



2010 Budget Statement

30 November 2009

Hon. Harold Lovell

Minister of Finance, the Economy and Public Administration

Antigua and Barbuda

INTRODUCTION

Madam Speaker, Honourable members of the House of Representatives, Members of the Diplomatic Corps, Citizens and Residents of Antigua and Barbuda:

When on 1st November 2009, we as Antiguan and Barbudans rose to sing our National Anthem and salute our National flag it was in celebration of our 28th birthday as an Independent country. At the age of twenty-eight years, Madam Speaker, one is expected to have attained a certain level of maturity, evidenced by the manner in which we engage and interact as a people and with the rest of the world. As a mature country, we should have acquired the capacity to accept and to give praise when praise is due. Also, to accept and offer constructive criticism, advice and solutions when and where appropriate. We should have become less judgemental, more tolerant; less capricious, more thoughtful; less self-serving, more given to service. Moments of introspection and quiet reflection, Madam Speaker, should, by the age of twenty-eight years, be more frequent and be viewed as critical activities which contribute to the process of growth and maturity. In similar vein, we, as a Nation, need to demonstrate that we have, in the words of acclaimed Journalist, Sydney J. Harris, “passed that subtle line between childhood and adulthood...” by owning up to our responsibility.

Madam Speaker, Members of this Honourable House, on this the 30th day of November, 2009, just one month into our twenty-ninth year of Independence, we stand at the cross roads, poised to move forward. The path that we take, indeed, our next step, will be a critical indicator as to where we, as a Nation State, are likely to be in the short to medium term and will be strategically important in determining our destiny. It is only right and proper, therefore, that, given the seriousness of our Nation’s “moment of decision”, made even graver in light of the unfavourable external environment, we should pause for sober reflection, critical assessment, and thoughtful consideration as to the way forward.

As we look back, Madam Speaker, and survey the path that we have taken as a Small Island Developing State, we have much to be proud of and much to be concerned about. Our path to this point has been adorned by a number of outstanding accomplishments. As a Country, in respect of human development, Antigua and Barbuda ranks consistently as a high achiever; and in respect of economic development, we have repeatedly recorded positive growth rates and amassed the requisite economic infrastructure to support the productive sectors of our economy. As a State, we are a stable constitutional democracy, underpinned by institutions and systems of governance that ensure accountability, and anchored by a legal framework that preserves order, protects rights, and promotes justice. As a people, we continue to produce brilliant minds and world class athletes. As a Nation, Madam Speaker, we have, over the years, given proud expression to our heritage, embraced civic responsibility, and celebrated diversity. It is fair to say, therefore, that, to use an accounting analogy, the “assets” side of Antigua and Barbuda’s balance sheet is impressive. However, Madam Speaker, whilst we reflect with pride at these accomplishments, we must, in the same breath, be extremely concerned that our path as a nation has also been littered with missteps, miscalculations and mishaps.

We need, for instance Madam Speaker, to be concerned that since our first Independence budget, Antigua and Barbuda has not once recorded an overall surplus of Revenue over Expenditure, and further, that our major categories of expenditure have been structured and cemented to make such an outcome virtually impossible without fundamental realignment. We need to be concerned, Honourable Members of the House of Representatives, that adequate provisions have never been made to meet our commitments to creditors, who provided critical resources that financed our development programmes. We need to be concerned, Citizens and Residents of Antigua and Barbuda, at the mounting evidence of irregular and illegal practices which were allegedly perpetrated, resulting in significant depletion of State resources.

We need to be alarmed, Ladies and Gentlemen, about the health of our social institutions, our unsustainable fiscal position and our debilitating debt burden. These are our Liabilities, Madam Speaker, and although we have tried to ignore them they now weigh too heavily on our shoulders.

In light of the foregoing, and as we review and evaluate these assets and liabilities, I believe that it would be reasonable to inquire, “how secure, really, is our future”? “How assured are we that our standard of living will be maintained or continue to improve”? “Do we really have the ‘title deeds’ to our ‘destiny’ or will our creditors foreclose on our future”? Madam Speaker, if there is any discomfort in addressing any of these questions, we need to ask further: “In consideration of the current circumstances, how should we respond”?

