatly enhance the quality of service that Antigua and Barbuda offers to our cruise guests.

The Antigua and Barbuda Cruise Tourism Association, the Antigua Pier Group, the Antigua and Barbuda Tourism Authority and the St. John's Development Corporation are collaborating on a plan to make long-term infrastructural developments to St. John's Harbour. The plans aim to modernize the current cruise ship facilities to provide an easily accessible and safe port environment, while improving the overall experience for visitors. The long-term development plans include sweeping and dredging the harbour to ensure Antigua and Barbuda can accommodate the Oasis Class ships. This work will begin shortly and the overall development work at the harbour will be completed during the summer months to ensure that it is ready for the 2014/2015 season.

Antigua and Barbuda continues to be the yachting capital of the Caribbean, with its world class yachting facilities and marinas. The historic Nelson's Dockyard at English Harbour is known throughout the yachting world for its ambience and incomparable charm that enhance the wide range of provisioning and refitting services the facility offers. We are renowned for our annual Antigua Sailing Week Regatta - the region's largest regatta - the Royal Ocean Racing Club (RORC) Caribbean 600 race, and the Antigua Boat Show, which kicked off the yachting season in December.

The "E Sea Clear" programme continues to operate, allowing for online pre-notification of arrival by visiting yachts. This has reduced immigration and customs clearance times and has certainly helped to secure the success of the various regattas and yachting shows in Antigua and Barbuda.

There have been continual additions to our yachting events calendar, with new races such as the Valentine Day Regatta, the Russian Business Sailing Week, and the "Caribbean Sailing Rally" from the UK, which will take place in January 2014. These have cemented our destination's reputation as the Caribbean Mecca for first class sailing and yachting services.

Madam Speaker, the "*Antigua and Barbuda Experience*" starts at the visitor's first point of contact with the country – the airport. Come September 2014, visitors travelling by air into and out of Antigua will be treated to an enhanced passenger experience at the new V.C. Bird International Airport terminal.

The sleek design and modern touches of the new V.C. Bird International airport will elevate its position among the best airports in the region. It will feature four Jet-Bridges, six climate-controlled aircraft access gates, flight information display screens,

interchangeable Common User Terminal Equipment airline check-in counters, several state-of-the-art VIP lounges, high end retail shopping, and modern amenities to assist local officials and airline staff to safely and efficiently move the growing passenger traffic the airport handles annually. The new V.C. Bird International airport will be the first in the Eastern Caribbean to be fully equipped with facilities to enable easy access for persons with disabilities from the aircraft to ground transportation.

Upgrades to the airside parking ramps and fuel lines are also taking place to ensure the airport can adequately accommodate the expected increase in airline traffic. The new facility will allow for annual capacity of two and a half times the current passenger loads of 800,000 passengers. As our efforts to increase airlift to the island continue to yield positive results and our marketing and product development strategies lead to an expansion in visitor arrivals, the Government is confident that the investment in the new terminal and airside works will bring significant returns to the economy of Antigua and Barbuda.

Agriculture – Promoting Food Security and Growth

Madam Speaker

Following the Caribbean Week of Agriculture (CWA) held in Antigua and Barbuda in 2012, the Government executed an agreement with the Food and Agriculture Organisation (FAO) and the Inter-American Institute for Cooperation on Agriculture (IICA) to undertake an initiative to eradicate hunger and poverty under the Zero Hunger Challenge (ZHC). In this regard, a multi-sectoral national committee led by the Ministry of Agriculture was established and with the support of the regional agricultural and health alliance partners, some significant progress has been made in achieving the objectives of the Zero Hunger Challenge. The primary focus in the initial phase of this initiative is strengthening the Backyard Garden Programme and increasing the quantity and quality of local produce used in the National School Meals Programme.

The Backyard Garden Programme continues to expand and more households are participating in the programme in an effort to produce food for their own consumption and to generate additional income. An additional 150 households joined the Backyard Garden Programme in 2013. This is largely attributable to the increased interventions through the ZHC to encourage households, especially vulnerable ones, to create backyard gardens. In 2014 the Ministry of Agriculture, with the continued support of the FAO, will intensify plans to increase household participation in the Backyard Garden Programme. This will include distributing seedlings and other inputs as well as technical advice on starting and maintaining a backyard garden.

While interventions such as the Backyard Garden Programme are contributing to reducing hunger and poverty, significant progress towards zero hunger, elimination of

poverty, and improved food security will be realised through increased food production on a larger scale. Increased food production would require the allocation of additional lands for agriculture and strengthening the outreach and technical services provided by the Ministry of Agriculture. Some of the interventions in this regard include:

- (a) The allocation of nearly 300 acres of land by the Agriculture Extension Division and the Agriculture Development Corporation in 2013.
- (b) Strengthening the agriculture stations by employing 45 contract workers to increase the number of orchards under production in a number of areas including Cades Bay, Christian Valley, the Cotton Station, and Greencastle.
- (c) Implementing a USAID-funded “covered production technology” project in 2014. This project highlights vegetable production in greenhouses as a means of mitigating the impact of climate change on food production in Antigua and Barbuda.
- (d) Executing a soil fertility mapping project with assistance from the Kingdom of Morocco. This project will provide the Ministry and farmers with accurate information on the nutrient content of any plot of arable land. Such information will facilitate more efficient use of fertilisers by farmers, thereby reducing costs, increasing profitability, and protecting the environment.
- (e) Implementation of a farm feeder road rehabilitation project to improve access in a number of critical agriculture districts.
- (f) Accessing assistance from external organisations and enacting legislation to help combat the impact of invasive pests and diseases including the Giant African Snail (GAS), Lethal Yellowing and Bud Rot in palms, and Citrus Greening.

Madam Speaker

Antigua and Barbuda can generate significant foreign exchange by taking full advantage of its trade agreement with the Cooperative West Indian Sea Island Cotton Japan Project. Sea Island cotton is grown in Antigua by small farmers, the Central Cotton Station, the Agricultural Development Corporation and, more recently, the Antigua and Barbuda Development Bank. Producers are estimated to have harvested 70,000 pounds of cotton lint in 2013. This is a 40 percent increase over the 50,000 pounds of lint produced in 2012 and has a value of US\$700,000. With the new gin to improve cotton lint extraction, adoption of improved production and harvesting techniques, and the growing demand for Sea Island cotton, we have a great opportunity to increase the foreign exchange earning potential of our cotton. The projected yield for 2014 is 200,000 pounds of lint, which will have a value of US\$2 million.

Another area of export potential is in poultry farming. In this regard, the Ministry of Agriculture is continuing negotiations with the principals of the Ciboney Poultry Farm. While this US\$75 million project to produce poultry for export promises a number of benefits for Antigua and Barbuda, the Government is cognisant of the concerns of existing local poultry producers. We are therefore continuing discussions with the investors to ensure we can address our domestic concerns while ensuring the investors realise a reasonable return on their investment.

Madam Speaker

Creating a stronger and more viable agriculture sector will require greater use of science and technology and increasingly modern techniques to produce output. With this in mind, the Government, through PDVCAB, will partner with the Gilbert Agriculture and Rural Development Centre (GARDC) to support the implementation of a project that will utilise advanced agricultural science techniques and state-of-the-art machinery to produce agricultural produce for export to several countries in the region.

The basis for this project is a proposal submitted by LCP Industries, a company established by three young men who are convinced of the significant economic potential of agriculture. PDVCAB will provide financial assistance through the GARD Centre to facilitate acquisition of equipment and inputs that will allow LCP Industries along with up to seven other contract farmers to cultivate up to 30 acres of land and produce crops such as onions and carrots for export. These contract farmers will provide employment for up to 30 young people including trainees at the GARD Centre. This project will also include an internship programme through which students studying Agriculture Science in secondary schools can be attached to the farms for practical experience in the business of farming. The arrangements for this project are being finalised and implementation will begin in the first quarter of this year. Over the next three to five years, nearly 268 acres of land will be cultivated through this project, with the creation of up to 40 youth contract farmers providing direct and indirect jobs in the agriculture sector for over 200 young people.

Another promising agro-tourism project will be undertaken by Bio-Antigua Ltd. This is a \$36 million eco-friendly development project located in Bethesda. Work on the first phase of this project has already begun and it is expected that 56 full-time and 15 part-time jobs will be created in the initial phase of this venture.

Madam Speaker, the Government is well aware that the long term viability of the agriculture sector and its ability to increase its contribution to the economy of Antigua and Barbuda will depend on greater involvement of youth in the sector. In this regard, the Ministry of Agriculture, with the support of the FAO, has developed a strategic plan for increasing involvement of youth in Agriculture. This ten-year development plan was recently completed and will lead to the execution of a number of long-awaited projects

such as Project 40:20 in Pares and the National Youth Farm. The National Youth Farm is to be implemented over three phases and will provide training and employment for young people who have an aptitude for work in the agriculture sector and are interested in being part of a transformative process that will make agriculture more lucrative. At least 50 youth will participate in the first phase of this project. The participants will receive practical training in agriculture techniques and procedures, will be directly involved in producing various crops, and will rear goats and other small ruminants. Each participant will receive a stipend while participating in the initial stage of the programme. However, they will each have an opportunity to earn a larger income from the produce they grow and harvest on the Youth Farm.

The purpose of this programme is to demonstrate to young people the potential of agriculture as a viable source of income and the opportunities to operate successful farming businesses. Over the course of four years, up to 200 youth will receive training under this programme and will be engaged in cultivating about 100 acres of land. Having received the support and technical assistance from the FAO, the Ministry of Agriculture is now ready to launch this project. The selection of candidates will be undertaken before the end of the first quarter of 2014. Any young person who is interested in participating in the National Youth Farm project is therefore invited to submit his/her name, address and contact details to the Ministry of Agriculture. This information should be delivered to the Ministry headquarters on Queen Elizabeth Highway in a sealed envelope marked National Youth Farm project and addressed to the Director of Agriculture. In addition to providing a livelihood for the participants, the Youth Farm project is another avenue through which the objectives of the Zero Hunger Challenge as well as the goal of increased food security can be achieved.

Investment for Growth and Development

As the leading Government institution responsible for promoting and facilitating domestic and foreign investment, the Antigua and Barbuda Investment Authority (ABIA) has sought to strengthen its operations to ensure it can effectively execute its mandate. The Authority has reorganised internally, creating a new Economic Development and Planning Department and increased its capacity to carry out its functions through staff participation in a number of regional and extra-regional conferences, workshops and seminars. In addition, the ABIA has created a strategy that establishes the priority areas of focus for the next five years. These are:

- Outsourcing & Specialized Services
- Agriculture/Agro-processing
- Medical/Health & Wellness Tourism
- Remote Education (Offshore University)

- Retirement Tourism
- Renewable Energy

Further, with funding provided through the Inter-American Development Bank (IDB) and Compete Caribbean, the ABIA is working with a consulting group to enhance its capacity to undertake its investment promotion function. The Authority has also increased its collaboration with a number of domestic agencies – APUA, Social Security, Customs and Excise Division, Inland Revenue Department – and its interface with a number of external international institutions such as the International Finance Corporation, IDB, and the World Bank. The work undertaken by the ABIA over the past year and the programmes to be pursued over the next year will help to increase Antigua and Barbuda’s profile as a premier investment jurisdiction.

Madam Speaker

A good measure of the ABIA’s success in attracting and facilitating investment projects is the number and value of projects approved by the Authority. Since 2010, when the total value of investment projects amounted to \$299 million, there has been a steady increase in investor confidence. This is evidenced by the growth in the value of total investment projects approved by ABIA in each subsequent year. The total value of investments in 2011 amounted to \$321.8 million. In 2012 approved projects amounted to \$788.4 million. In 2013 the total value of investment projects approved by the ABIA nearly tripled, to about \$2.1 billion. This significant improvement in investment projects is not only a signal of investors’ desire to do business in Antigua and Barbuda, it is also a very clear indication that over the next 12 months citizens and residents can expect a marked increase in economic activity and employment. The \$2.1 billion in approved investments represents about 30 projects across seven sectors, 23 of which are funded by local investors. This is an indication that investment for economic growth and employment generation need not only come from external sources.

While it is indeed important to attract large projects funded by external investors, our economic future is also critically linked to the willingness of Antiguan and Barbudans to invest. Madam Speaker, it is not by accident that this Administration took great pains to ensure that all incentives and concessions are accessible by local and foreign investors alike. A project funded by a foreign investor can be a catalyst for economic growth in any economy; however a necessary condition for continued growth and economic transformation is an active and dynamic local business sector. This Government has therefore implemented several policies, including the incentives packages offered through the ABIA, to entice domestic businesses and entrepreneurs to contribute to our country’s development by investing their resources.

Some of the projects that have already started or will be undertaken over the coming year include a resort project at Pigeon Point by developer New Century Development

Company; the Emerald Cove project; Rendezvous Bay Real Estate Corporation; Caribbean Premium Motors Ltd., and completion of the Hodges Bay Club Resort by JSN Development Group Ltd. and BluPearl Ltd. These and the other projects approved by the ABIA in 2013 are expected to generate jobs for nearly 1,000 citizens and residents.

Madam Speaker, though the Government is encouraged by the positive developments in respect of the investment projects approved by the ABIA, we recognise that our continued success at attracting foreign direct investment and supporting local investment will depend on our ongoing efforts to develop and introduce new investment inducing strategies. Two such strategies are the Tourism and Business (Special Incentives) Act, 2013 and the Citizenship by Investment Programme.

Special Incentives for Tourism and Business Investments

The Tourism and Business (Special Incentives) Act (TBSIA) is sunset legislation that offers more generous incentives and concessions to investors than those provided through the Antigua Barbuda Investment Authority Act. By broadening the scope and value of concessions, the Government expects that local and foreign investors will be induced to invest within the two-year time span of the TBSIA. The need to attract private investors is particularly evident given the lingering uncertainty in international financial markets. Also, the inherent risk aversion of investors in the face of such uncertainty demands some bold policy intervention that would reduce the cost of doing business, improve the viability of an investment project, and above all stimulate job creating economic activity in the immediate term.

Under the TBSIA, an investor may receive a reduction or waiver of Customs Duties, ABST, Revenue Recovery Charge, Stamp Duty, Corporate Income Tax, Withholding Tax, and Property Tax. Eligibility for reduction or waiver of these taxes will depend on the size of investment:

- (a) For investments ranging from over \$1 million to \$10 million, incentives include waiver of Customs Duties, ABST, Revenue Recovery Charge, exemption of Corporate Tax and Withholding Tax for 6 years, and 25 percent reduction in Property Tax and Stamp duty.
- (b) For investments ranging from over \$10 million to \$25 million, incentives include waiver of Customs Duties, ABST, Revenue Recovery Charge, exemption of Corporate Tax and Withholding Tax for 12 years, and 35 percent reduction in Property Tax and Stamp Duty.
- (c) For investments ranging from over \$25 million to \$75 million, incentives include waiver of Customs Duties, ABST, Revenue Recovery Charge, exemption of Corporate Tax and Withholding Tax for 15 years, and 50 percent reduction in Property Tax and Stamp Duty.

- (d) For investments ranging from over \$75 million to \$100 million, incentives include waiver of Customs Duties, ABST, Revenue Recovery Charge, exemption of Corporate Tax and Withholding Tax for 20 years, and 75 percent reduction in Property Tax and Stamp Duty.
- (e) For investments ranging over \$100 million, incentives include waiver of Customs Duties, ABST, Revenue Recovery Charge, exemption of Corporate Tax and Withholding Tax for 25 years, and waiver of Property Tax and Stamp Duty.

Any investor, whether local or foreign can apply for incentives under the TBSIA. The legislation provides for fast-tracking approval of the projects and the relevant incentives package. The types of businesses that can benefit from the provisions of this law may be tourism-related or other businesses including:

- Manufacturing
- Information and Communication Technology
- Financial Services
- Health and Wellness
- Agriculture, Fisheries, and Agri-business
- Creative Industries to include music, film, and television recording and production, photography, publishing, and arts and crafts
- Energy/Green Technologies

Madam Speaker, the first project to benefit from the provisions of the TBSIA is the Beaches Hotel project at Long Bay. This US\$150 million project will bring to Antigua and Barbuda a world renowned brand that will increase the number of visitors to our shores. In December 2013 the Government executed a binding Memorandum of Agreement with Gordon “Butch” Stewart that essentially sets out the framework under which the project will be developed. There have been some delays in completing the negotiations for this project – a situation that is not uncommon with large projects. However, such delays are invariably tied to the ability of the developer to raise the financing for the project. This is not the case with the Beaches project. From the very onset, Mr. Stewart has made it clear that he is committed to undertaking this project in Antigua and Barbuda. Unfortunately, the political and personal motives of a few all but halted progress in bringing this multi-million dollar investment project to fruition.