Madam Speaker, this is Antigua and Barbuda’s moment of decision. It is made even more critical given the global economic crisis. As a small and open economy, we are subject to the vagaries and vicissitudes of global events. In this connection, it is even more important that as a Country, as a State, and as a Nation, we respond appropriately and effectively. In my estimation, Madam Speaker, the magnitude of our challenges demands nothing short of a “Patriotic Response”. I speak not of blind patriotism, Madam Speaker, but of the kind fired by a realistic and mature assessment of our current circumstances, and born of the courage to be responsible and to do what is right, by fair Antigua and Barbuda. In this regard, the words of Adlai Stevenson are as relevant today as when he uttered them more than three decades ago. This American politician and diplomat, who is acknowledged as one of the greatest orators of his time, said:

“What do we mean by patriotism in the context of our times? I venture to suggest that what we mean is a sense of national responsibility ... a patriotism which is not short, frenzied outbursts of emotion, but the tranquil and steady dedication of a lifetime.”

It is against this backdrop, therefore, that I present Budget 2010 under the theme: A Global Challenge: The Patriotic Response.

Before I proceed, Madam Speaker, I wish to thank the staff in the Ministry of Finance for assisting me with the preparation of this my first Budget Presentation. Since I assumed responsibility for this very important ministerial portfolio, I have come to rely greatly on the guidance and technical advice of the management and staff of all the departments that make up the Ministry of Finance, the Economy and Public Administration. In the midst of this very trying fiscal period, I was able to depend on a strong core of technical, administrative and support staff and I am truly grateful for their dedication. Over the past several weeks, my Budget team has worked well into the early morning hours to make Budget 2010 a reality. I appreciate their outstanding efforts. The technical team includes:

- Mrs. Carolyn Charles-Tonge, the newly appointed Budget Director, Ms. Sandra Henry, Deputy Budget Director, and other members of the Budget Office Staff
- Mr. Whitfield Harris Jr. – Financial Secretary
- Mr. Kevin Silston – Deputy Financial Secretary
- Ms. Rasona Davis – Deputy Financial Secretary
- Ms. Yolanda Goodwin – Director of Economic Policy and Planning and members of the PSIP team;
- Mrs. Nadia Spencer-Henry – Debt Manager
- Mr. Everett Christian – Project Manager, Revenue Reform

Madam Speaker, I would also like to express my Government’s appreciation for all the assistance received from the Eastern Caribbean Central Bank (ECCB), the Caribbean Development Bank (CDB) and the Caribbean Regional Technical Assistance Centre (CARTAC).

These institutions have remained true partners with the Government. On behalf of the Government and People of Antigua and Barbuda I thank the many friendly Governments within the region and beyond for their continued support. Specifically, we thank the Peoples' Republic of China, the Republic of Cuba, the Bolivarian Republic of Venezuela, the Republic of Trinidad and Tobago, the governments of Jamaica, the United States of America, Canada, Japan and the European Union for their generous support over the past few years. We record too our gratitude to our other Caribbean neighbours and other governments and institutions.

I want to express my appreciation to a number of individuals who have made a significant contribution to the Ministry and the public sector as a whole and have recently left the service. They are:

Mrs. Veronica Brown

Mr. Raphael Browne

Mrs. Ernestine Hodge

Mr. Rowden Selwood

Mrs. Bernadette Carr-Thompson

Mr. Carey Thompson

Mrs. Kerley Whyte

Mrs. Christine Andre

Mrs. Goldene Joseph

Mrs. Joycelyn Roberts

Finally, Madam Speaker, I wish to continue the tradition of delivering to this Honourable House an abridged version of the actual Budget Statement. As was the case in previous years, the full text of the Budget Statement will be available after this presentation.

ECONOMIC DEVELOPMENTS 2009

Madam Speaker

The year 2008 was an extremely challenging year. We saw unprecedented increases in the international price of oil, an escalation in the prices of basic food items and raw materials, a meltdown in the major financial markets, massive job losses in many industrial economies, and a slowdown in economic growth that many pundits compare to the Great Depression of the 1930s. While there may have been a number of contributing factors, there is general agreement among economists and financial analysts that at the root of this economic dilemma was an out of control real estate sector in the United States, which ultimately gave birth to the global financial crisis.

Notwithstanding this hindsight consensus as to the underlying cause of the crisis, very few people predicted the scope and depth of the economic recession that would ensue in 2009.

Madam Speaker

When we look at the growth performance of individual advanced economies in 2009, particularly for a number of Antigua and Barbuda's trading partners, these economies are recording sharper declines in output than was initially projected at the end of 2008. For example, in the United States a decline of 0.6 percent was initially projected compared with a revised contraction of 2.7 percent. In the United Kingdom, output is now estimated to contract by 4.4 percent compared to earlier estimates of 1.9 percent. A similar comparison can be made for Canada, Japan and a number of European and South American countries.

Madam Speaker

I make this comparison to highlight the scope and the depth of the recession and to indicate that not even some of the brightest minds in this world foresaw the crippling effects that a disturbance in a segment of the US real estate market could have on global output. I also make the point to dismiss the propaganda being promulgated by some members of this Honourable House. They claim that this government knew or should have known the extent to which the financial crisis would affect the economy of Antigua and Barbuda and deliberately withheld this information from the people of this country.

Madam Speaker

One of the consequences of the economic recession in advanced economies is the increased level of unemployment and the resulting decrease in the demand for goods and services exported by developing countries. This has had a negative influence on the volume and value of trade between advanced and developing economies and the volume of remittances flowing to developing countries in 2009. Additionally, the downturn in advanced economies, as well as the decline in financial markets, significantly affected the flow of foreign direct investment (FDI) and equity investment to developing countries.

The growth performance of developing countries in general and Caricom countries in particular in 2009 was negatively influenced by a number of the factors mentioned above. With respect to the OECS sub-region, all countries are projecting declines in output in 2009 except for Dominica, where it is expected that output will remain unchanged compared with the outturn for 2008. In Anguilla output is estimated to contract by 22.0 percent. Economic output in Antigua and Barbuda is projected to decline by 6.7 percent. Decreases in output are also projected for St Kitts and Nevis (8.5 percent), Grenada (5.0 percent), St Lucia (3.8 percent) and St Vincent and the Grenadines (0.2 percent).

REGIONAL INTEGRATION

Madam Speaker

With the support of regional projects sponsored by our development partners (EU, CIDA, OAS) Antigua and Barbuda has implemented most of its legislative and administrative commitments associated with the Caricom Single Market. The invaluable technical and financial assistance provided has ensured that the varying capacity constraints that exist at the national and regional level do not frustrate the implementation of the Single Market. Therefore, Antigua and Barbuda expresses its highest appreciation for the support and assistance provided by the CARICOM Secretariat and our international development partners, to ensure that the vision of a Single Market is realized.

OECS Economic Union

In 2009, Madam Speaker, the Cabinet of Antigua and Barbuda established a Cabinet Sub-Committee to oversee implementation of the OECS Economic Union. On August 29th, 2009 Antigua and Barbuda launched its public dialogue on the OECS Economic Union. This exercise signals Antigua and Barbuda's support of the sub-regional integration process.

The implementation of the elements of the OECS Economic Union will deepen the integration among the economies, markets, people, resources and administrative institutions of the OECS.

FISCAL PERFORMANCE 2009

Madam Speaker

The downturn in economic activity had a significant impact on fiscal performance in 2009. With the slowdown in the tourism sector and the collapse of the Stanford Financial Group, Government revenues from taxes on economic activity are projected to decline by more than 20 percent in 2009.

In response to the expected reduction in revenue, ministries and departments were required to cut spending by 25 percent. With the adjustment to recurrent expenditure, the current account balance, which represents the difference between recurrent revenue and recurrent expenditure, is projected to be 27 percent lower than if no adjustment were made.

Madam Speaker, the projected current account deficit for 2009 is \$172.46 million. Without the adjustment to recurrent expenditure, the current account deficit for 2009 would have amounted to \$237.51 million. In Budget 2009, current revenue was estimated at \$786.71 million. However, current revenue for 2009 is expected to be 22 percent less at \$614.46 million.

This decline in current revenue is reflected in a falloff in revenue generated from all major taxes.

Madam Speaker, I will refer specifically to the ABST in this abridged version, since it will be subject to significant changes in the coming months. Revenue from the ABST was originally estimated at \$250 million in Budget 2009. Projections for the performance of this revenue stream have since been revised, with the ABST now expected to yield \$195.0 million for 2009.