An investment of this size will certainly boost economic activity and create employment for several hundred citizens and residents. All we need to do is look at Grenada where the Sandals LaSource project was started at the same time we in Antigua and Barbuda were consumed with political posturing instead of focusing on what was best for the people of this country. This US\$100 million investment in Grenada resulted in employment for 1400 persons in that country, including local contractors and sub-contractors. I ask, Madam Speaker, how many construction workers, electricians,

plumbers, painters, contractors, sub-contractors, and suppliers of construction equipment and material have been negatively impacted by the failure of some persons to put country first?

Though the delay was unfortunate, this Administration is happy to confirm that in 2014 it will move full steam ahead with the Beaches project. At least 1400 citizens and residents can look forward to employment during the construction phase of this project. The Beaches Hotel will have a total of 400 rooms and boast a wide range of amenities and facilities including a water park, movie theatre, rock climbing, a dozen restaurants, an incredible family entertainment programme, and an ice-skating rink. In addition, Mr. Stewart will partner with the Government to begin work on the \$5 million Long Bay Public Park project. This project involves the creation of a public park facility that will boast new roads and beach parking, improvements to the beach area, vendors' kiosks, a new water sports facility, public restrooms and showers, a well appointed play area for children, and new restaurants to cater to locals and tourists alike. In constructing this Park, special care will be taken to ensure the natural and cultural heritage of the area are preserved. Further, the residents of the communities surrounding Long Bay can be assured that employment and other economic opportunities will be made available to them during and after the construction of the Long Bay Public Park.

Madam Speaker, the fact that Mr. Stewart has stayed the course with this Administration is a testament to his confidence in this country. It is quite likely that another investor may have opted to take their investment elsewhere. However, Antigua and Barbuda and the Sandals brand have a long standing and special relationship and this new project will only serve to deepen and strengthen that relationship.

Creating a Fund for National Development

Madam Speaker

The Government has a significant role to play in stimulating economic activity and generating employment opportunities for the population. One way to do this is by implementing policies and legislation that encourage private sector investment and business development. Government also contributes to economic output by investing in infrastructure and public sector projects. Over the past few decades the major infrastructure and public sector investment projects have been funded by external grants and debt accumulation. Antigua and Barbuda has developed significantly over the years, recording high human development and living standards and a very high per capita GDP.

According to information published by the World Bank, per capita GDP in Antigua and Barbuda increased by about 26 percent over the ten year period 2003 to 2012. Per capita GDP was about US\$10,500.00 in 2003 and amounted to US\$13,200.00 in 2012. Despite the economic challenges that affected this country over the past few years, per capita GDP in Antigua and Barbuda remains among the top five in the region. Though this

growth is a positive development, it also means that Antigua and Barbuda is no longer eligible for official development aid, and there are limited development grants available for an upper middle or high income country. The other method used by the Government to finance infrastructure development – debt accumulation – is also challenging, given considerations of fiscal stability, the cost of borrowing, and debt sustainability. With limited grant funding and the existing borrowing constraints, the Government will need to explore alternative funding arrangements for public sector projects.

One source of financing identified by the Government to help fund infrastructure, public sector and other national development projects is the Citizenship by Investment Programme (CIP). The agency responsible for implementing this programme, the Citizenship by Investment Unit (CIU), was officially opened to accept applications in October 2013. The CIU was established as an entity separate from the general public service to secure the independence and operational efficiency of the Unit. It will execute the programme in strict accordance with the Citizenship by Investment Act and will ensure that the appropriate procedures are followed and reports provided to the public through the Parliament. The CIP offers an alternative investment model that is used in developing and advanced countries. Under the Antigua and Barbuda programme, an applicant may receive a passport by making a US\$400,000 real estate investment, investing US\$1.5 million in a business venture, or contributing US\$250,000 to a National Development Fund. Before a passport can be issued, all applicants must undergo three separate and distinct stages of due diligence to ensure the long-term integrity and sustainability of the CIP programme.

Madam Speaker, though the programme started much later in 2013 than originally expected, I am pleased to report that interest in the CIP has been strong from the onset and continues to grow. The Unit has already evaluated and approved six development projects for inclusion in the CIP and is in the process of reviewing another three projects. These projects represent total investment of US\$614.8 million in the Citizenship by Investment Programme. Based on the interest expressed in the CIP, it is estimated that about \$60 million will be generated in the Fund in 2014. The Government intends to use these resources along, with funds raised through a Diaspora Bond, and its ongoing RGSM Securities programme to finance a number of projects and programmes. With the funds garnered through the CIP, Diaspora Bond and ongoing securities programme, the Government will generate about \$150 million for the Development Fund in 2014. The money will be used to improve domestic infrastructure, support small businesses, and encourage entrepreneurship – particularly among the youth. In this regard, the Government has identified a number of priority areas to be funded in 2014. These include:

- (a) Infrastructure development – especially road construction, repair and maintenance
- (b) Development of primary health care facilities in key communities

- (c) Retrofitting and upgrading public schools
- (d) Renovation of historical sites such as Fort Barrington and Betty's Hope to improve the tourism product
- (e) Implementing a Reef Marking Project to expand the BareBoat Charter industry
- (f) Financing a Youth in Agriculture Development Programme (YADP)
- (g) Financing a Young Entrepreneurs Programme
- (h) Enhancing the Small Business Credit Guarantee Scheme and developing a micro-finance programme to support micro-businesses
- (i) A Land Development and Housing Programme, including a mortgage subsidy programme

These represent the Government's perspective on the types of programmes that can be implemented with resources from the Development Fund. They encompass public sector projects, activities that can help to boost performance in the tourism sector, interventions to benefit small businesses, and programmes that support increased entrepreneurship among the youth. However, the Government has determined that the process for approving and finalising the projects and programmes should include a consultative phase. During this phase, stakeholders and members of the public will have an opportunity to provide feedback on the priority programmes identified by the Government and to suggest other projects or programmes that may be considered.

Madam Speaker, the prospects for economic advancement in Antigua and Barbuda are very promising. The Development Fund affords Antigua and Barbuda an excellent opportunity to pursue its development objectives and to do so without total reliance on aid, debt accumulation, or the resources of external investors.

Construction

Madam Speaker

Construction is a major contributor to economic output in Antigua and Barbuda. Over the past ten years the sector's contribution to GDP averaged about 12 percent per year and grew by an average of about 4 percent per year. This sector has shown strong signs of rebound, recording growth of 9.9 percent in 2012 and 11.3 percent in 2013. A significant contributor to the recovery in this sector is the Construct Antigua and Barbuda Initiative (CABI), which was launched by this Administration in 2011 to stimulate economic activity. Another objective of the programme is to make homeownership for Antiguan and Barbudans more affordable. Participants in the programme are eligible to receive exemption of the ABST and the RRC on the purchase of building materials from local suppliers. In addition, participating banks have reduced interest rates and fees on

mortgages; hardware stores have offered discounts up to 20 percent; and insurance companies offer discounts between 10 and 20 percent.

Since its launch in 2011 there have been 475 applications for the CABI, with 396 approved by ABIA. Two hundred and seventy of these applications were for new home construction, while 205 were for home renovations. In 2013 a total of 278 applications were received and 243 were approved. Of the applications approved in 2013, 136 were for new residential construction and 107 for home renovations. The total value of the projects approved by the ABIA between 2011 and 2013 is \$142 million. In 2013 the total value of applications was \$84.9 million and the value of approved projects was \$72.4 million. This is certainly well above the \$30 million target that was established at the onset of the programme. By all accounts, Madam Speaker, this programme has been a resounding success. I wish to commend the Chairperson, management and staff of the ABIA for their excellent work in implementing this initiative.

Other Government projects to help Antiguans and Barbudans attain the goal of home ownership are the North Sound Housing Development and Follleys Housing projects. The North Sound Housing Development was completed with funding from Venezuela and comprises over 70 homes that are on offer to public servants and employees of Statutory Corporations. Twenty of these homes have already been allocated and it is expected that the application and approval processes will increase significantly over the next few months. A rent-to-own arrangement has been implemented to facilitate the sale of homes in the Follleys housing project. This alternative approach is intended to put home ownership within the grasp of persons who may not be able to access financing to purchase the homes outright. Twelve families have already benefitted from this rent-to-own arrangement and have moved in or are soon to move into their new homes.

The Government has focused on increasing its land distribution programme to make land available to those citizens and residents who may not be interested in purchasing homes in a housing development. In 2013 the Lands Division and the Central Housing and Planning Authority (CHAPA) distributed 220 parcels of land across areas such as Bathlodge, Willikies, Pares, English Harbour, Longfords, Old Road, Villa, Powells, Cooks Estate, Parham, Belmont, Cassada Gardens, and Jennings. In 2014 the land distribution programme will be expanded as more than 450 parcels of land have been identified for sale. These plots of land will be made available in areas such as Bolans, Weirs, Cedar Valley, Lyons, New Field, Carty's Hill, and Five Islands.

Another housing related project is the Bau Panel project which involves the construction of affordable houses using the patented, state of the art Bau Panel System. This is a joint venture between the Government, through CHAPA, and Bau Panel Systems Limited. It will provide employment for over 1,000 citizens and residents and make home ownership a reality for 5,000 Antiguans and Barbudans. A critical part of this project will be a financing component through which prospective purchasers of the homes in this project will be able to access funding. The project also comprises a manufacturing component

where Bau Panel Systems will be manufactured in Antigua and Barbuda for use in the local development projects and to supply the regional and Latin American markets.

In addition to these public sector housing projects, there is the Lightfoot Gardens Housing project being developed by a local entrepreneur. Work on this 73 unit development began in early 2013 and is to be completed within 24 to 36 months. This \$18 million project will offer citizens and residents two and three bedroom options at affordable prices. Up to 200 construction jobs will be created by this project.

Other construction projects being undertaken or to start in 2014 include:

- (a) The State Insurance Corporation construction project, under which a \$15 million office building will be constructed to house the Treasury Department. This project is being undertaken through a build, own, operate and transfer (BOOT) arrangement where after twenty years, the Government will take over full ownership of the building. After some unanticipated delays, implementation of this project will be accelerated in 2014. This project will generate 150 construction jobs over the next 12 to 14 months.
- (b) The three-storey, 34,000 square foot headquarters for the Antigua Department of Marine Services. Work on this \$24 million project has begun and 200 persons will be employed during the 20 month construction period.
- (c) New headquarters for ABS Radio and Television. This is a \$12 million project that will be executed by Lego Development Company Ltd. through a BOOT arrangement with the Government. The building will be located on Friars Hill Road and construction will begin in mid-2014. This project will be implemented over a period of 12 months and will provide employment for up to 100 sub-contractors and construction workers. Ownership of this building will transfer to the Government after 20 years.
- (d) The \$44 million secondary school at Five Islands with a grant provided by the People's Republic of China, and preparatory work for a new secondary school at Tomlinson's funded by the Caribbean Development Bank through the Basic Education Project.
- (e) Completion of work on the new terminal at the VC Bird International Airport with about US\$96 million in funding from China.
- (f) A US\$30 million airside works project to include upgrading parking ramps and installing a fuel line system to ensure that airlines can be more efficiently serviced.

Tourism Development Projects

Madam Speaker

Development projects in the tourism sector produce an immediate economic impact as well as long-term benefits for the economy. During the construction phase several hundred jobs are created and the spill-over effects for other areas of the economy such as supplies of building materials, transportation and heavy equipment rental, and the wholesale and retail trade sector can be significant, particularly in the case of very large projects. The next stage, operating the newly built property, will require workers with varying skills and experience to ensure the project is indeed successful. As mentioned before, the Beaches Hotel project is one major development that will boost economic activity and create significant employment for Antiguan and Barbudans. There are a number of other tourism development projects that have already started or are expected to start over the next several months. These include:

NonSuch Bay Resort

Phase two of this project involves the construction of a US\$11 million marina complex and 94 new one, two, three, and four bedroom units at a cost of US\$34 million. The developers will also spend US\$12 million on support infrastructure for the resort and marina. Work on this project began in 2013 and construction on the marina complex is expected to be completed in time for an October 2014 opening. The NonSuch Bay resort project will generate employment for about 400 contractors and construction workers and 180 full time employees for the operational phase.

Gunpowder House and Suites

This is a \$6.75 million project to build 20 new hotel rooms. The Gunpowder House and Suites is located at English Harbour and has four completed suites that are already occupied. Work on the expansion of this property started in mid-2013 and includes construction of a wellness centre inclusive of a spa, a fitness centre, and a restaurant. This project will be completed in 2015 and will provide 50 construction jobs and 21 full-time jobs when fully operational.

Orange Antigua Limited

The developers of the US\$253 million project will transform Pearn's Point Peninsula into a 5-star resort of luxury residences. Work on this project has started and will continue over the next several years, providing construction jobs for several hundred Antiguan and Barbudans. This is an impressive project that will add 251 well appointed units to Antigua and Barbuda's room stock. The property will boast a 140 room boutique hotel, 50 freehold-managed condominiums and 61 residences, along with a health club and spa, homeowners' club facility, and a casino. When it is fully operational, the property will provide nearly 440 full time jobs for our citizens and residents.

The Villas at the Verandah Resort & Spa

This project will be implemented over 36 to 48 months and involves construction of up to 38 new luxury two-bedroom villas at Honeymoon Beach. The villas will have about 1,300 square feet of living space and boast high-end finishes, modern amenities and island-inspired furnishings and artwork. The project will also include construction of a new restaurant and bar, swimming pools, supporting infrastructure and other related facilities. This \$100 million project will provide about 150 construction jobs and a further 140 full time jobs when it becomes fully operational.

Azure Bay Development

This is a US\$500 million to US\$700 million project to be implemented over a four to five year period. It will include two five-star branded hotels; a mega yacht marina and marina village; an 18-hole championship signature golf course; spa and wellness centre; a casino; commercial centre; and residential development. The project will also include significant investment in road works and supporting infrastructure for this massive development. Over the course of its implementation, this project will generate jobs for thousands of contractors and construction workers and hundreds more once the facility is fully operational.

Madam Speaker, as I indicated before, a tourism development project can have immediate and significant benefits for the economy and contribute to sustained growth and job creation over the long term. Antigua and Barbuda is poised to benefit from not one but several major hotel development projects that will span at least the next five years. A number of these projects are already in the implementation stage and others will start in 2014. They represent an investment of approximately US\$1 billion, which will certainly have an incredible impact on the tourism and construction sectors as well as considerable spill-over effects in all other segments of the economy. An important result of these projects will be the addition of at least 1,000 new units to Antigua and Barbuda's room stock over the next five years. This will lead to a more than 20 percent increase in the number of hotel units to about 4100 rooms. Further, the total number of jobs to be created as a result of these projects is estimated at 5,000 over the next four to five years.

As you can see Madam Speaker, 2014 and indeed the next five years will be characterized by significant economic activity, spurred by large scale private sector investments. While much of these investments will take place in the tourism sector, there are also investments in agriculture and non-tourism related construction projects. In addition to the US\$1 billion investment projects in tourism, there will be public and private sector investments in other sectors amounting to at least US\$240 million. These are projects that have started or will begin over the next several months. All told, they, along with the tourism development projects, will provide employment for nearly 7,000 citizens and residents.

Madam Speaker, the people of Antigua and Barbuda need look no further than the UPP Administration if their desire is to see a true social and economic transformation of our twin-island nation. It is not by accident that local and foreign investors have committed to invest significant amounts in Antigua and Barbuda over the next several years. Their decision to invest demonstrates their confidence in the macroeconomic policies pursued by this Administration under the skillful leadership of our Prime Minister, Dr. the Hon. Baldwin Spencer. Madam Speaker, no developer or businessman, whether local or foreign will invest their resources in an economy in which they are not assured of a healthy return. They therefore will seek out a stable economy with sound policies and strategies to promote economic growth.

To the extent that our people's confidence in the country's economic direction is heavily dependent on the level of investments, Antiguan and Barbudans have US\$1.2 billion reasons to be optimistic about our economic prospects. Indeed, Madam Speaker, I am certain that these investments, along with the effective policies being pursued by this Government, will advance the development of the new economy for growth and prosperity. I am also confident, Madam Speaker, that our per capita GDP, a measure of the standard of living in a country, will increase steadily over the next few years so that we will attain the target of US\$20,000.00 for every man, woman and child in Antigua and Barbuda by the year 2020. These are exciting times and I encourage our citizens and residents to take every opportunity to participate in our country's economic and social transformation.

SOCIAL SECTOR TRANSFORMATION: TARGETED PROGRAMMES AND SERVICES

There is broad consensus in the international community that social protection is a powerful way to fight poverty and promote inclusive growth. This consensus commits governments to progressively realise a minimum cost-effective package of basic social protection that covers essential health care and benefits for children, informal workers, the unemployed, the elderly, and persons with disabilities. The National Poverty Reduction Strategy (NPRS) for Antigua and Barbuda outlines the macroeconomic, structural, and social policies and programmes to promote growth, reduce poverty, and improve overall living conditions in the country.

The UPP Administration has invested in social protection programmes over the years, targeting the most vulnerable and marginalized within our society. These include troubled youth, single parents, the destitute, and discharged lepers. Our menu of assistance programmes and services will continue in 2014 and involve:

- counseling services
- probation services

- rehabilitation services
- child protection services
- financial assistance to the elderly
- food and in-kind assistance
- residential care and assistance
- empowerment programmes
- employment programmes
- training and re-tooling programmes
- life-skills and health training;

In 2014 we will go into high gear to implement our pro-poor programmes with a renewed attention on formulating government policy, formulating and enforcing legislation, setting and applying standards for providing social protection, and conducting and applying research into social protection affairs and services. Functional and efficiency reviews of all the departments and agencies that currently administer social programmes will provide information necessary to identify, develop and implement the necessary reform initiatives. Additionally, information technology will be utilized to automate and centralise programme administration and tracking, and to significantly improve fiduciary oversight of the payment process.

Financial support and technical assistance from our development partners, specifically the World Bank and the Caribbean Development Bank, will provide the resources to transform our social protection sector into one that is targeted and coordinated. A well-resourced Department of Social Policy, Research and Planning, the appropriate administrative, technical and governance systems and procedures will allow the government to realise its objectives of not just coordinated, targeted and effective social safety nets, but also reducing the expenditure on social protection spending, over time and in the near future. Capacity development will be given high priority and will include skills and knowledge in social policy, social protection, economics, and information technology.

Social Sector Reforms for a New Economy

An efficient and effective social protection sector requires a continuous management cycle that includes design, operation, supervision, evaluation, and redesign processes. Under the PSST Project, a reform toolkit will be assembled to realise a targeted, coordinated and unified social protection sector. It will include:

- A Centralised Beneficiaries Registry
- A National Beneficiaries Management Information System

- A proxy means testing tool
- A household assessment tool
- A governance and complaints mechanism
- Performance indicators
- A Monitoring and evaluating system

A World Bank 2010 rapid assessment proposed several important reforms. A major reform activity will be to re-register all beneficiaries and to deploy a management information system to rationalise the targeted and coordinated approach. At a minimum, it will include information on: (i) applicants; (ii) beneficiaries; (iii) payment; (iv) appeals and complaints; (v) recertification of eligibility; and (vi) change of address and household status. A monitoring and evaluation system would at least include: (i) coverage of the target group; (ii) benefits provided; (iii) administrative costs; (iv) costs of benefits delivered; and (v) programme outcomes.

A unified targeting system for social assistance programmes would bring transparency to the social safety net, reduce clientelism (uptake), eliminate duplication of programmes, and improve resource allocation. A unified system would streamline the application process and would apply objective criteria, screening instruments and procedures for approval. It will comprise a central beneficiary identification registry for all social assistance programmes and a household assessment tool. It will be designed with all social assistance programmes in mind, and facilitate cross-checking of information with other existing systems such as the social security database. Each programme would have its own sub-registry based on its eligibility rules.

A common methodology to identify/screen the beneficiaries will be established by designing a proxy means test (PMT). The eligibility cut-off point will be varied for different programmes and will be scaled up or down in times of crisis. This unified targeting system would require an interviewer to visit the household and verify the household conditions.

Another core element of an effective poverty targeting mechanism is a monitoring and evaluation system that allows for performance tracking. We have identified explicit key performance indicators that would be measured at the geographical (community, village, parish) and household levels. Both the NPRS and the PSST Project have listed the indicators and benchmarks that will allow us to track and assess our performance for poverty reduction and reduced expenditure in social protection spending.

Our social protection reforms will include solid mechanisms for monitoring registries, overseeing implementation, and evaluating their performance. Transparency, accountability, and fiduciary risk cannot be understated or overlooked when administering social safety nets. We will implement governance and complaints mechanisms which provide for independent evaluations of the systems, public

availability of oversight, monitoring and evaluation reports, and a process for recourse and appeal for those who feel that they are unjustly excluded from programmes.

Other reforms and programmes that can be singled out for 2014 are:

- (a) A Single Parent Initiative that will provide financial assistance to eligible unemployed single parents in the more indigent communities;
- (b) Guidelines for Private Nursing Homes and similar care facilities to formulate regulations that govern the operations of institutions that cater to the needs of the elderly. This would complement the recently completed Policy on Aging with guidelines to ensure safety, ageing gracefully and maintaining the dignity of the elderly;

Madam Speaker

The UPP Government will reform, strengthen and boost a social protection sector that (i) conforms to international standards and best practices; (ii) reaches the most vulnerable and indigent cohort of our population; (iii) is cost effective; (iv) is designed and administered in a way that respects the dignity of the beneficiaries; (v) will reduce the dependency on government assistance; and (vi) is credible, and offers fair and equal treatment of anyone who applies.

Social Security Reform and Pension Modernisation

Social Security Reform

Social Security remains an important plank of Antigua and Barbuda's system of social safety nets, and we were therefore concerned when, from early 2012 to mid 2013, it experienced a cash flow shortage, as a result of which it was unable to pay its pensioners on time. This despite the fact that this Administration has made significant efforts to ensure that it pays contributions to Social Security for deductions made from the salaries of Government employees. While I have said this previously, it warrants repeating that between 2008 and 2013 this administration paid contributions exceeding \$78 million into Social Security, with most of those funds paid from January 2010 to date. In addition, a lump-sum payment of \$20 million was made under the Memorandum of Understanding executed between the Government and Social Security and ratified in this Honourable House in 2011.

In addition to making timely payment of its contributions, the Government has taken steps to strengthen the organization and place it on the path of long-term sustainability. In this regard, public consultations were held from late 2012 to early 2013, coming out of which we initiated the first phase of a reform programme. Two specific reforms were

introduced, namely, increasing the contribution rate by 2 percent and increasing the insurable income ceiling to \$6,500 monthly.

Madam Speaker, while these measures were necessary, and have enabled Social Security to meet its monthly commitments, the job is not done. This is but a short-term solution. What the institution requires are additional measures to enhance the operations of Social Security over the long-term. The Board of Directors and the Actuary have produced evidence to confirm that the major challenge faced by Social Security is the growth in age pension benefits. We therefore cannot afford to be complacent, and must heed the urgent call to action issued by the Actuary and the Board of Directors. This Government has heard the call, and will respond positively. Consequently, we propose to complete the reform process, and early in this Parliamentary session we intend to present a revised Social Security Act and Regulations for enactment. No major amendments have been made to the Act since it was passed in 1972. We need to bring it into the 21st century.

Based on the recommendations made by the Actuary and the feedback provided by the stakeholders, we propose to implement most of the recommendations made in the actuarial reports. These will include:

- (a) An increase in the pensionable age from 60 to 65. This would likely be phased in over a five-year period.
- (b) Adjusting the accrual rate to slow the pace at which contributors would qualify for a full pension, and so take into consideration an increase in the pensionable age.
- (c) Amend the Survivors pension so that widowers qualify on the same basis as widows.
- (d) Strengthen the powers of the Director to ensure compliance on the part of all employers.

The above list is not exhaustive, but it identifies the major recommendations to be implemented. The draft new Act should be laid before the House during the first half of 2014, and I am confident that it will reflect the consensus arrived at during consultations with all stakeholders.

Pension Modernisation Commission

Modernisation of the Government's pension system remains another key matter that is being addressed. At present there is a multiplicity of pension arrangements in place for the public sector, which has proved unwieldy and costly to administer. In addition, there are certain practices which tend to inflate entitlement, and these practices need to be

reviewed. In conducting an analysis of the current public sector pension arrangements, a number of questions were posed:

- (a) Are the arrangements sustainable? Based on the analysis of the Pension Modernisation Commission established in 2008, the answer is no.
- (b) Is the design suitable for today's service? Again, the work of the Commission indicates that it is not.
- (c) Do they provide adequate, equitable and affordable income protection? The final report of the Commission will present the verdict on this issue.

In establishing the Pension Modernisation Commission, the intention was to harmonize, as much as feasible, the various arrangements, so that going forward we have a system that is universally understood; a system that comports with international best practices, and finally, a system that is sustainable.

The Pension Modernisation Commission obtained a report with the views and recommendations of an Actuary, which report has been given due consideration. In addition, the Commission has conducted its own research, which has benefited from feedback from representatives of a wide cross-section of stakeholders including various Government Ministries and Departments, the Social Security Board, Medical Benefits Scheme, the Chamber of Commerce, the Employers Federation, the Pensioners Association and the Trades Union Congress.

Public sector pension reform will have significant implications for the Treasury and for employees in the public sector. The challenge is to arrive at a design that adequately addresses the concerns of all stakeholders, while ensuring that the system will be sustainable. A key consideration is to ensure that public sector pensions will provide a reasonable level of income protection for pensioners at all times. Consequently, it may be necessary to introduce a form of indexing, to ensure that pensions keep pace with changes in the cost of living. The Pension Modernisation Commission will be asked to consider this when submitting their recommendations.

The Commission is in the process of compiling a draft report, and will host consultations prior to compiling a final set of recommendations for submission to Cabinet.

FINANCIAL SECTOR STABILITY

Madam Speaker

Our financial sector remains resilient in the face of a number of challenges. The matters pertaining to Antigua Barbuda Investment Bank (ABIB) are closer than ever to being resolved. We are happy to say that we, the UPP Government, have kept our promise and protected the interests of depositors with that institution. This is being done at substantial cost to the Treasury, but the hard earned deposits and life savings of enterprises and individuals must be safeguarded. We expect that within the next few months ABIB will be operating as a restructured institution with a new licence, having satisfied both the Government and the Eastern Caribbean Central Bank (ECCB) that its systems are robust and its level of capital more than adequate. At this time we wish to thank all parties and stakeholders that have attended to the resolution of ABIB, including the Monetary Council of the Eastern Caribbean Currency Union, the Eastern Caribbean Central Bank, the Oversight Committee of prospective shareholders, the Antigua and Barbuda Workers Union, the Caribbean Development Bank and other development partners. Their active participation in the resolution process has imbued depositors, creditors, staff and suppliers with confidence and loyalty to stay the course in anticipation of a satisfactory outcome.

We are also happy to report continuing progress with respect to British American Insurance Company Ltd. (BAICO). On Monday 25th November 2013, Phase III of the BAICO Policyholders' Relief Programme commenced and over the ensuing three-month period payments of up to EC\$30,000.00 will be made to Owners or Assignees in respect of:

- BAICO Executive Flexible Premium Annuity;
- BAICO Flexible Premium Annuity Policies; and
- Any BAICO policy of which at least one of the Owners is an individual.

We are pleased that these payments are being made, Madam Speaker, as Antigua and Barbuda was one of the Eastern Caribbean countries most severely impacted by the BAICO debacle, almost to the tune of EC\$300 million. In this connection, we wish to thank the Government of the Republic of Trinidad and Tobago which has provided substantial financial resources and continues to be supportive of our efforts to achieve the best outcome from these unfortunate circumstances.

The issues of ABIB and BAICO have caused licensors, legislators and regulators to take a closer look at the regulation of financial institutions. Consequently, regulators are taking a holistic look at their operating environment with a view to making the regulatory function more effective. In this vein, the Financial Sector Regulatory Commission has embarked upon an ambitious and comprehensive programme of reform in five broad areas, namely Human Resources, Regulation, Corporate Governance, Legislation and

Information Technology. The reform initiatives are well advanced and once completed will result in:

- (a) A consolidation and strengthening of legislation to provide a more effective regime for the regulation of International Banks, Insurance Companies and other financial services;
- (b) An empowered Board of Directors to which the Chief Executive Officer is solely and directly responsible;
- (c) Establishment of a fit and proper test to be met by all Directors;
- (d) Extensive documentation of Regulatory and Standard Operating procedures;
- (e) A more effective Human Resource management function to include more transparent performance appraisals of staff; and
- (f) Establishment of the position of Chief Regulatory Officer to facilitate more effective reporting to the Board on regulatory and compliance issues.

In addition to the restructuring work, the FSRC has had to address a number of challenges in respect of its regulatory mandate. One such challenge relates to the Antigua Overseas Bank (AOB). In April 2012 the FSRC appointed Joint Receiver Managers (JRMs) to manage the affairs of AOB. The JRMs, having assessed the situation of the Bank, submitted a number of reports to the FSRC, including a proposal to reorganize the Bank. The proposal was ultimately approved by the Court and involves the injection of funds by new investors to help recapitalize the AOB. Under this reorganization process the depositors and creditors have been safeguarded from the negative fallout of liquidation. The Government wishes to commend the FSRC and the JRMs for arriving at a solution that has no doubt protected the international banking industry in Antigua and Barbuda.

Madam Speaker, turning to the work of the Office of National Drug Control Policy, the ONDCP continues to pursue its objectives of safeguarding the people of Antigua and Barbuda by improving its operational efficiency and enhancing effectiveness with respect to investigations of organized crime. The organization stands on three pillars: countering narcotics operations; conducting financial investigations and gathering intelligence; and ensuring effective supervision of financial institutions to counter money laundering and the financing of terrorism.

In the area of AML/CFT Compliance, the staff of the ONDCP's Financial Compliance Unit was reinforced, thereby strengthening its capacity to monitor institutions and ensure on-time submissions of the AML/CFT Annual Audit and Terrorist Property Reports. There were 19 examinations for the period under review, representing a 137.5 percent increase. The examinations covered Travel Agencies, Money Lending and Pawning operations, Car Dealerships, Real Estate Agencies, International Banks, Domestic Banks,

Dealers in Precious Metals and Stones, and Money Services. During the year seven successful counter narcotics operations were conducted, resulting in the arrest of 18 persons. Since 2007 the ONDCP has had 49 drug related cases with 26 successful convictions, 20 remaining before the Court, one dismissal and two not pursued.

During the year the Financial Intelligence Unit (FIU) received approximately 213 Suspicious Activity Reports, of which seven were disseminated for investigation. Almost 500 persons from Financial Institutions and Government agencies received training on AML& CFT laws, regulations and guidelines. These efforts are commendable and demonstrate the progress being made by the FIU in providing training to a wide cross section of financial institutions.

As a result of strengthening the collaboration with Customs, Airport security and Immigration at the airport, border security has improved which has resulted in additional cash seizures from the illegal movement of cash across our borders. The Agency has investigated 59 money laundering cases, of which 26 were successfully completed and 28 are still with the court. Three cases were dismissed and two have ended in acquittals.

In addressing strategic areas of AML/CFT deficiencies, the Supervisory Authority and the Government of Antigua and Barbuda have made significant progress toward improving the AML/CFT regime by initiating a plan of action to: implement procedures to identify and freeze terrorist assets; address secrecy provisions; and improve the overall supervisory framework for AML/CFT. In this connection, the resurgence of a vibrant Financial Sector in Antigua and Barbuda is paramount to improving the country's economy. Therefore the Supervisory Authority must ensure that AML/CFT Compliance is mainstreamed into all financial institutions.

The ONDCP has continued to do its best to contribute to the safety and security of Antigua and Barbuda through its efforts against organized crime associated with drug trafficking, money laundering and/or the financing of terrorism.

Madam Speaker

As a result of the Stanford debacle in 2009, Antigua and Barbuda came under intense scrutiny from the international community – in particular the Financial Action Task Force (FATF). There were questions about the effectiveness of our regulatory systems and capacity, and concerns about the legislative and institutional arrangements to comply with international AML/CFT requirements. In light of these concerns, the CARTAC and a team assembled by the Caribbean Financial Action Task Force (CFATF) conducted assessments of the Financial Services Regulatory Commission. Based on the findings of these reports, Antigua and Barbuda agreed with the FATF on an Action Plan Matrix to address a number of shortcomings in respect of regulation of the Financial Services Sector and supervision of AML/CFT issues. Over the past few years the FSRC and the

ONDCP, along with the Government, have worked assiduously to address all the issues contained in the Action Plan. In December 2013 representatives from the Americas Regional Review Group (ARRG) of the FATF visited Antigua to assess the effectiveness of various pieces of legislation and a number of international supervisory standards and practices.

By all accounts, the onsite visit of the high level ARRG team was successful and we are optimistic that the report to the FATF in February of this year will be positive and supportive of Antigua and Barbuda's efforts to improve compliance with the FATF's Forty Recommendations, the accepted international standards for combating money laundering, the financing of terrorism, and the proliferation of weapons of mass destruction. We are also hopeful that upon receiving the report of the assessors, the FATF will remove Antigua and Barbuda from its position on the "grey" list and upgrade our country's status to 'compliant with international standards and practices'.