Madam Speaker, with the decline in revenue from all major revenue streams, revenue for 2009 is expected to be in the region of \$170 million less than was originally anticipated. In an effort to mitigate the impact of the shortfall in revenue on the overall fiscal outcome, the Government implemented steps to reduce expenditure. These steps included reducing expenditure on goods and services, limiting expenditure on overtime, curtailing employment, and delaying the start of new programmes and the expansion of existing programmes. As a result of these interventions, recurrent expenditure is expected to amount to \$786.92 million for 2009 instead of the \$851.97 million estimated in Budget 2009.

Despite the efforts to restrict the level of expenditure in 2009, the harsh reality of the impact of the global economic crisis on revenues was driven home in the middle of the year when the Government faced significant challenges in meeting wages and salaries for public servants. This Administration was able to address the challenge of meeting the monthly wage bill through the generous assistance of the Government and People of the Bolivarian Republic of Venezuela. In August 2009, Venezuela provided US\$50 million to the Government of Antigua and Barbuda. Of this amount, US\$35 million was allocated for budget support and allowed the Government to better meet its monthly obligations. On behalf of the Government and People of Antigua and Barbuda, I wish to once again thank the Bolivarian Republic of Venezuela for providing this timely financial assistance to Antigua and Barbuda.

This US\$50 million was provided even before the terms and conditions of the financing arrangement were finalised. We can confirm that the US\$50 million loan is being provided at an interest rate of 2.6 percent and is to be repaid over a period of twenty years. In addition, a grace period of four years has been granted to allow Antigua and Barbuda to commence its recovery from the impact of the economic crisis before starting to service this loan. A grant element was also presented for consideration, however, higher interest rates and shorter repayment and grace periods would accompany such an arrangement. The Government determined that the US\$50 million at an interest rate of 2.6 per cent to be repaid over a twenty year period with a four year moratorium was the more advantageous alternative.

While this financial support from Venezuela has been of tremendous benefit to the Government, it is not sufficient to address the financing gap for 2009. It should be noted that even after the budget support is taken into account, there remains a primary deficit of \$312.5 million. After taking into account the interest and principal payments that are due on the national debt, the total financing gap for 2009 amounts to more than \$450 million.

We have developed a strategy to address the fiscal and debt challenges and to transform the economic and social landscape of Antigua and Barbuda. This strategy is to be implemented over the next five years and forms the basis of our National Economic and Social Transformation (NEST) Plan.

ECONOMIC OUTLOOK 2010

Madam Speaker

The latest publication of the “World Economic Outlook” indicates that world output should increase by 3.1 percent in 2010.

This would signal the beginning of the recovery from the global recession over the past 12 to 18 months.

Madam Speaker

2010 will be another challenging year for countries in the Eastern Caribbean Currency Union. By all indications this global recovery will be a slow one. It is generally agreed that factors which affect advanced economies also affect developing economies, but with a time lag of nine to twelve months. This means that economic recovery in developing countries is twelve to eighteen months away.

With respect to the economy of Antigua and Barbuda, real GDP is projected to decline by 1.1 percent in 2010, resulting from further declines in construction and tourism of 5.0 percent and 2.0 percent respectively. Consistent with the foregoing, declines are also projected for the wholesale, restaurant, and transportation sectors. Some recovery is expected in a few of the other service areas including communication (2 percent), and banking and insurance (1.6 percent).

FINANCIAL SERVICES SECTOR

Madam Speaker, in April of this year, the Board of the Financial Services Regulatory Commission was reconstituted, and the new Board has re-emphasized the importance of regular self-assessment. Over the last several months the Commission has intensified its internal evaluation process and ensured transparency by inviting international agencies to assist in its efforts to critically review and strengthen its corporate structure, its internal auditing procedures, its human resource management and its regulatory functions.

In this regard, Madam Speaker, agencies including the Caribbean Financial Action Task Force (CFATF), the Commonwealth Secretariat, the Office of the Superintendent of Financial Institutions of Canada and the Bermuda Monetary Authority have generously provided credible and expert investigators who will deliver to the FSRC recommendations for immediate implementation.

The FSRC will issue new guidelines on Market Risk, Corporate Governance and the appointment of external auditors. The Commission will also spearhead an initiative to draft recommended changes to key pieces of legislation which, when enacted, will bring Antigua & Barbuda into closer compliance with the 40 plus nine recommendations of the Financial Action Task Force (FATF).

STRATEGY FOR 2010 TO 2014 – THE NEST PLAN

Madame Speaker, we recognise that we need a range of policies and strategies that are grounded in fiscal prudence and sound macroeconomic policy. It is this understanding that informed the development of the National Economic and Social Transformation (NEST) Plan. The NEST Plan is intended to deal with the immediate socio-economic situation and place the economy on long-term sustainable footing.