BUDGET PROJECTIONS – 2014

Madam Speaker:

Recurrent expenditure for fiscal year 2014 is estimated at \$874,824,842, while recurrent revenue is estimated at \$702,445,985. Recurrent expenditure excluding principal payments, is estimated at \$692,345,538. Accordingly, we project a current account surplus of \$10,100,447 for 2014.

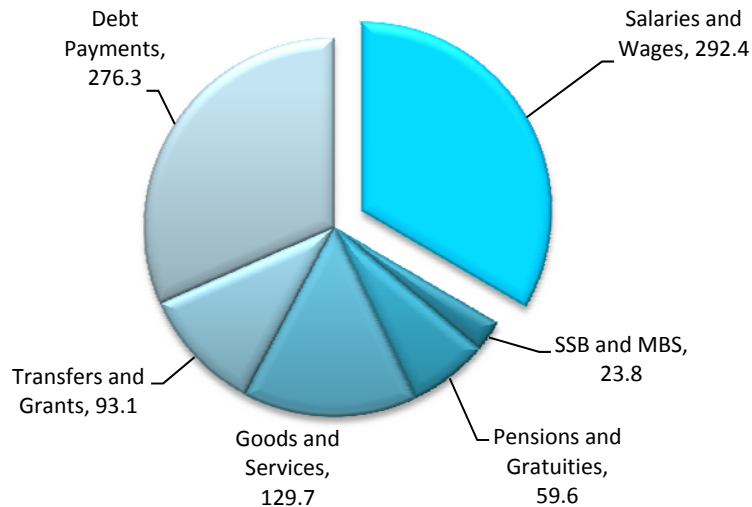
Recurrent Expenditure

Recurrent expenditure, which is budgeted at \$874,824,842 for 2014, is 26 percent less than the revised budgeted expenditure of \$1,086,239,206 for 2013. The revised estimates for 2013 capture a number of commitments that arose during the course of the year, particularly related to court judgments.

Government's Recurrent Expenditure is comprised of the following categories:

- Salaries, Wages and Allowances
- Contributions to Social Security and Medical Benefits
- Pensions and Gratuities
- Goods and Services, including Utilities
- Transfers and Grants
- Debt Service Payments

Chart 18: Categories of Recurrent Expenditure (EC\$M)



In 2014 expenditure on salaries and wages is budgeted at \$292,371,108 compared to \$302,352,035 for the revised estimates for 2013.

Government's Social Security and Medical Benefits contributions are budgeted at \$23,813,075 compared to \$20,621,538 budgeted for 2013. The amount allocated for statutory contributions has grown due to the higher contribution rate and the increase in the insurable income ceiling.

For pensions and gratuities a budgetary allocation of \$59,601,760 is included in Budget 2014. This compares with the revised figure of \$262,033,892 for 2013. The revised figure for 2013 reflects a number of compensations and indemnity commitments related to a number of court judgments, most notably the Half Moon Bay matter.

We have budgeted \$129,689,440 for expenditure on goods and services in 2014. This compares to \$161,068,354 in the revised estimates for 2013.

In terms of transfers and grants, we budgeted \$93,070,155 for 2014. This compares to \$103,822,293 in the revised estimates for 2013.

Finally, Debt Service payments are budgeted at \$276,279,304 for 2014.

BUDGETARY ALLOCATIONS

Office of the Prime Minister

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

This Ministry has been allocated the sum of \$40,337,859 to pursue the following strategic objectives in 2014:

- (a) Increasing sustainable energy awareness in the public sector and developing and implementing a Sustainable Energy Action Plan;
- (b) Enhancing the ONDCP's capability to better supervise financial institutions and improve the financial analysis and financial investigations capacity of the agency;
- (c) Utilizing our diplomatic network for the advancement of the human resources of our nation;
- (d) Developing clear operational guidelines; providing professional diplomatic protocol and consular services;
- (e) Continuing to disseminate information of relevance to the public through the main government portal www.antiguabarbuda.gov.ag

Investing in the Development of Barbuda

In 2014 the central government will continue to improve arrangements and implement programmes that will:

- (a) Assist Barbuda to attract and implement economic projects;
- (b) Provide increased training and support to the Barbuda Local Government on interacting with Central Government and understanding public sector operations; and
- (c) Support Barbuda in implementing a viable and affordable transportation system between Antigua and Barbuda;
- (d) In addition, \$3.9 million has been allocated for the Barbuda Justice Complex and \$6.5 million is included in the Budget for subvention to the Barbuda Council.

Information and Communication Technology (ICT)

Madam Speaker

We have allocated \$9.6 million to support the work of the Ministry of Information and Communication Technology. This Ministry continues to work with a number of national and external partners to develop and implement a number of programmes geared to enhancing the use of technology in every aspect of life in Antigua and Barbuda. The Connect Antigua and Barbuda Initiative and the Government Assisted Technology Endeavour (GATE) are the flagships of the Ministry and have garnered regional and international attention and praise.

Thousands of students and teachers have received tablets and high speed internet connectivity free of cost under the GATE programme. The GATE Cadet Training facility provides training to participants in computer repairs, upgrades and diagnostics, and develops their skills in areas such as photography, videography and new media techniques. In 2014 the Government will expand the GATE programme to allow up to 500 new cadets to receive training at the facility.

The Ministry will also launch a new programme called the Human Entrepreneurship and Assistive Resource Technologies (HEART). Under this programme we will:

- (a) adopt an Accessible Technology Charter and appoint an e-Inclusion Champion;
- (b) provide entrepreneurship training to 500 persons and businesses;
- (c) provide support to several institutions including Mount Saint John Medical Centre, the Clarevue Psychiatric Hospital, the Fiennes Institute, the Adele School, the Unit for the Blind, and the School for the Deaf;
- (d) develop an ICT Business Incubator Model that will focus on Mobile App development. The Ministry is negotiating funding from the World Bank to finance this project.

Madam Speaker, the Ministry will also partner with the Commonwealth Telecommunications Organisation to host a pan-Caribbean conference on e-accessibility and will train two young Antiguan and Barbudan to develop ICT programmes for use by persons with disabilities.

The Government will collaborate with a private sector institution to establish a Government Data Centre that will meet data warehousing needs of the public sector. This new Data Centre will utilize cloud computing solutions for non-mission critical operations of the Government.

Finally, Madam Speaker, the Office of the Prime Minister represents Antigua and Barbuda's interests as a shareholder in LIAT (1974) Ltd. Much has been said about the

challenges experienced by LIAT. over the past year. However, as one of the major shareholders, we will continue to support LIAT as we have done in past. In 2006 we injected over US\$5 million as contribution to our equity stake in LIAT and just last year we contributed another US\$3 million towards equity. In 2006 the Government also acquired funding through a loan from CDB in the amount of US\$21.8 million to support the restructuring of LIAT. The Government has supported the sale of LIAT planes as well as the return of leased planes over the last two years, by allowing the planes to move freely without any port charges. In 2013 this Government also assumed US\$21 million of a Caribbean Development Bank loan extended to LIAT to implement its re-fleeting project. We will continue our unwavering support through the LIAT Headquarters Agreement, which was executed in January 2014 of this year.

In 2014 we will contribute another US\$4 million in equity to LIAT. The government will spearhead and finance the construction of a new hangar facility for LIAT at an estimated cost of US\$5 million. The new headquarters for LIAT will be established at the old V.C. Bird International Airport terminal once the new airport terminal is commissioned later this year. The Government will undertake an extensive refurbishment of the site to ensure the new LIAT headquarters are modern and well appointed.

Madam Speaker, this Administration's support for LIAT is indicative of our commitment to ensuring the survival of this critical component of regional transportation and to securing the jobs of more than 500 persons in Antigua and Barbuda. We are thankful that even with the struggles that the region has experienced throughout the economic crisis, LIAT's shareholder governments have continued to rally behind the Caribbean Airline. On behalf of all Antiguan and Barbudans, I can proudly say that we will continue to stay the course.

Ministry of Health, Social Transformation and Consumer Affairs

Madam Speaker

This Ministry's budgetary allocation for 2014 is \$98,224,280.

Achievements in 2013 include:

- Opened the Bethesda Clinic;
- Commenced construction of the Cedar Grove Clinic;
- Opened the All Saints Dental Clinic;
- Extended working hours at Grays Farm Health Centre;
- Opened the Vision Centre at Grays Farm Clinic;

- Opened the Emergency Medical Services Sub Station in Johnson Point;
- Established an American Heart Association (AHA) Training Site at EMS Headquarters. To date the Emergency Medical Services Training Academy has trained in excess of 100 healthcare providers and lay rescuers, including nurses, EMT's, doctors, dental assistants and utility workers;
- Refurbished the Male Convalescence Ward at Clarevue Psychiatric Hospital;
- Restarted a Patients' Farm Project at Clarevue;
- Implemented free eye examinations for all patients and staff at Clarevue;
- Developed draft Tobacco Control legislation;
- Held the Inaugural Schools Health Fair;
- Provided free and confidential HIV testing and counseling to more than a thousand persons;
- Continued formulation and oversight of the Government's extensive social and related policies and programmes;
- Developed a Social Protection Policy;
- Completed the draft Report of the Convention on the Rights of the Child;
- Continued street naming and household numbering in collaboration with the governments of Columbia and Mexico;
- Completed the National Marine Plan in collaboration with the Department of Marine Services;
- The Prices and Consumer Affairs Division investigated a large number of faulty goods and services cases with a 75 percent success rate, while the other 25 percent have been sent to the courts for adjudication;

Strategic Priorities for 2014 include:

- Establishing a Central Beneficiaries Registry that will be a national database of all social programmes and their beneficiaries;
- Implementing the National Poverty Reduction Strategy;
- Coordinating and monitoring implementation of the Social Protection Policy in collaboration with UNICEF;
- Improving operations at the Department of Social Policy, Research and Planning by recruiting qualified experts in social development;
- Finalising work on the report of the Convention on the Rights of the Child;

- Delivering ongoing training in Emergency Medical Services to Emergency Medical Technicians and to other key personnel in the health care and other sectors;
- Continuing to work with the Ministry of Works to refurbish and repair health care facilities, particularly community clinics, to encourage greater reliance on these facilities for primary health care services;
- Creating additional Vision Centres in a number of clinics and expanding the programme to screen and deliver affordable eye care to an increasing number of persons in our communities;
- Enhancing the National Vocational Centre for Persons with Disabilities, establishing a National Register of Persons with Disabilities; and developing a National Policy for Persons with Disabilities;
- Collaborating with private and public sector partners to repair existing equipment and acquire new capital items that will enhance service delivery at the Mount St. John Medical Centre;
- Continuing the programme of free and confidential HIV testing and provision of counselling and treatment support through the AIDS Secretariat;
- Increasing efforts to prevent transmission of HIV from mother to child during pregnancy, labour, delivery and breast feeding;
- Enhancing consumer rights education through lectures, media presentations and publication of the Consumer Impact Quarterly and the Consumer Protection and Information Guide;
- Investigating and resolving cases on behalf of consumers;
- Continuing the Schools Health Fair;
- Improving service delivery at the Clarevue Psychiatric Hospital and Fiennes Institute by implementing new and enhancing existing programmes that help to preserve the rights and dignity of those who rely on these institutions for care;
- Increasing opportunities for specialized training of nurses.

Ministry of Agriculture, Lands, Housing and the Environment

Madam Speaker

The Budgetary allocation for this Ministry in 2014 is \$17,703,184.

Major achievements in 2013 include:

- The National Food and Nutrition Security Plan of Action was presented to a National Consultation, and implementation actions have been accepted;
- Cabinet approved the National Environment Protection and Management Bill;
- Exports of seafood to the EU continued through the newly constructed Barbuda Fishing Complex at an average of 4000 kilograms per month;
- The Fisheries Regulations 2012 were approved;
- In collaboration with a group of development partners the Ministry is implementing the Zero Hunger Challenge programme;
- The Plant Protection Act No. 18 of 2012 came into force upon being gazetted on March 14, 2013;
- Some 2,500 pounds of pedigree cotton seeds to maintain the genetic inherent desirable characteristics of the Sea Island cotton were produced;
- In conjunction with the Red Cross and the Bendals Community Group the Extension Division rehabilitated the Diamond Hole Dam. The dam capacity is now six million gallons;
- Antigua and Barbuda held a National Week of Agriculture in May, 2013. Forty-five exhibitors occupied the exhibition hall at the Multi-Purpose Centre. Exhibits showcased services and products of the agricultural sector.

Strategic Priorities for 2014 include:

- Implementing the National Food and Nutrition Security Action Plan;
- Mainstreaming key issues such as climate change adaptation and disaster risk management into the budgeting process;
- Reducing the food import bill;
- Updating and enforcing existing legislation and introducing new ones to support development of the agriculture sector;
- Enhancing agriculture's contribution to the consolidated fund by instituting mechanisms for increased and improved revenue generation and collection;
- Implementing the National Youth Farm;
- Completing upgrades to Victoria Park/Botanical Gardens and relocating offices of Environment and Forestry Divisions to the buildings at the park;
- Improving farm feeder roads;
- Implementing the National Physical Development Plan (NPDP).

Madam Speaker, the Ministry will also benefit from a donation of a six ton flake ice machine to be used in the Processing Plant at the Point Wharf Complex. Donations of

lab equipment valued at approximately US\$200,000 will also be received to test for heavy metals, improve environmental monitoring, and increase food testing capacity.

The Ministry will also implement a number of projects under the Technical Cooperation Programme Facility (TCPF). These projects are:

- Rod-and line fishing (angling) for food security. Its aim is to train 25 youth for a job and sustained livelihood;
- Training in fibre glass fishing boat repair and ice-box construction for 10 young people;
- Training in fish processing to for 30 unemployed women;
- Fish-fry training for 10 participants from the fish processing project to help them develop a successful small scale fish-fry business.

These projects will be implemented with US\$63,000 provided through the Technical Cooperation Programme Facility.

Madam Speaker

The Environment Division in the Ministry manages Antigua and Barbuda's environment and implements international environmental agreements (MEAs) to which the country is a party. This mandate requires significant funding and the Ministry will establish the National Sustainable Island Resource Framework (SIRF) Fund to provide funding for general environmental management and for the implementation of the various International Agreements. The fund will not rely on taxes for growth but will earn an income by using grant funding to produce renewable energy. The SIRF Fund is being designed to serve as a vehicle to increase access to international resources for poverty alleviation, climate change and the protection of biodiversity. These grants are estimated at over US\$5 million per year.

The fund will be established in 2014 and is designed to reach maturity by 2020. By 2020 the Fund is projected to save APUA tens of millions of dollars per year and allow it to generate income of just over US\$10 million per year.

Ministry of Tourism and Civil Aviation

An allocation of \$32,102,922 is made in Budget 2014 for this Ministry.

These resources will be used by the Ministry in the coming year to pursue a number of strategic objectives to include:

- Implementing and monitoring the National Tourism Sustainable Development Plan with support from the Tourism Advisory Committee;

- Providing Strategic Safety and Security Equipment for the Air Traffic Sector;
- Developing and upgrading the Meteorology Quality Services;
- Enhancing the Agro-Tourism Sector and experience;
- Developing the Sports Tourism Promotion Initiative;
- Implementing the Community Tourism entrepreneurship Programme;
- Implementing the City's Redevelopment Vision for 2014;
- Operating the new Airport Terminal;
- Continuing to promote Safety and Security in the Beach Unit and other areas;
- Improving health safety, quality, sustainability, profitability and competitiveness in the Tourism sector

Madam Speaker

In 2014 the Ministry will develop interpretation plans for sites and locations that dovetail with visitor interests and tourism marketing strategies; improve visitor experience on drive routes through tourism sites and villages and maximise use of new media and GPS technology. The Ministry will also offer appropriate and site specific training for operators and stakeholders keen to add value via excellent interpretation.

Another priority for the Ministry will be to ensure that the On-line Integrated platform delivers information, content and valuable resources to key stakeholders. Consequently the Ministry will sustain its efforts to enhance the content, navigation, look and feel of the platform, and to install highly valued assets like photography, key messages, and supplier contact information.

The Ministry of Tourism and the Statistics Division will continue to build capacity in the area of tourism statistics. Working with the Caribbean Tourism Organization (CTO) we will provide practical and hands-on training to members of staff to better position the Ministry to provide the type and quality of services that stakeholders and the general public expect. The Ministry will also seek to establish a national committee to spearhead the development of the country's Tourism Satellite Account (TSA) programme.

The Ministry will continue to dialogue with the Antigua and Barbuda Royal Police Force to explore viable options for enhancing visitor safety and security. One critical intervention in this regard will be providing greater police presence on beaches and historic sites. Additionally, we will move to establish a Tourism Policing Unit and are in discussions with other tourism and security stakeholders, with the assistance of the Organization of American States, to establish a Tourism Risk Assessment Committee.

Implementing the Tourism Marketing Strategy will continue to be a core function of the Ministry and \$7.75 million has been budgeted for this purpose. These resources, along with an estimated \$6 million from the 2 percent ABST marketing fund for the Tourism

Authority, will help to ensure Antigua and Barbuda's tourism product is promoted in key source markets.

Ministry of National Security and Labour

This Ministry has been allocated \$74,202,761 for the 2014 financial year.

In 2013 the Ministry of National Security and Labour applied a customer focused, results based approach that resulted in improving the overall service delivery to the public.

Among the Ministry's accomplishments during 2013 are:

- Through capacity building and improved technology, the Ministry increased its detection competence in solving crimes;
- Maintained industrial peace by timely intervention in industrial disputes; strengthened conciliation and mediation capacity; and increased collaboration with trade unions and employers;
- Increased efficiency and effectiveness of the Free Movement Committee in processing the application for skilled national certificates and the verification of skilled national certification, and increased the categories for artistes;
- Implemented the OECS/USAID Juvenile Justice Project which has benefited the Boys Training School, Probation Unit, Ministry of Sports, Youth Intervention Unit and former Truancy Unit;
- Completed the UN Domestic Workers project which has resulted in creation of awareness of UN Convention 189, the rights and contribution of domestic workers to national development;
- Improved customer service and greater efficiency in service delivery at the Passport Office;
- Through skillful lobbying by the ABDF, received donations of coast guard boats and heavy equipment;
- Strengthened the relationship with the private sector, NGO's and volunteers to assist with improving rehabilitative programs and donations to improve the physical condition of Her Majesty's Prison;
- Recruited and trained additional soldiers, police officers, prison officers and immigration officers;
- Procured a new border management and e-Visa system that will facilitate the smooth processing of passengers and visa applicants;
- Rebranded and expanded the New Work Experience Programme with new components such as orientation, classroom training and community service;

- Crafted a five-year strategic plan for the Ministry of National Security and Labour.

The Ministry's priorities for 2014 include:

- Training staff to strengthen the capabilities of the Ministry of National Security and Labour;
- Establishing a Labour Market Information System (LMIS);
- Acquiring one offshore patrol vessel of approximately 35 metres in length;
- Reducing the incidence of fire through education on fire prevention in schools and the public in general;
- Continuing to strategize to become a community-based-policing oriented organization in order to regain confidence of the public and build sustainable communities in which citizens will be safe;
- Providing timely and accurate processing of passengers by Immigration Officers at ports of entry;
- Installing, testing and implementing the new Border Management and e-Visa System within the Immigration Department;
- Implementing the Antigua and Barbuda Skills Training Empowerment Programme (ABSTEP);
- Ensuring the full operation of the Coast Guard station in English Harbour;
- Increasing repair and maintenance of Coast Guard vessels;
- Expanding the Cadet Corps programme in secondary schools;
- Increasing production on the Prison Farm by 30 to 40 percent;
- Increasing knowledge and awareness, providing technical assistance; promoting effective rights-based responses; building capacity of state and non-state stakeholders; fostering partnerships for joint action; and above all, ensuring that everybody takes responsibility for this fight against Human Trafficking;
- Starting work on a new Correctional and Juvenile Facility;
- Repairing and upgrading police stations that are in disrepair;

Madam Speaker, the Ministry will also implement a CCTV project that will involve installing CCTV cameras in strategic points in St. John's to help deter and detect criminal activity. This is a US\$2 million project to be implemented in collaboration with a private sector partner. It will involve high tech 24-hour monitoring that will allow for rapid responses by the police and other security forces.

Another exciting project to be undertaken in 2014 is the establishment of a Maritime School of Excellence at Camp Blizzard that will meet the training needs of local and regional participants. This project is part of the Caribbean Basin Initiative, which has identified Antigua as the best location for this school of excellence.

Madam Speaker, the Ministry will also focus on training more officers to work on the Drug Abuse Resistance Education (DARE) programme in Primary Schools and the REAL programme in Secondary Schools. REAL is an acronym for: Refuse offers to use substances, Explain why you do not want to use substances, Avoid situations in which substances are used, and Leave situations in which substances are used. This is intended to foster police interaction with youth to prevent youth crime, and will help to improve the relationship between the police and communities as they seek to prevent and solve crime. In this regard, the police will continue to assist communities in Antigua and Barbuda to establish and operate neighbourhood watch programmes. The expansion and integration of neighbourhood watches will improve police interaction with communities, thereby helping to prevent and reduce crime.

Ministry of Education, Sports, Youth and Gender Affairs

The allocation for this Ministry in 2014 is \$86,174,895.

Notwithstanding staffing and other constraints in 2013, the Ministry was able to achieve a number of its strategic objectives for the year, chief among them universal secondary education in Antigua. Universal education in Barbuda will soon follow, as we put in place additional classroom space, specialised programmes and staff.

In other notable accomplishments in 2013, the Ministry:

- Conducted multiple and varied training sessions for teachers in ICT, pedagogy, and early childhood education;
- Presented over 70 students from the Antigua and Barbuda Institute of Continuing Education (ABICE) for the Caribbean Vocational Qualification (CVQ) the majority of whom were successful;
- Implemented unlimited wireless access and made e-books available at the public library;
- Offered sports development programmes to over 4,000 students in 11 sporting disciplines;
- Upgraded the Healthy Teen project to include 300 participants;
- Started pre-school classes at the Green Bay and Villa primary schools;
- Appointed an Education Officer to address Special Needs issues;

- Secured a loan from the Caribbean Development Bank to expand Sir Mc Chesney George Secondary School in Barbuda, Irene B. Williams Secondary in the village of Swetes, and St. Mary's Secondary School in Bolans;

The Ministry's strategic objectives for 2014 include:

- Increasing the number of trained teachers;
- Implementing the teacher reclassification programme;
- Opening the National Public Library in its new premises;
- Expanding the TVET programme at ABICE;
- Enhancing the early Childhood Education Programme by starting pre-school classes in other primary schools;
- Bringing the Antigua State College under the management of a Board, as a first step to establishing the University of Antigua and Barbuda;
- Continuing to promote the development of sports programmes to benefit students in schools across many different sporting disciplines;
- Advancing the work of the Special Needs Council and completing work on establishing a home for a Diagnostic Centre where students who present with disabilities may be adequately tested, diagnosed and provided appropriate care and assistance for their learning and development needs.

The Ministry of Education will also continue to implement the UNICEF-funded Child Friendly School (CFS) initiative in schools. The programme is designed to create a friendly atmosphere in which students feel valued and can become more engaged in their academic work through healthy and respectful relationships with principals, teachers and ancillary staff. Another programme that will continue in 2014 is the Cambridge Project. This is a programme funded by the Cambridge University entitled Raising Students' Achievement. Its aim is to sensitise and train teachers on how to effectively engage their students in the classroom. A component of this programme is "Shared Reading" where older students read to younger ones to engender a love for reading. Since this programme has started, libraries in a number of primary schools have been better equipped with reading material for the students. The United States Embassy in Barbados has also donated to this programme, which funding has helped to create reading corners in those schools where there are no physical libraries.

Finally, an important priority for the Ministry in 2014 will be to improve Mathematics in schools in order to arrest the challenge of poor math performance in the CXC examinations. The Ministry of Education has already put in place several measures to counteract this problem and will intensify implementation in 2014. They include:

- (a) A TV programme “Mastering Mathematics” intended to assist students at solving mathematical problems.
- (b) Assigning experienced Mathematics teachers to schools to support those teachers who may be having difficulty delivering the Mathematics syllabus.
- (c) Undertaking Boot camps that will assist teachers of Forms 4 and 5 in the first instance, to understand how to solve the problems presented in CXC Mathematics papers and how best to transfer that know-how to their students.
- (d) Twinning with the University of the Virgin Islands (USVI) to offer the opportunity for promising, young Mathematics students to earn Mathematics degrees.
- (e) Providing opportunities for training at least five teachers at the Masters level in Mathematics.
- (f) Providing at least two students with scholarships annually through the Board of Education to pursue a degree in pure Mathematics.

Ministry of Finance, the Economy, Public Administration, Public Broadcasting and Information

The Ministry of Finance, the Economy, Public Administration, and Public Broadcasting and Information is allocated is \$101,269,720 in Budget 2014.

This multifaceted Ministry can claim a number of achievements in the 2013 Financial Year. Among the pivotal ones are as follows:

- Attained fiscal targets agreed in the IMF-assisted Fiscal Consolidation Programme, successfully completed the IMF Stand-by Arrangement and received final SBA disbursement;
- Negotiated and received a US\$10 million loan from the World Bank to finance the Public and Social Sector Transformation Project;
- Concluded negotiations for rescheduling and/or settlement of a number of debts;
- Completed and submitted the 2009 and 2012 Financial Statements to the Director of Audit;
- Reduced time taken to process payments; improved account reconciliation; and achieved accurate and reliable financial reporting;
- Declared two CARICOM Standards as National Standards;
- Implemented trade agreements and obligations with respect to CSME; CARICOM Trade and Competitiveness Project; COTED decisions; Eastern

Caribbean Regional Oceans Policy and the three (3) year Strategic Plan; and made significant advances in resolving the WTO Gaming Case;

- Continued disposal of government vehicles to officers with exclusive use of vehicles;
- Successfully completed the 2011 Round of the International Comparison Programme (ICP), regular release of the monthly consumer price index, compiled the 2012 National Accounts statistics and 2012 Balance of Payments; revised and enhanced the survey design of the Visitors Motivation and Expenditure Survey (VMES).

The strategic priorities for 2014 include:

- Developing and implementing policies and programmes to attain medium term fiscal and debt targets;
- Engaging stakeholders and the general public on developments related to macroeconomic management;
- Completing and submitting to the Director of Audit the 2013 Financial Statements;
- Further developing the Internal Audit Unit and auditing high risk departments
- Improving the Accounting structure and system in all Government Accounts Departments;
- Participating in the PEFA assessment and continuing to improve Treasury and Budget procedures in line with International Public Sector Accounting Standards (IPSAS) ;
- Developing and implementing new procedures for the Accounting Units in Ministries and Departments to improve financial management and reporting;
- Promoting and developing national standards, enhancing the national measurement infrastructure, and assisting businesses to use standards for production, export and management;
- Expanding and enhancing postal services;
- Improving statistical quality, data publication and dissemination;
- Producing and disseminating housing, population and inequality statistics, conducting household surveys for economic and social statistics, and improving data publication and dissemination;
- Transitioning from the Statistics Division to the National Bureau of Statistics;
- Enhancing the work of the SOE Oversight Unit to ensure improved monitoring and assessment of statutory corporations;

- Implementing the PFM Coordination Unit and establishing the Macro Fiscal Policy Unit;

The Ministry will also move to appoint the Procurement Board as well as the Chief Procurement Officer and at least two other officers to facilitate implementation of the Procurement Administration Act. Once this is done, training will be provided to the staff of the Unit and to the relevant officers in the Ministries and Departments on their roles and responsibilities in the new procurement system and to equip them with the skills and knowledge to perform their duties. Similar interventions will be held for contractors and suppliers. Some of this training as well as assistance in preparing some of the key documentation required to make the Procurement Act operational will be provided by a consultant funded through the PFM project.

Finally, Madam Speaker, the Government continues to support the restoration of the Cathedral of St. John the Divine, one of Antigua and Barbuda's historic sites. This support is provided through waiver of taxes and will also include a grant to the Cathedral that matches the amount of funds raised by the church in aid of the restoration process in 2013. The Government commits to continue to support the restoration project through tax waivers and will again match whatever resources are raised through the Cathedral's fundraising initiatives up to \$500,000.

Ministry of Works and Transport

A budgetary allocation of \$71,642,870 has been made for this Ministry in 2014 and an amount of \$108,250,062 for capital expenditure. The Government will intensify capital works to include road works, refurbishing Government buildings, and will implement capital projects in a number of Ministries and in Barbuda.

Achievements in 2013 include:

- Completed forty eight miles of base works, three miles of concrete drains, and five miles of road with asphaltic concrete;
- Kept all the main arteries into St. John's in acceptable condition throughout the year;
- Built a new roof over the main hall at the House of Culture. Major upgrade works will be completed in fiscal year 2014;
- Renovated several government departments and facilities during the period under review, to include the General Post Office, the Antigua and Barbuda Defence Force Headquarters, Sir Vivian Richards Stadium, Clarevue Psychiatric Hospital, Parliament Building, ABIIT, and Government House;
- Entered into new rental agreements to house government departments. These included new facilities for the Bureau of Standards, the Development Control

Authority and the Department of Labour - One Stop Employment Centre. The Department of Gender Affairs is now enjoying improved facilities, allowing for improved services, having been relocated to the Silston Building on Redcliffe Street;

- Completed the development of a three year strategic plan (2013-2015) utilizing the expertise of the Caribbean Centre for Development Administration supported by resources of the Public Sector Transformation Unit;
- Started phase three of the three-phase Rental Agreement Renewal and Rationalization Project;
- Continued to provide significant maintenance services to the nation's schools, in spite of the financial challenges;
- Refurbished the plant at the Burma Quarry, resulting in significantly increased output of material for the road programme;
- Reactivated two quarries to service the Ministry's expanded road programme with sub-base material, namely Parham and Lindsay's quarries;

Priorities for 2014 include:

- Facilitating the relocation of the Establishment Department, the Ministry of Trade and Commerce, and the Probation Unit;
- Commissioning the new Heavy Equipment Maintenance and Repair Centre.
- Acquiring land and undertake design work to facilitate the upgrade and construction of facilities to house the technical and administrative arms of the Ministry.
- Establishing technical criteria for infrastructural works.
- Developing a standardised contract for a number of services and arrangements entered into by the Ministry.
- Implementing the sweeping and dredging of St. John's Harbor project;
- Continuing to implement and monitor compliance with the Vehicle Use and Management Policy.

The Ministry will also work with the various Ministries and Departments to implement the \$108.2 million in capital projects. Of this amount, \$35.1 million has been allocated to major construction of roads, drains and bridges and for road repair and maintenance in communities across Antigua and Barbuda. With these resources the Ministry will continue work in a number of areas including Dickenson Bay, Cashew Hill, Big Creek, Mac Pond, Lightfoot, Tyrells, Hatton, Five Islands, New Winthropes, Golden Grove New

Extension, Buckleys, Bolans, Urlings, Cedar Valley, McKinnons, Seaview Farm, Barnes Hill, and Powells. New areas of focus in 2014 will include Carlisle, Paynters West, Lower Gambles, Longfords, and Cedar Grove. The Ministry will also continue its minor repair and maintenance programme in a number of areas including All Saints Road, Potters, Piggotts, Carnival Gardens, and Friars Hill.

Other capital projects to be implemented in 2014 include expansion and renovation of the National School Meals kitchen; construction of the Five Island Secondary School with grant funding from China; constructing the Disaster Preparedness Emergency Centre; land development; refurbishing the Post Office; implementing ASYCUDA World; installing an electronic ID card and registration system at the Electoral Commission; renovation of police stations; purchase of fire tenders and marine vessels; and restoration of airport radar.

Other Budgetary Allocations

Expenditure for Democracy and Governance

The Budget 2014 allocation for the Governor General's Office is \$1,092,973.

For the Legislature, the allocation is \$2,433,415.

The allocation for the Cabinet Office is \$3,259,575.

Expenditure for the Justice System

The allocation for The Judiciary is \$1,853,088.

For the Office of the Attorney General and Ministry of Legal Affairs, an allocation of \$10,074,980 will enable the Government to continue implementing its legislative agenda in 2014.

Allocations for the Service Commissions, Audit Department, Pensions and Gratuities, Charges on the Account of the Public Debt, Electoral Commission, Office of the Ombudsman

- The 2014 Budgetary allocation for the Service Commissions is \$678,479.
- The provision for the Audit Department is \$1,109,434.
- For Pensions and Gratuities, we have allocated \$54,462,839.
- The provision for Charges on the Account of the Public Debt is \$276,279,304.

- The 2014 provision for the Electoral Commission is \$4,676,783 and \$480,051 has been allocated for the Office of the Ombudsman.

RECURRENT REVENUE

Madam Speaker

Recurrent Revenue for Fiscal Year 2014 is budgeted to be \$702,445,985. This anticipated 15 percent increase in revenue over the expected actual revenue outturn for 2013 will NOT be achieved through any new taxes or tax increases. Madam Speaker, I repeat, this Administration has no intention of introducing any new taxes, nor will we increase any existing taxes. The growth in revenue will be a result of increased economic activity in 2014 as implementation of a number of projects I highlighted earlier commences; the revenues generated through the Citizenship by Investment Programme; and continued reforms in the tax administration system that will bring about increased compliance. Tax revenue accounts for about 85 percent of total recurrent revenue and is budgeted at \$595,462,501. Non-tax revenue makes up the remaining 15 percent of recurrent revenue and is budgeted at \$106,983,484. Tax revenue is comprised of direct taxes, which account for 16 percent of recurrent revenue; and indirect taxes, which make up 69 percent of recurrent revenue.