This Plan is a comprehensive package of programmes and policies that will bring about fiscal and debt sustainability, encourage economic activity and secure the social welfare of the people of Antigua and Barbuda. There are four elements of the NEST Plan:

The Fiscal Consolidation Programme;
The Economic Action Plan;
The Social Transformation Programme; and
Financial Sector Stability

The Plan will transform the entire socio-economic landscape of the country. It represents the culmination of many ideas and recommendations that arose in various discussions between the Government and stakeholders in the public, private and social sectors. As a result of genuine consultation with the people, the NEST Plan can truly be called our plan, Antigua and Barbuda's strategy for growth and transformation. The NEST Plan is not some nebulous "white paper". It represents the Patriotic Response of our people to a global challenge.

FISCAL CONSOLIDATION PROGRAMME

Madam Speaker

It is undeniable that for well over thirty years, the Government of Antigua and Barbuda has been experiencing fiscal challenges. Data on the fiscal performance of Antigua and Barbuda from 1973 to 2008 show that over a thirty-five (35) year period not once did the government record an overall surplus. Thirty five years, Madam Speaker, where total expenditure outstripped total revenue on an annual basis.

The laws of mathematics have held true for centuries and they continue to hold true when analysing the economy of Antigua and Barbuda. Total expenditure must be equal to total revenue plus net borrowings. This is the same equation we must confront on an annual basis as we go through the budget process. The problem with Antigua and Barbuda is that for the better part of three decades, this basic principle of arithmetic was ignored.

During the early stages of our economic and political development the challenges we faced were structural and developmental in nature. Our growth and development strategy was aimed at transforming the structural characteristics of our economy away from sole dependence on primary production to secondary production. This resulted in the emergence of a number of service sectors, including tourism, which provided opportunities for the sustained social and economic development we now enjoy.

At that time the country benefited from pursuing a model of low taxation and high expenditure, opting to borrow and seek grant funding to finance the initial stages of development, including construction of the air and sea ports, the road network, telecommunications, education and other critical social and economic infrastructure. These achievements provided an environment that enabled us as a country to attract Foreign Direct Investment, which in turn created a number of new employment opportunities for our people.

But Madam Speaker, the basic fiscal equation continued to hold true and notwithstanding these achievements during the pre and post independence era we unwisely continued to pursue growth and development using the same low revenue, high spending model. The fundamentals of good fiscal management demand that governments pursue an effective budgetary process.

This policy instrument is particularly critical when operating under a fixed exchange rate regime within a quasi currency board arrangement, as Antigua and Barbuda has pursued. For the better part of our 28 years of Independence the Government has ignored this basic tenet of sound financial management.

Madam Speaker

During the first 15 years of the post-Independence era we witnessed the graduation of our beloved country from a low-income to a middle income country. This resulted in a significant decline in grant funding from official sources and our inability to access concessional financing. This was indeed an important signal from the world and particularly our development partners that we had graduated from the ranks of poor countries; we were coming of age, and most importantly we should begin to stand on our own two feet.

Our response to this post-Independence challenge was to keep on doing what we had always done. We did not adjust our approach to growth and development. During the late 1980s and early 1990s we should have aligned revenue with expenditure with the aim of maintaining expenditure levels that would not reverse developmental gains. In addition, we should have used periods of high growth, when revenue was increasing, to leverage additional financing to expand our social and economic infrastructure and to save. The saving levels built up during the peak of the business cycle would then be used to augment declining revenues during an economic downturn.

Madam Speaker

Instead of adjusting our approach, we ignored the demand for a change in direction, and adopted what is dubiously referred to in the region as Antigua's approach to development. If we are honest with ourselves we will agree that this is a "rogue" approach. We started by not paying our creditors for some of the same projects that we continue to depend on to this day for economic survival - the airport, seaport, road construction, traffic lights, Heritage Quay, Royal Antiguan Resort, Mount St John's Medical Centre.

Madam Speaker when the external avenues of finance dried up the then government turned to the available domestic avenues, including the statutory bodies. The State issued treasury bills but refused to honour its obligations when they became due. People simply were not paid as the Government accumulated arrears to contractors, vendors and other individuals that provided goods and services to the government. The required contributions were not paid to the Social Security Board and Medical Benefit Scheme on behalf of the workers. The Government also borrowed heavily from these institutions to finance current expenditure, including wages and salaries. Embarrassingly, more than \$100 million was borrowed from the public servants of this country by the Government not paying agreed salary and wage increases.