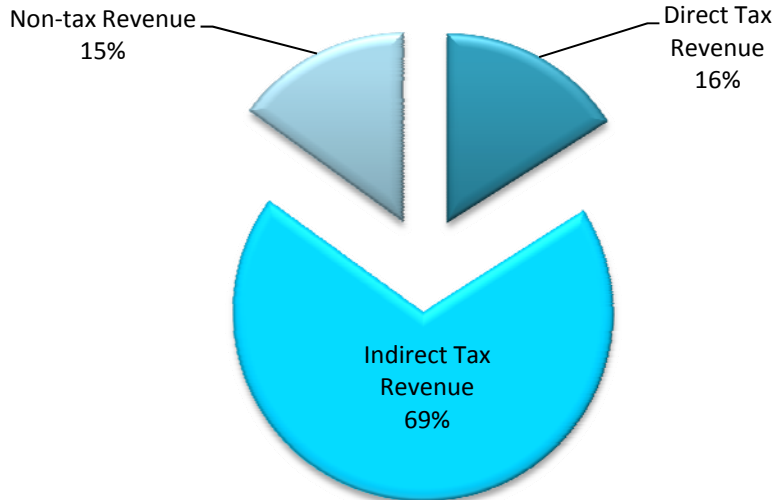
Direct taxes are projected to yield \$110,651,861 in 2014. Of this total, \$84,689,752 represents revenue from taxes on income while \$25,962,109 represents revenue from taxes on property. The main sources of the projected revenue from taxes on income will be the Corporate Income Tax and the Personal Income Tax. The Corporate Income Tax is expected to yield \$45,000,000 in 2014, while the Personal Income Tax is projected to generate \$39,689,752.

You may recall, Madam Speaker, that in December 2012 the Government empanelled a Tax Policy Review Taskforce, comprised primarily of representatives from the private sector. A wide spectrum of interests were represented including the accounting profession, attorneys-at-law, bankers, the Chamber of Commerce, Employers' Federation, trade unions, contractors, persons engaged in the information technology sector, and the public sector. The taskforce was set up to examine all aspects of tax administration and to submit recommendations for reform to ensure the tax system could better support business activity without compromising fiscal stability.

I wish to thank the numerous persons who volunteered their time, knowledge and experience, and to state publicly that their effort is deeply appreciated. The Taskforce submitted its final report to the Ministry within the last seventy two hours. Though the Cabinet has not yet had an opportunity to review the report in detail, it has decided to make certain changes to the structure of the Personal Income Tax. I stress that the

proposed changes do not necessarily reflect the recommendations of the Taskforce, though their work influenced the changes I will announce later in this presentation.

Chart 19: Distribution of Recurrent Revenue



Direct Taxes

Madam Speaker

The Property Tax generates about 98 percent of the revenue collected from taxes on property and is projected to yield \$25,555,789 in 2014. Other contributors to taxes on property are the Land Tax and the Non-Citizens Undeveloped Land Tax, which account for 2 percent of revenue in this category. After the new Property Tax Act came into force in 2008, the average annual collection from Property Tax increased from \$8.8 million to \$16.9 million. This is almost twice the average annual collection for the period 2000 to 2007 and was achieved by including previously unregistered properties on the tax register and increasing the level of compliance. In 2014 the Property Valuation Department will intensify its efforts to improve compliance, particularly in respect of high end properties.

I wish to thank Mr. Lesroy Samuel, Chief Valuation Officer and the staff of the Property Valuation Department for their continued hard work and to encourage them to continue to vigilantly implement the provisions of the Act. The Department can also be expected to assist and guide property owners to understand their responsibilities as well as their entitlements under the law.

Taxpayers are reminded of the existence of the Income Tax Appeal Board, the Valuation Appeal Board, and the Property Tax Relief Committee. A taxpayer who wishes to do so can challenge his income tax assessment by applying to the Income Tax Appeal Board. Property owners may appeal their property valuation by presenting their case to the Valuation Appeal Board. They may also seek a suspension of payment of the Property Tax by making representation to the Property Tax Relief Committee.

Indirect Taxes

In 2014 indirect taxes are expected to yield \$484,810,640. Of this, taxes on domestic production and consumption are forecasted to yield \$263,153,816. Included in this category of indirect taxes are the Antigua and Barbuda Sales Tax (ABST), Stamp Duties, and various fees and licenses such as banking and Insurance Licences and fees, and the Insurance Levy.

The ABST is projected to yield \$224,456,147 in 2014 and accounts for about 46 percent of indirect tax revenue. We expect to achieve this yield in 2014 with the continued strict application of the Tax Compliance Certificate (TCC) and the introduction of other policies that will ensure that any entity that collects trust funds such as the ABST and the Personal Income Tax pays over these amounts into the Consolidated Fund, as required by law.

Even as we increase our efforts to improve compliance, the Inland Revenue Department has an obligation to make it easier for taxpayers to conduct business with the department. It is in this light that we will introduce a Taxpayers Charter that will set out clearly the obligations of the Commissioner to be accountable and transparent in his dealings. As well, it sets out the avenues available to taxpayers to challenge assessments made by the Commissioner. The Government will also make it easier for taxpayers to understand their obligations, and to be aware of the consequences of failing to comply with the laws, by consolidating details of filing requirements and penalties in one piece of legislation. Currently taxpayers must consult four or more pieces of legislation to determine their obligations and to familiarize themselves with their entitlements and procedures for recourse as stipulated in the law.

In addition to the above we are strengthening the capacity of the Taxpayer Services Unit of the Inland Revenue Department to inform, educate and empower all taxpayers through the timely dissemination of information relating to the filing and payment of all taxes. This will range from information on the filing dates, the forms to be used, the penalties and interest that would apply in the case of non-compliance, and the procedures to follow to mitigate such penalties and interest.

Madam Speaker

Taxes on international trade and transactions make up the other category of indirect taxes. These taxes include the import duty, the revenue recovery charge, travel tax, and the consumption tax. Taxes on international trade and transactions are projected to yield \$221,656,824 in 2014.

The Import Duty is projected to generate \$82,280,801 in revenue while the Revenue Recovery Charge is expected to yield \$71,835,716. The forecasted increase in revenue from these taxes is based on the economic growth projected for 2014. Revenue from the consumption tax, which is levied on fuel, is estimated at \$34,022,425 in 2014. This assumes that the international price per barrel of oil will average between US\$90 and US\$100 in 2014. The US Energy Information Administration release dated January 7, 2014 forecasts Brent crude oil spot prices to average US\$105 per barrel, while West Texas Intermediate (WTI) crude oil spot prices are projected to average between US\$90 and \$93 per barrel.

While the pass-through mechanism is the stated policy of the Government, we opted to not increase fuel prices in light of the economic conditions. Over the period January to November 2013 the consumption tax on fuel averaged \$2.10, which is 50 cents below the minimum consumption tax margin established by the ECCU Monetary Council. In January and February the consumption tax margin was 21 cents and 36 cents above the \$2.60 target margin. However, for the rest of the year, the margin was below the \$2.60 target – in June by as much as \$1.01. If the full pass-through were implemented, the price for gasoline at the pump would have increased from \$14.99 to \$16.10. This price includes the subsidies for bus drivers and gas station dealers.

In the absence of these subsidies, the price for gasoline with the full pass-through would have been \$15.90. In 2014 we will review the application of the pass-through mechanism, taking into account the potential impact of any fuel price changes on the public and on overall fiscal stability.

Finally, the Travel Tax is a 10 percent charge on airline tickets. In 2014 this is projected to yield \$8,125,641.

Madam Speaker

Non-tax revenue is the other source of recurrent revenue and it is projected to yield \$106,983,484 in 2014. The components of this category of revenue include dividends from the ECCB and the West Indies Oil Company, income from postal services, revenue from leases, and surplus funds from merchant shipping. This 23 percent increase in expected revenue from non-tax revenue compared to projections in Budget 2013 is due, for the most part, to the anticipated \$60,000,000 in revenue to be generated from the

revenue line – Citizenship by Investment Receipts. There is expected to be an associated 122 percent increase in revenue from Passport and Naturalisation Fees which are projected yield \$10,643,440 in 2014.

Madam Speaker

We will continue to work with regional and international experts and development partners in tax and customs, and they, together with our local staff and technicians, will labour assiduously to close the numerous loopholes that have been exploited by many businesses and self-employed persons, to avoid paying their fair share of taxes. During 2013 we turned our focus to self-employed professionals, and this will continue in 2014, while we expand the net to incorporate all self-employed individuals. Because of our efforts over the last three years, we have witnessed a considerable improvement in the level of taxpayer compliance across all tax types. Despite this improvement, we appreciate that we have further work to do, and so our efforts will be sustained in 2014 and beyond.

As was reported one year ago, we have made the decision to change our core Customs operating system from CASE, which is outdated and provides limited functionality, to ASYCUDA World, which is a modern system specifically designed for Customs operations. It was our expectation that work on this changeover would have commenced in 2013, but we experienced delays with the financing. I am however pleased to report that the European Union is about to execute the Contribution Agreement with UNCTAD, to facilitate commencement of the project. Implementation should take up to 18-months, so at this stage we anticipate that the new system would be fully operational by the third quarter of 2015.

Upon completion, this will significantly enhance the customer experience at Customs. Other changes currently in progress include the establishment of a Risk Assessment Unit and a Post Clearance Audit Unit within the division. Once fully operational, these units will assist Customs to identify high, medium and low risk importers, as regards the potential loss of revenues. The department will continue to examine goods for high risk importers prior to release from Customs. Low risk importers and most medium risk importers will have their goods released without examination, but would be subject to audits following release of the goods. These measures will expedite the release of goods, and are designed to address complaints from importers that it takes too long to uplift goods from Customs.

During 2013 we completed the task of updating the Harmonized System (HS) codes to the 2007 version, and Parliament approved the new Customs Administration Act, which is now being used as a model throughout the region. In keeping with our prior commitments we will commence the licensing and regulating of Customs Brokers, which should be beneficial to the brokers themselves as well as importers.

Madam Speaker, there are other initiatives which have been undertaken or are underway at both Customs and Inland Revenue to include standardizing the charges for specialized services at Customs; implementing the use of new software to monitor petroleum imports; the exchange of data between Customs and Inland Revenue to aid in the identification of risk to revenue; and specialized audits of the telecommunications sectors.

Finally, Madam Speaker, as I stated earlier, this Administration does not intend to introduce new taxes or increase existing ones. There certainly would be no need to do so since we will not act recklessly and eliminate important tax measures that underpin our sound macroeconomic structure. Instead, the improvement in revenue yield will be due to revenue from a new source that is not a tax on the population – i.e. the Citizenship by Investment receipts; enhanced tax administration through better compliance and collections of the taxes that are on the books; and increased economic activity.

I wish to commend the Comptroller of Customs, Mr. Raju Boddu; the Commissioner of Inland Revenue, Mr. Ralph Warner; Revenue Reform Manager, Mr. Everett Christian; Director of ABST Implementation, Mr. Doug McLaren; and all other management and staff of the Customs and Excise Division and Inland Revenue Department for their hard work and dedication over the past year.

DEBT MANAGEMENT

Madam Speaker

I will now review Antigua and Barbuda's debt situation, take stock of where we are today, and discuss the public sector's medium term debt outlook.

For years the mere mention of the word debt, together with the word Government, would elicit very strong and emotive responses from our nation's people. There is no hiding the fact that the subject of our public sector debt had been taboo in all of Antigua and Barbuda, pretty much since the independence of our strong and proud nation. The international community had an appalling view of our Government's ability, not to mention willingness, to fulfil its financial obligations. I do not want to dwell on the past, as every Honourable Member of this House together with every citizen of our beloved country knows quite well that Antigua and Barbuda's debt position was, in a word, unsustainable.

In the early 1980s, the ALP Administration issued a number of long-term debentures and short-term treasury bills domestically. As their poor fiscal policies led to increasing financial constraints, the ALP government was less and less able to meet their fiscal obligations. The demand for cash increased, a number of interest payments on these securities were missed and the principal remained unpaid. Many local investors had

become disillusioned with investing in Antigua and Barbuda. Relations with external creditors had been strained for many years. The government had attempted to strengthen relations by opening communication lines with the creditors with a view to restructuring the debt along more affordable terms. This had yielded limited success.

But Madam Speaker, as I stand here before you today, I am proud to say that our debt situation has radically changed and more importantly, our country's attitude towards debt is also beginning to change for the better. Furthermore, the attitude of creditors towards Antigua and Barbuda, from domestic, to regional, to external, is also changing – everyone is beginning to recognise that no matter what transpires, that no matter what challenges we have to confront and overcome, we are determined to honour all our commitments. The government entered the Regional Government Securities Market and has had an untarnished record since 2006. We have reduced arrears on the long-term debentures and have lowered the total amount outstanding from \$300 million at the end of 2005 to a little over \$10 million in 2013. We have spoken about our improved relations with Paris Club and other bilateral creditors. This has been evidenced in recent times by the Government's active reengagement with USAID and other international partners.

Many called for our debts to be ignored and/or repudiated; failing to understand that such an attitude would affect each and every one of us, with significant negative implications for generations to come.

Madam Speaker, fortunately we did not succumb to those unrealistic calls to pursue a seemingly attractive yet unworkable course of action. Instead, this Government chose to formulate and implement a comprehensive debt strategy that would reduce the debt stock, eliminate arrears and repair Antigua and Barbuda's reputation as a creditor. Under the UPP Administration, our country finally has articulated a clear vision and institutional framework to efficiently and effectively manage our debt burden. Since 2004 we have made significant inroads towards achieving our debt management objectives. These include normalising relations with all our creditors; diversifying sources of financing; regulating borrowing practices among public sector entities; and establishing dynamic and sustainable debt management policies and procedures.

The structural reform agenda is already beginning to yield impressive benefits and helping to transform Government operations at all levels. The implementation of our debt strategy has helped to rehabilitate Antigua and Barbuda's credit standing by slowly placing the public sector debt on a downward and sustainable path. Yes, there have been some setbacks, as the impact and reach of the financial crisis intensified over the past few years. However, we remained committed to the ultimate goal of debt sustainability. Our debt-to-GDP ratio has continued to decline and is projected to stand at about 87 percent at the end of 2013. When only Central Government debt is taken into account, the debt-to-GDP ratio is more than ten percentage points lower at 73 percent.

Recall, Madam Speaker, that in 2004 the debt to GDP ratio was 140 percent. Further, the stock of arrears, which was above 50 percent of the total debt stock when we assumed office in 2004, is now less than 6 percent of total debt. Madam Speaker, this is indeed a tremendous turnaround and we are in the process of finalising negotiations and arrangements that will lead to elimination of these remaining arrears. One principle that has guided implementation of our debt strategy has been an unwillingness to conclude any agreement with creditors that we cannot fully honour based on our available resources.

Looking at 2014, the Government's interest burden, that is interest expense as a percentage of revenues, is expected to be 14 percent. This is below the long-term target of 15 percent that was established by the Monetary Council. Principal payments as a percentage of revenues are projected to amount to 25 percent, bringing our debt service ratio to almost 39 percent. About half 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. This means that any decision to repudiate our debt obligations would have an immediate and direct negative impact on the domestic economy.

Madam speaker, we are prepared and more than ready to decisively meet the remaining debt challenges ahead. The Debt Management Unit has been working hard to formulate a clear set of strategies to deal with the short- and medium- term difficulties that tend to arise as part of the debt management process. In fact, we have just concluded Antigua and Barbuda's first Medium Term Debt Management Strategy, setting out the vision for the next four years.

Some of the strategic objectives are:

- (a) Implementing targeted liability management operations to lower near-term financial commitments, extend maturities and lower interest costs;
- (b) Pursuing efforts to enhance our Regional Government Securities Market strategy through incentives to attract new investors and expand participation within the region;
- (c) Enhancing communication with creditors, investors and other interested stakeholders to foment transparency and stimulate confidence in Antigua and Barbuda;
- (d) Further diversification of financing sources, domestically, regionally and internationally.

Already, recognised international financial institutions are bringing proposals to issue new and more cost effective debt instruments that will allow us to raise more affordable financing. Some proposals are still not optimal for Antigua and Barbuda, but others, like the issuance of a Diaspora Bond are promising. Our country is considered a good

candidate to issue this type of Bond because of good governance, low sovereign risk, and an untarnished record on the Regional Government Securities Market (RGSM). The Government will therefore embark on a comprehensive marketing strategy that will include a road show to present the terms of the Diapora Bond to Antiguan and Barbudans and other members of the Caribbean Diaspora. This Bond will be auctioned publicly using the ECSE platform and will carry the same rights and privileges of the securities registered with the Eastern Caribbean Securities Registry. This includes an option for trading the security on the secondary market. The offering will be for at least US\$30 million at an interest rate of about 8 percent and a tenor of ten years. The financing raised through the Diaspora Bond will be deposited in the Development Fund that was created to finance specific development projects.