Madame Speaker

At the same time that we were borrowing from all available sources to finance basic expenditure, we were outsourcing critical aspects of our development to questionable characters. Thus we are unable to shake the embarrassment associated with names like Sarfati, Dato Tan and Stanford that stand out as shameful blemishes in our economic and political history.

Madam Speaker

Members of the Parliamentary Opposition may disagree with this view. I hear the very familiar words, “We used that money to develop the country!” This may be so, but I ask the question, at what cost? Notwithstanding our middle income status we have a very low credit rating and very little credibility regionally or internationally. Madam Speaker I have to be careful here because we all have benefited from this approach but I am sure that this is not the Antigua and Barbuda we envisaged for ourselves and certainly not the one we want to pass on to our children.

Madam Speaker

This approach to development can take us no further. As a people we either did not hear the call or we misunderstood the signals. As we emerged from colonialism and began to mature economically, we needed simultaneously to change our approach to growth and development.

And so here we are Madam Speaker, at a watershed moment in the history of this country. Do we continue to be slaves to an approach that is no longer relevant, or do we, as policy makers, as a people, make a commitment to change the course of our history?

Madam Speaker

The options available to us at this point are very clear. We could meander along, ignoring our creditors and seeking creative ways to finance a deficit of approximately \$400.0 million per year, which would result in the debt stock increasing to \$6.0 billion by 2014. Another option would be to ignore fiscal discipline and seek to increase taxes to meet the current level of expenditure. This would result in unsustainable levels of taxation that would encourage black market activity and be counter productive to achieving acceptable levels of growth to anchor the development process.

Madam Speaker

We are proposing a fiscal consolidation programme that consists of a mixture of revenue and expenditure measures.

We first looked to expenditure and tried to establish the minimum cost of running government by identifying the range of goods and services we must provide to the citizens and residents. The idea is to deliver these services in the most cost effective manner.

Madam Speaker

Expenditure on wages and salaries consumes more than 45 percent of current revenue. This level of expenditure on wages and salaries is unsustainable and any meaningful fiscal adjustment must address this issue. With respect to wages and salaries we have proposed a 20.0 percent reduction over the next three years. This amounts to a reduction of about \$40.0 million over the period.

During our consultations we indicated that we would seek to achieve this reduction in the following way:

- (1) Reducing the level of overtime paid to no more than \$5.0 million per year.**
- (2) Implementing an attrition programme over the next five years.**
- (3) Implementing an initiative to outsource a number of services that the government currently provides.**

(4) Reallocating workers within the government service to fill vacancies and reduce the growth of the wage bill. This will form part of an overall **public sector transformation programme** aimed at matching the right skill sets to the right jobs and building efficiency in the delivery of government services.

Madam Speaker

It is evident that some workers will be displaced in this process. We will implement a programme that will include re-training and retooling these workers with the overall objective of having them ready to enter the private sector by 2011, when we expect new jobs to be available from a number of imminent projects.

Madam Speaker

Having outlined what we think is a framework for meeting the minimum cost of running an efficient public service we now turn to the proposed revenue measures for the medium term.

The main measures proposed to increase revenue from the current levels of 20.0 percent of GDP to at least 25.0 percent of GDP include:

- (1) Increasing the revenue yield from the ABST.
- (2) Replacing the customs service tax (CST) with the Antigua and Barbuda Revenue Recovery Charge to be levied at 10.0 percent on all non-oil imports.
- (3) Introducing an excise tax on alcohol, tobacco, ammunition and guns and to replace the current luxury tax on vehicles.
- (4) Increasing the embarkation tax to \$50.00 for residents and Caricom nationals and to \$US25.00 for non-Caricom visitors.

The measures outlined will be in addition to the other revenue measures introduced earlier this year, including the flexible price mechanism on gasoline and diesel.

For the fiscal consolidation to be successful these proposed revenue and expenditure measures must be supported by structural and administrative reforms.

Institutional, Legislative and Structural Reforms to Support Fiscal Consolidation

Madame Speaker, a number of structural reforms will be required to ensure the success of the fiscal consolidation programme. These will include institutional and legislative reforms that strengthen key Government agencies and improve revenue administration and expenditure management. Particular emphasis will be placed on:

- Advancing the Treasury Reorganization initiative
- Statistics Reform
- Enacting the new Procurement Act and regulations
- Strengthening Revenue administration
- Public Sector Reform and Divestment
- Strengthening budget formulation, monitoring and reporting
- Administrative and Reporting Arrangements for Fiscal Reform

Madam Speaker, today I will elaborate on just a few of these proposed measures.

Enacting New Procurement Legislation:

The UPP Administration will very shortly enact new Procurement legislation to replace the existing Tenders Board Act and establish more efficient procedures for Government procurement. This new procurement act provides updated rules and guidelines that are based on international standards and best practices.

Under the new legislative framework all procurement will occur through a competitive process where all businesses will have the opportunity to contend for various contracts to supply goods and services to the Government. In addition, a more effective centralised system of procurement will provide small businesses with the opportunity to better access supply contracts and allow the Government to effectively implement its policy of allocating twenty five percent of procurement contracts to small businesses.

No individual will be able to request goods and services on behalf of the Government, unless authorised by the legislation. This means that no public or elected official can legally commit the Government to expenditure. Suppliers and contractors are therefore cautioned not to deliver goods and services unless they have been furnished with appropriate documentation authorising the transaction. Only those transactions that have been undertaken in line with the procedures established under the Procurement Act will be honoured; all others will be considered gifts to the Government and people of Antigua and Barbuda.

Strengthening Revenue Administration:

For too long, Antiguan and Barbudans have insisted that the Government of Antigua and Barbuda provide a number of goods and service, but in many instances, these very citizens fail to meet their legal tax obligations to the State. In fact, tax evasion is endemic and has become so ingrained that it will require considerable effort to reform the system.

Madam Speaker, we intend to make it easier for taxpayers to conduct business with both Inland Revenue and Customs. While we will be more customer focused, we shall build the capacity in both departments to be able to identify taxpayers or importers who seek to evade paying their fair share of taxes. We will be resolute in ferreting out tax cheats, and once identified, they will be dealt with to the full extent of the law. This process has already commenced, with the Comptroller of Customs levying fines on persons who filed false declarations, or who attempted to smuggle goods through the official ports of entry.

Public Sector Transformation

During its second term the UPP Administration is committed to effecting meaningful change in the structure and operation of the public sector.

The first phase of the transformation process will feature a review of services provided by the Government with the express objective of placing such services into one of four categories. First, the Government will continue to provide those services that are currently delivered effectively or which would not normally be provided by the private sector. In the second phase the Government will take the necessary action to strengthen those essential activities and programmes that can benefit from some restructuring or consolidation. The third phase will be to identify those services which the public sector cannot deliver in a cost-effective manner and develop a strategy for outsourcing these services. The next step will be to transfer those activities that are not consistent with any of the Government's seven stated priority goals.

All tax payers have a vested interest in securing the successful implementation of public sector transformation.

For this purpose the Government will be embarking on an extensive education and consultation process. All stakeholders are encouraged to actively participate and to help shape the new and improved public sector.

Divestment Programme

One of Government's stated development priorities is to facilitate improved economic vitality of businesses while empowering citizens to actively participate in the ownership of the country's resources. One avenue through which this will be pursued is the UPP's ***Power to the People*** initiative. Through this initiative which was announced in the 2009 manifesto, citizens and residents will have the opportunity to purchase shares in certain state owned assets.

It is important to note that while a number of enterprises have been identified for people participation, each entity will be subjected to a detailed due diligence exercise. It is only if and when that exercise confirms divestment as a viable option and one which would benefit the country in the long term, that the Government would proceed to approve a specific divestment plan for the given entity.

The Government is extremely encouraged by the preliminary response of stakeholders such as the Trade Union Congress and the Contractors' Association. During the upcoming months, the Divestment Unit, in collaboration with the Ministry of Finance, will continue to engage other stakeholders as well as the general public as the Government charts the way forward for this important initiative.

The success of the Fiscal Consolidation Programme will depend considerably on whether ministries and departments operate within their budgetary allocations. It is absolutely essential that the Government meet the fiscal targets agreed upon with the IMF and CDB if Antigua and Barbuda is to receive disbursements under the financing arrangements. One fundamental condition of the arrangements with the IMF and CDB is that there can be no arrears accumulated by the Government. This means that we must make payments to contractors, creditors and suppliers when they become due.