The events of the last four years have significantly altered our understanding of public debt management and have led to practical interventions to help the Government organise itself to raise financing, optimise borrowing needs, and proactively manage our debt burden. Implementing the Medium Term Debt Strategy will ensure that over the long-term the Government will effectively finance economic and social development through prudent borrowing practices.

I have stated before, and would like to reiterate that debt management is an ever-evolving process. Operations need to continuously be adapted and enhanced as our debt requirements evolve. The formulation of the Medium Term Debt Strategy is the first of many steps to guide us on the right path. Sovereign debt is nothing more than a tool to allow us to pursue our economic growth agenda. Like any tool, if we do not know how to use it or maintain it, we could encounter serious and far-reaching complications. We must be mindful of risks and be prepared to deal with unforeseen shocks. An effective debt management framework is a critical component of any policy mix that is intended to create an effective and sustainable macroeconomic environment.

As we look ahead, our debt management strategy needs to incorporate improved cash management procedures; more effective quantification and monitoring of contingent liabilities; and improved reporting requirements. We must also take steps to establish a government yield curve to facilitate the pricing of risk. This will take time and a commitment to further capacity building and training of our debt officers. A comprehensive and continuously evolving debt strategy to help us achieve our goals cannot be pursued and implemented without the right set of skills. Given our scarce resources, we have relied on the innovation, ambition and drive of the staff of the Debt Management Unit, who I take this opportunity to commend. We are also very grateful for the invaluable service provided by our Debt Advisors, Rafael Molina and the other members of NewState Partners, a sovereign debt advisory firm that is based in London. The Government is also grateful for the capacity building opportunities provided by the ECCB Debt Management Advisory Services (DMAS), the CDB, the Chinese Government and the Commonwealth Secretariat among others.

Madam Speaker, we have clearly made great strides in the proactive management of our public sector debt. But we still have much work to do and cannot, even for a moment, lose our focus. Our job is just beginning and we are counting on the support of loyal Antiguan and Barbudans to help us stay the course.

FINANCING THE FISCAL DEFICIT

An overall deficit of \$63,862,375 is budgeted for fiscal year 2014. This means that the government will require financing for the deficit along with principal payments and payments on arrears. Principal payments amount to \$182,479,304. Of this amount 46 percent represents external payments and 54 percent represents payments to domestic creditors. An amount of \$17.1 million dollars is required to settle arrears to local contractors and merchants.

The total planned financing for 2014 is \$263,461,594. This is comprised of \$27 million from the CDB Policy Based Loan; \$155,461,594 from RGSM Securities and a Diaspora Bond; and loan financing of \$81 million that is currently being negotiated.

SOCIAL PROGRAMMES/RELIEF MEASURES

Madam Speaker

Since assuming office in 2004 the UPP Administration has prioritized social protection and social development. No other administration in this country has so steadfastly pursued policies that have led to the development or enhancement of social programmes and relief measures. These programmes and relief measures have benefitted vulnerable groups such as the elderly, the unemployed, persons with disabilities, pensioners, and the youth. Our interventions have also brought relief to the wider population to include property owners, persons pursuing higher education, farmers, and persons seeking to own a home. I could, Madam Speaker, remind this Honourable House of all the social programmes and relief measures that this Administration has introduced or improved, but we would be here for many hours if I did that. What I will do is highlight a number of the existing social programmes and relief measures and present some of the new interventions that will be pursued in 2014.

School Uniform Grant Programme:

During 2013 some fourteen thousand, eight hundred and forty six (14, 846) students were registered for the School Uniform Grant Programme – an increase of 18 percent over 2012. Registration allowed students to receive a voucher for a uniform for the school in

which they are enrolled. In light of this increase in beneficiaries, there was also a corresponding increase in vouchers issued from twenty four thousand, six hundred and fifty six (24, 656) in 2012 to thirty thousand, one hundred and forty eight (30, 148) in 2013 – an increase of 22 percent. Vendors in the Programme were paid over \$1.4 million in 2013, compared to \$1.1 million paid to vendors in 2012. Given the Government’s mandate of putting ‘*People First*’ there has been a continuing commitment to this programme, to ensure that citizens are not prevented from taking advantage of learning opportunities because of a lack of resources. The Government has spent about \$25 million on the School Uniform Grant Programme since it started in 2004.

National School Meals Programme:

The National School Meals Programme,(NSMP), using the mantra “Nutrition for Learning” has expanded and now serves 20 primary schools, providing tasty, nutritious and well-balanced meals to approximately 3000 daily. Its objectives include: ensuring no child is disadvantaged in the learning process due to nutritional deprivation; providing at least one third of the recommended dietary allowance (RDA) for each child; and influencing food choices by encouraging children to adopt healthy lifestyle patterns to increase productivity. During the September 2012 – July 2013 school year over \$1.1 million was spent on this vital social programme. The addition of two schools in the 2013/2014 school year was made possible through the Government’s collaboration with a number of private sector partners.

Over the next two years the Government will continue to work with the private sector to increase the number of primary schools on the programme to 26. By the start of the 2014/2015 school year an additional three schools will be added to the programme. In addition to the benefits derived by school children, the programme has positively impacted the agriculture and retail sectors. Over 100 vegetable, poultry, and livestock farmers supply produce and meat to the NSMP and another 27 retailers are also regular suppliers to the programme. Since its inception, the Government has spent in excess of \$20 million on the National School Meals Programme.

Board of Guardians:

The operations of the Board of Guardians are governed by the Poor Relief Act of 1961. Its main objective is to provide financial assistance to destitute individuals, including persons who are:

- Visually impaired
- Discharged lepers
- Mental patients

- Elderly
- Vulnerable children - still enrolled in school
- Other economically disadvantaged persons

At present 487 persons receive a monthly stipend from the Board – an increase of 3 percent over 2012.

The Board of Guardians also provides a Funeral Grant of \$1200 to a former beneficiary's family to assist with funeral expenses. Additionally, there is a \$2500 Home Improvement Grant to beneficiaries whose homes are in need of repair.

National Student Loan Fund:

From its inception in 2008, some 538 persons have received loans from the National Student Loan Fund (NSLF), with 81 persons being 2013 recipients. Of the 2013 recipients, three are pursuing Doctoral Studies; ten are pursuing Masters Degrees; 63 are pursuing First Degrees; three are pursuing Associate Degrees; and two are pursuing Professional Licenses and Diplomas. The several areas of study include: Educational Leadership; Counselling Psychology; Environmental Studies and Engineering. To date, approximately 270 persons have successfully completed their course of study. The National Student Loan Fund is administered by a Student Loan Advisory Committee and offers loans of up to \$50,000 to Antiguan and Barbudan students who are at least 18 years at an interest rate of 3 percent per annum. Since its start in 2008, the Government has allocated \$14 million for this programme.

Madam Speaker, the application period for the 2014 round of the NSLF will take place over the usual period – March to May. Over the years the NSLF Secretariat has observed that there are students who for varying reasons are unable to submit applications during the March to May application period. In light of this, the Cabinet has agreed to recommend that the Student Loan Advisory Committee consider adding a second application period in 2014 so that students who miss the March application period will have another opportunity later in the year. Finally, Madam Speaker, since the inception of this programme, a significant number of students have completed their studies and are making payments into the NSLF Repayment Fund. As a result, the Government can now allocate \$1.9 million towards the NSLF instead of the original \$2 million. The funds generated in the NSLF Repayment Fund allow the Student Loans Advisory Committee to supplement the amounts from the Consolidated Fund so that loans of \$2 million can be allocated each year. As more and more students honour their responsibility to repay the amounts received from the NSLF, the demands on the Consolidated Fund for this programme can be expected to reduce.

Madam Speaker

Through the NSLF, the Board of Education and the very successful Prime Minister's Scholarship programme, this Administration has demonstrated its strong commitment to empowering our youth and increasing Antigua and Barbuda's human capital stock. Through the Prime Minister's Scholarship programme Antiguan and Barbudans have had an opportunity since 2007 to not only earn a degree but to also experience new cultures and lifestyles in a number of countries across the globe. More than 3,000 Antiguan and Barbudans have been exposed to higher learning in over a dozen countries including Cuba, Greece, Serbia, the Russian Federation, China, India, the Kingdom of Morocco, Venezuela, and the United States. In 2014 this Government will continue to make use of its diplomatic relationships to deliver an increasing number of scholarships for long and short-term training courses.

The Leadership through Excellence Award Programme (LEAP)

The Government has been awarding young, unemployed university graduates who have academically distinguished themselves the opportunity to train under the Leadership through Excellence Award Programme (LEAP). These young persons have completed tertiary education and are having some difficulty in securing employment. The LEAP began in January 2013 and is currently facilitating the third cohort of trainees.

For the first and second cohorts, which extended from January to August 2013, a total of 27 LEAP awardees were trained at various Government Ministries and Departments and one statutory body, at an estimated cost of \$280,000. All awardees receive a stipend during training, and each receives a \$5,000 award on the successful completion of the attachment. Although the three most outstanding awardees are guaranteed automatic employment in the public service, the performance of the participants has been so outstanding that many of the departments to which they were attached are working with the Ministry of Finance and the Establishment Division to place the awardees in the public sector. Other awardees have successfully sought employment in the private sector.

The Ministry of Finance extends its appreciation to all the dedicated public servants who have admirably supported the LEAP. These include:

- (a) the mentors who have assumed the important role of guiding and assessing the awardees in the workplace. National recognition and remuneration have been accorded them for their invaluable contribution to the Programme;
 - (b) the evaluators who have given their valuable time and experience to assess all the forms and documents that go into determining the top and successful awardees;
- and

- (c) the instructors who deliver the weekly lectures in policy and procedures as they work to develop a new cadre of knowledgeable and informed public servants. These lecturers have willingly accepted the task of training these young people despite their heavy workloads. Indeed, this component of the LEAP has turned out to be a favourite among the awardees.

Madam Speaker, the future of our nation rests in the dreams and aspirations of our young people. If the performance of the LEAP awardees is any indication, the future looks very bright. It is for this reason that in 2014 the plan is to increase the number of awardees from the original 15 awardees to 30, thereby offering more of our young people a start on the path of nation building through service.

Government Employment and Training Opportunities Programmes

The Government is aware that although the economy is recovering, the demand for labour remains sluggish. On a daily basis the Labour Department receives a significant number of applications for employment. In light of this, we have developed and are implementing a number of Government Employment and Training Opportunities Programmes (GETOP) that will help make job seekers more employable while at the same time providing a source of income. These programmes include providing on-the-job training to job seekers; enhancing their capacity to acquire and retain a job; and helping them to learn a trade and develop skills to become self-employed. The objective is to ensure as many Antiguan and Barbudans as possible receive training and job experience that will equip them with the skills to take advantage of the job opportunities that will arise as the several projects I mentioned earlier come on stream. The employment and training programmes include:

i. New Work Experience Programme (NWEP):

The newly rebranded work experience programme has been redesigned and expanded in an effort to make unemployed youth more employable. It provides an opportunity for job seekers to work in the private sector and statutory bodies for a period of six months (with the option of an extension for another six months.) The practical experience gained from this training will give the participants a competitive edge as well as boost their morale and confidence. Some of the activities introduced to motivate and support the participants are:

- (a) Orientation workshop to include a presentation on the objectives of the work experience programme, the duties and responsibilities of an employee, and good work ethics;

- (b) Self-development seminars to cover topics such as career development skills, customer service, team work, organisation communication, and business ethics;
- (c) Performance reviews every two months;
- (d) Community project participation that will provide participants the opportunity to use their creativity and most importantly give back to the community and foster a spirit of volunteerism.

This programme initially targets 500 Antiguan and Barbudans and began in September 2013. All participants in the NWEF will receive a weekly stipend of \$400.00 and the One Stop Employment Centre within the Labour Department will assist the participants who successfully complete this programme to find permanent positions in the private sector.

ii. Antigua and Barbuda Skills Training and Empowerment Programme (ABSTEP)

This is a programme being implemented with financial support from the World Bank. It will offer employment and training opportunities to about 1,000 Antiguan and Barbudans between the ages of 17 and 50 years old. Participants in these programmes will receive life-skills training, retraining and competency certification. They will also be offered job placements in selected projects, including small infrastructure refurbishment or development projects and programmes that support community development. Participants in the skills training component of the ABSTEP will receive EC\$1,600 monthly for a period of six months. The application period for this programme will begin on March 3, 2014. Unemployed and low income persons aged 17 to 50 years are encouraged to submit their applications to the Labour Department's One Stop Employment Center (OSEC) in order to ensure they benefit from this programme. A total of US\$4 million has been allocated through the Public and Social Sector Transformation Project to implement this initiative.

iii. Enterprise Achievement Challenge (EACH)

The Enterprise Achievement Challenge (EACH) is a new programme that was announced in my 2013 Budget Statement. This programme was launched in November 2013 and is intended to empower youth and single mothers by creating employment opportunities for them. The EACH started officially on December 2, 2013 with an orientation session for the 68 low skilled to unskilled trainees participating in the programme. Training attachments will be for a period of 20 weeks during which trainees are exposed to five to eight hours of practical training with expert practitioners for three days per week. The programme is predicated on trades development and soft skills for a more productive and professional workforce. Two days per week are dedicated to the development of trainees in areas like:

- Customer service;
- Business communication;
- Ethics;
- Understanding basic contracts; and
- Basic money management

Additionally, at various intervals during the 20-week period, the trainees will be addressed by persons who are:

- (a) motivational speakers on matters related to the appropriate attitude for the workplace;
- (b) labour relations experts;
- (c) entrepreneurs in areas of business;
- (d) business development professionals; and
- (e) law enforcement personnel.

The EACH provides training in 14 areas to include tailoring, shoe and leather repairs, auto-body repair, auto mechanics, automotive electronics, door hanging and door lock installation, small engine repair, horticultural & landscaping services, and locksmithing. A key objective of this programme is to ensure that critical trades in our economy like welding, joinery, upholstery, plumbing, and sewing machine repair are sustained into the future.

Madam Speaker, the EACH will contribute to the socio-economic development of the nation by helping to lay the foundation for a more professional work culture in the trades sector. Trainees are being taught that they can determine their destiny, both personally and professionally, and thereby make a meaningful contribution to the economy. They are learning the value of:

- good customer service;
- timeliness;
- quality workmanship;
- courtesy;
- respectfulness; and
- good citizenship.

Trainees are being prepared for the workforce. They are being provided with skills that will enhance their marketability and chance of gaining employment. The trainees are also building the base for those who have the zeal for entrepreneurship. The Enterprise Achievement Challenge is a collaborative effort between the Government and PDV Caribe Antigua and Barbuda Ltd. Phase one of the programme is being implemented at a

cost of about \$860,000.00. In 2014 EACH will be expanded to accommodate up to 120 trainees and the training areas will be expanded to attract more female participants. Madam Speaker, I wish to commend the experienced practitioners, the instructors, the EACH Project Coordinator, Mr. Linley Winter, and all other stakeholders who have made this programme a success.

Christmas Barrel

In 2004 this Administration introduced the Dollar Barrel Initiative that allowed households to import food items, clothing and toiletries at a nominal fee of \$1 during the Christmas season. Between 2004 and 2009 more than 23,000 households benefitted from this programme. Following a review in 2011, the programme was revamped and renamed the Christmas Barrel. Under the new initiative households can still import food items, clothing, and toiletries and enjoy the waiver of the import duty and ABST. The 10 percent RRC and a \$10 administrative charge are applicable to all barrels imported under this initiative. In 2011 some 2,990 barrels were processed and 2,300 were processed in 2012. The 2013 Christmas Barrel initiative concluded a few weeks ago and indications are that up to 2,500 barrels would have been processed. Madam Speaker, this means that since 2004, nearly 31,000 barrels were cleared under the Dollar/Christmas Barrel Initiative.

Support for Pensioners

Madam Speaker

Since 2004 this Administration has implemented a number of programmes and measures to provide relief for pensioners. This process started with the introduction of a minimum Government pension of \$500 in 2004. The minimum pension was increased at intervals and now stands at \$800. Further, those pensioners whose pensions were between \$751 and \$2,400 and who had not received an increase in over ten years were granted a \$250 increase. With the increase in the Government minimum pension as well as the minimum pension paid by Social Security, the minimum aggregate pension received by a Government pensioner now amounts to \$1,150.

The support for pensioners also includes a property tax benefit whereby a pensioner can claim a 50 percent reduction in his/her tax liability provided that the pensioner resides at the said property. Additionally, nearly 5,000 pensioners benefit from the Senior Citizens Utility Subsidy Programme administered by PDVCAB. This number should increase to about 5,500 in 2014. Pensioners in Antigua and Barbuda are also eligible to receive a waiver of the 10 percent Travel Tax once application is made to the Ministry of Finance. This was introduced to provide relief to pensioners since they were affected by the repeal

of the Embarkation Tax and the introduction of the Airport Administration Charge (AAC).

A new intervention to benefit this group of citizens and residents will be the indexing of Government pensions. The Government has taken a policy decision to index Government pensions and has mandated the Pension Modernisation Commission to consider options to give effect to this decision. The Commission will submit proposals for indexing pensions to Cabinet. Before the mechanism is finalized and implemented, the Pensioners' Association will be consulted on the recommendations. Once this measure is implemented, increases in Government pensions will be less sporadic and more predictable for pensioners. With the introduction of the indexing system pensioners will be aware of the procedure for determining the size of and timing for an increase in their pensions.

Support for Persons with Disabilities

This Administration has engaged with the Association of Persons with Disabilities over the years to identify avenues through which the Government can provide them with support and relief. The Government has provided a grant to the Association to help fund some of its programmes. The members of the Association are also eligible for ABST relief based on the provisions of Schedule 5 of the ABST Act and Regulations. Also the members are eligible for relief of the import duty on wheelchairs, prosthetics and related tools and parts.

Madam Speaker, the United Nations Convention on the Rights of Persons with Disabilities is an international treaty with the objective of protecting the rights and dignity of persons with disabilities. Ratification of this Convention has been long delayed, a situation that the Government will correct during this Parliamentary session. As we prepare to finally make the Convention a part of the laws of Antigua and Barbuda, we will reengage the Association to develop a series of programmes to give persons with disabilities access to inclusive education; significantly reduce barriers to their participation in the workforce; strengthen social protection services for members of the Association; and facilitate the independent living and care of persons with disabilities. The Government will bring together a group of public and private sector representatives to participate in this process and to help design an action plan to guide implementation of the programmes. Finally, with effect from February 1, 2014, the Government will waive the 10 percent Travel Tax for all members of the Association of Persons with Disabilities.

Madam Speaker, I wish to assure the President and members of the Association of Persons with Disabilities that the Government is committed to facilitating the creation of programmes that will improve the quality of life of persons with disabilities and ensure they enjoy full equality under our laws.

People's Benefit Programme

The People's Benefit Programme (PBP) is administered by PDVCAB and targets persons with disabilities and the economically disadvantaged. Beneficiaries of this programme receive a special debit card that is loaded with \$215 each month. The card is used by the 2163 beneficiaries to purchase food and selected personal items from designated outlets. These outlets are the Central Marketing Corporation, Antigua Fisheries Ltd., Spencer's Supermarket, VM³, Nedd's Supermarket, and Fancy Way Supermarket.

The main beneficiaries of the PBP include single mothers, senior citizens who do not receive a pension, and persons with disabilities. Except for the persons with disabilities who qualify for the benefit by virtue of their disability, all other beneficiaries are required to qualify based on income. However, starting in 2014 the Board of PDVCAB will revise the criteria of the PBP to allow single parents to qualify for the \$215 benefit even if their monthly income exceeds the existing \$800 threshold. The terms and procedures under which single parents will be able to benefit from this special consideration are expected to be finalized shortly so that this adjustment to the PBP can take effect before the end of March 2014.

Other Relief Measures

Madam Speaker, there are many other relief measures and social programmes that this Administration has introduced or improved upon over the past ten years. These include:

- (a) Zero-rated residential construction – that is no ABST for residential construction;
- (b) \$150,000 owner occupied residential allowance for the property tax;
- (c) Personal income tax deductions in respect of:
 - i. interest paid on residential mortgages;
 - ii. contributions paid into approved pension schemes;
 - iii. health insurance premiums; and
 - iv. tuition payments on behalf of children pursuing university studies;
- (d) Reduction of the stamp duty on mortgages from \$6 per thousand to \$4 per thousand;
- (e) Reduction of the mortgage interest rate by reducing the corporate income tax payable by banks offering 8 percent or less. A further reduction is provided in the legislation for banks that offer a mortgage rate of 7 percent or less;

- (f) Reducing the combined stamp duty on the transfer of property valued at \$500,000 or less from a parent or grandparent to a child or grandchild from 10 percent to 2 percent;
- (g) Removing the stamp duty on the discharge of charge for residential property, which means that once a person has paid his residential mortgage in full, he will no longer have to pay stamp duty in order to retrieve his land certificate.
- (h) Duty free concessions and a subsidy to bus operators to ensure that bus fares do not increase with changes in the price of fuel.

Back Pay to Public Servants

Madam Speaker

Our public servants have been due significant sums for commitments made to them in 1994 and between 2000 and 2002. These amounts have accumulated due to the failure of a number of ALP Administrations to implement agreements for salary and other increases to public servants. The UPP Administration began the considerable task of addressing the back pay and outstanding salary increases. This process started in 2005 with our implementing the 7 percent increase that was due for the period 2000 to 2002. Next was the \$32 million back pay that was due for 1995 and 1996. This was paid over the period 2006 to 2007. An increase in travelling allowance that was due since 1994 was then implemented in 2007, followed by a 10 percent increase to the general public service in 2008. Other increases were paid to the Police (23.5%), Customs (33.3%) and Air Traffic Controllers (36%). In all, the UPP Administration has paid in excess of \$90 million in back pay and salary increases since assuming office in 2004.

However, Madam Speaker, the amounts due to public servants as a result of the broken promises of various ALP Governments remains significant. There is still over \$100 million in back pay for salaries and travelling allowance owed to public servants. This Administration is determined to settle these obligations. In an effort to start addressing the major portion of this outstanding amount, the \$71 million due for salary increases that should have been paid between 2000 and 2002, the Cabinet agreed in 2006 to offer the affected public servants a ten year bond with an interest rate of 6 percent. However, this was not implemented as the Government's negotiating team and the collective bargaining agents for the public servants did not arrive at an agreement on this matter. Had the public servants opted to accept this bond, payment of interest and principal would be due in 2016.

In light of the continuing cash flow challenges, the Ministry of Finance has been considering a number of alternative proposals through which it could begin to settle the back pay before 2016. These proposals will first be discussed with the collective

bargaining agents of the affected public servants before a submission is made to Cabinet. The elements of the proposal will include consideration of land swaps, whereby the affected public servants may receive land in compensation for the back pay owed. Also, affected public servants who owe the Government, particularly in the form of personal advances, will be offered the opportunity to offset these amounts against the back pay that is due to them. Over the next several weeks, the bargaining agents will be engaged to discuss the alternative proposals for settlement of the back pay for salaries and travelling allowance.

Finally, Madam Speaker, the Government has agreed that as these proposals are being explored and negotiations toward a final agreement to liquidate all outstanding back pay are in train, a payment of up to 10 percent of the \$71 million salary portion of the back pay will be paid to public servants in 2014.

Personal Income Tax Relief

Madam Speaker, the Hon. Leader of the Opposition has announced that his party will repeal personal income tax, should they be returned to office. We have challenged him to state what steps he would take to make up for the shortfall in revenue resulting from the proposed repeal. After more than five months, he is yet to provide a plausible explanation. I wish to suggest that he is scared to address this matter, because he knows full well that it is not feasible unless they introduce new taxes or increase existing taxes. As an alternative they may cancel a number of the social programmes introduced by this Administration such as the utility subsidy for pensioners; free school uniforms; school meals programme, or any other of the long list of relief measures I have just presented.

This approach, Madam Speaker, would comport with the views of the right wing American Legislative Exchange Council whose policies the Leader of the Opposition admires. I remind the nation that this group is committed to the dismantling of Government; it is opposed to free public education; they were behind the impasse in the US Congress that led to the US Government shutdown in 2012; this is the group that considers President Obama a socialist, and is committed to the repeal of Obamacare. This group continues to oppose unemployment benefits. It is this group, with these outlandish views that the Leader of the Opposition looks to for help in shaping policies for an ALP administration.

We would have to beg the Lord for mercy, should the ALP come to power!

Madam Speaker, as I mentioned earlier, we received the report of the Tax Policy Review Task Force a few days ago and have not had an opportunity to review it in detail. I can say, however, that there are a number of interesting and insightful recommendations that require in-depth consideration. Over the next few months, the Ministry of Finance and the Cabinet will be engaging the Task Force to clinically assess the recommendations.

Following this assessment, the Government will determine which recommendations to implement and make the relevant institutional and administrative changes to facilitate implementation. In advance of this process, we have decided to make an interim change to the Personal Income Tax to provide immediate relief to tax payers. I am pleased to announce that:

- (a) Effective January 1, 2014, the Personal Allowance for purposes of computing Personal Income Tax will increase from \$3,000 per month to \$3,500 monthly.
- (b) In addition, while we will retain three tax brackets, the Income Tax Bands and Tax Rates will be amended. The first \$3,500 will be taxed at zero percent. This means that every dollar up to \$3,500 earned by all workers in Antigua and Barbuda will be free of the Personal Income Tax.
- (c) Income from \$3,501 to \$15,500 will be taxed at a rate of 8 percent instead of 10 percent.
- (d) Income above \$15,500 will continue to be taxed at 25%.

As a result of these changes, over 4,000 persons will no longer be required to pay Personal Income Tax. Then, a further 14,000 persons that comprise the lower to upper middle class would see their monthly taxes reduce by an average of 20 percent. Even the high income earners will see a reduction in their taxes, so everyone benefits.

The changes are projected to result in a \$9 million reduction in tax revenue, but rather than increasing other taxes, or cutting social programmes, as proposed by the ALP, this Administration will make this up by improving compliance across all tax types, but more particularly Property Tax in respect of high-end properties. Additionally, now that the Citizenship by Investment Programme is up and running, we project an increase in revenue from stamp duties on land transfers and other related fees that will help to offset the revenue loss associated with the adjustment in the Personal Income Tax.

You may recall, Madam Speaker, that the Tax Policy Review Task Force recommended certain adjustments to the PIT in its draft report and also suggested that an increase in the ABST rate would be a way in which the revenue loss could be recouped. These proposed changes to the PIT structure do not necessarily reflect the proposals of the Task Force. Also, this Administration has decided not to increase the ABST rate as proposed by the Task Force. Such an increase would serve to make our tax system more regressive by placing an even greater tax burden on those who can least afford it. An increase in the ABST at this time would increase the cost of living and the Government does not consider this to be an acceptable outcome.

So Madam Speaker, unlike the Leader of the Opposition, who comes up with schemes without thinking through how he will pay for them, this Administration relies on the collation and analysis of hard data and careful planning to effect changes that will benefit the population without jeopardizing fiscal stability.

CONCLUSION

Madam Speaker, I wish to conclude this budget address by saying to the people of Antigua and Barbuda, “THANK YOU!!”

THANK YOU, for understanding that the race is not necessarily to the swift or the battle to the strong, but as the Good Book says - *it is to he that endureth to the end; the same shall be saved.*

Madam Speaker, Brothers and Sisters, Comrades and Friends, hard work does not always reap immediate reward; investment, more often than not, does not yield instantaneous benefit; and expectations may be met only after a season of testing. Therefore, Madam Speaker, we must endure, stand firm, persist and proceed – being confident that our resolve and our faith will yield positive and prosperous outcomes.

Madam Speaker, I also wish to say THANK YOU to the many people of Antigua and Barbuda who have maintained their support for the United Progressive Party and to those who are considering us as the Party of Choice in the coming elections. I could never say to you that either individually or collectively, we as a party are perfect. We are however unmatched in our commitment, sincerity and focus in our desire to see Antigua and Barbuda progress to a higher, more inclusive stage of development. We continue to lay the foundation and make the difficult choices. We will not deceive by making promises that we cannot deliver; but, given time, we will certainly deliver upon the promises that we make. This we will do despite the heightened clamour of the critics, whose contributions to nation building are, at best, questionable. They occupy the comfortable seats in the stands deprecating, disparaging and decrying those on the field with “skin in the game”. The immortal words of Theodore Roosevelt remind us, however, that:

“It is not the critic who counts; not the man who points out how the strong man stumbles, or where the doer of deeds could have done them better. The credit belongs to the man who is actually in the arena, whose face is marred by dust and sweat and blood; who strives valiantly; who errs, who comes short again and again, because there is no effort without error and shortcoming; but who does actually strive to do the deeds; who knows great enthusiasms, the great devotions; who spends himself in a worthy cause; who at the best knows in the end the triumph of high achievement, and who at the worst, if he fails, at least fails while daring greatly, so that his place shall never be with those cold and timid souls who neither know victory nor defeat”.

Finally, Madam Speaker, permit me also to recall the words of another US President who, in concluding a rather difficult budget address, uttered:

“We must, in the end, roll up our sleeves, face our responsibilities squarely, and persevere at the unending task of setting, and keeping, the Nation’s affairs in order”.

For this UPP Administration, Madam Speaker, the “Nation’s affairs” and the UPP’s current focus is delivering to the people of Antigua and Barbuda a New Economy where the benefits of prosperity will be the sweet harvest, sprung from seeds of sacrifice hitherto made by our people.

I thank you, Madam Speaker, and I commend Budget 2014 to the Honourable Members and ask that they endorse the proposals presented therein.

ACKNOWLEDGEMENTS

We wish to thank the following persons for their contribution:

Ambassador David Shoul
Ambassador Anthony Liverpool
Ambassador Colin Murdoch
Ambassador Dr. Clarence Henry
Ambassador Brian Challenger
Dr. McChesney Emanuel
Mr. Linley Winter
Mr. Hamlet Mark
Ms. Cheryl Fletcher
Mr. Maurice Merchant

Mrs. Shirley Benjamin – *Ministry of Finance, the Economy, Public Administration, Public Broadcasting and Information*

Ms. Natasha Watts – *Ministry of Finance, the Economy, Public Administration, Public Broadcasting and Information*

Mrs. Lornamay Benjamin Hughes – *Ministry of Finance, the Economy, Public Administration, Public Broadcasting and Information*

Ms. Anthea Herbert – *Ministry of Finance, the Economy, Public Administration, Public Broadcasting and Information*

Ms. Rachel Collis – *Ministry of Finance, the Economy, Public Administration, Public Broadcasting and Information*

Ms. Shantel Brown – *Ministry of Finance, the Economy, Public Administration, Public Broadcasting and Information*

Mrs. Hazel Corbin – *Eastern Caribbean Central Bank*

Mrs. Sharon Peters – *Ministry of Agriculture, Lands, Housing and the Environment*

Ms. Sandra Joseph – *Ministry of Foreign Affairs*

Mr. Edson Joseph – *Ministry of Health, Social Transformation, Prices and Consumer Affairs*

Mr. Colin James and Staff – *Antigua and Barbuda Tourism Authority*
Ms. Ashaki Goodwin – *Department of Trade, Industry and Commerce*
Ms. Joy-Marie King – *Department of Trade, Industry and Commerce*
Mr. Corthwright Marshall – *Ministry of Tourism, Civil Aviation and Culture*
Mr. Jedediah Maxime – *Ministry of Agriculture, Lands, Housing and the Environment*
Ms. Cheryl Appleton – *Ministry of Agriculture, Lands, Housing and the Environment*
Mrs. Jacintha Pringle – *Ministry of Education, Sports, Youth and Gender Affairs*
Lt. Col. Edward Croft – *Office of National Drug and Money Laundering Control Policy*
Mrs. Almira Henry – *Ministry of Social Transformation*
Mr. Wesley James – *Ministry of Works and Transport*
Mr. John Benjamin and Management – *Financial Services Regulatory Commission*
Mr. Wilden Gardner, Management and Staff – *PDV Caribe (Antigua and Barbuda) Ltd.*
Ms. Diann Black Layne – *Environment Division*
Mr. Fitzmaurice Christian – *Environment Division*
Mr. Henderson Fields – *Antigua Barbuda Investment Authority*
Ms. Eleanor Thomas – *Free Balance Consultant*
Mr. Donald Charles – *Antigua Barbuda Development Bank*
Mr. Pretzel Joseph – *Central Housing and Planning Authority*
Mr. Kevin Edwards – *Ministry of Agriculture, Lands, Housing and the Environment*
Mr. Deshawn Challenger – *Ministry of Finance, the Economy, Public Administration, Public Broadcasting and Information*

This document could not have been completed without the invaluable input of:

- Ms. Jannelle Wehner
- Ms. Cordella Weston
- Mr. Daniel Knight
- Ms. Donna Sandy
- Mr. Yannick Gordon
- Ms Yolanda Joseph
- Ms. Karel Forde
- Ms. Tiffany Tonge
- Ms. Shivon Burton



Securing Growth and Sustainability