In order to ensure we meet this condition and achieve the targets, the Ministry of Finance will not process requests to increase expenditure by way of special warrants. Unless there is a natural disaster or other emergency, there will be no approval of special warrants to increase budgetary allocations or to allow expenditure on an activity which was not included in the budget estimates for the year.

A critical aspect of the fiscal consolidation process is to leverage the support of the international community as we seek to reduce the cost of servicing our debt by reducing and/or restructuring a significant portion of the external debt. In order to achieve this we must be able to bring all the creditors to the table and engage in an open and transparent discussion. But Madam Speaker, given Antigua and Barbuda's poor credit history and lack of credibility these creditors are unwilling to engage with us outside of an IMF-assisted programme.

We have had discussions with the IMF and CDB about this fiscal consolidation programme. We intend to continue our discussions with these institutions over the coming weeks to finalise agreements on the overall financing framework and on the monitoring and reporting requirements that are critical for a successful programme. Our intent is to access the maximum amount available from these institutions which together total US\$150 million.

Madam Speaker, this Administration has no doubt that the people of Antigua and Barbuda are all committed to taking whatever action is necessary to transform our beloved nation into a beacon of economic and social strength in the region.

Under the guidance and direction of the Honourable Prime Minister, we therefore pledge to lead the charge and to remain resolute in the face of all challenges so that at the end of the journey we would have secured the welfare of this and future generations.

ECONOMIC ACTION PLAN

Though the Fiscal Consolidation Programme (FCP) sits at the core of the National Economic and Social Transformation (NEST) Plan, it is not intended to be an end in itself.

An essential component of the NEST Plan is an Economic Action Plan (EAP) which represents the Government's overall strategy to encourage economic activity, generate wealth and create of employment over the short, medium and long terms.

Our economic action plan will involve some stimulus activity to include the use of a portion of the funds provided to Antigua and Barbuda by the Bolivarian Republic of Venezuela on projects that can create jobs for local contractors. More importantly, however, the economic action plan will focus on identifying and implementing programmes that support the private sector and encourage investment. The UPP's approach to economic development has always been one of facilitation rather than crowding out the private sector. Hence, we have over the years reduced the corporate income tax, introduced a comprehensive system of incentives and tax concessions for both local and foreign investors and created the Antigua and Barbuda Investment Authority (ABIA) to help ease the process of investing in Antigua and Barbuda.

The Economic Action Plan will be a three-pronged approach to transforming the Antigua and Barbuda economy.

Economic Stimulus:

The first of these three prongs is an economic stimulus that is to be led by a number of construction projects in 2010. These include a \$19 million renovation, reconstruction and refurbishment project, the North Sound Housing project, and construction of two multi-storey office complexes.

In August of this year, when the Government received the US\$50 million from Venezuela, we indicated that US\$7 million or \$19 million of this would be allocated to fund renovating and refurbishing Government buildings. This renovation and refurbishment project is to be undertaken in phases and is intended to create jobs. Over the past few months, the Ministry of Public Works assessed the condition of a number of Government owned buildings and determined the cost of making repairs and upgrading these buildings.

To date, seven such buildings have been identified and Cabinet has approved the proposal to renovate and refurbish these properties in the first phase of the project. The cost of renovating and repairing these seven buildings is \$7 million and we expect work to commence within the first quarter of 2010.

In order to ensure the maximum results in terms of employment generation, the renovation and refurbishment of these Government buildings is to be done by local contractors who will be invited to bid on each renovation project. There will also be an emphasis on providing these contracts to small contractors and on ensuring that the successful contractors complete the works on time and within budget. Once these properties have been renovated and refurbished the Government would be better positioned to reduce expenditure on rent for offices by occupying its newly renovated properties. Upon commencement of the first phase of this renovation and refurbishment project, we will identify other properties to be renovated and refurbished.

This phased approach is being taken to ensure that there is continuous activity over the year, thereby providing opportunities for employment for as many people as possible.

In 2010 the North Sound Residential Community development project will be advanced to provide housing to citizens and residents of Antigua and Barbuda. This project will be undertaken at a cost of US\$10 million, which is being provided in the form of a soft loan from Venezuela. The project is to be implemented in three phases with seventy six houses to be completed in the first phase. A total of four hundred and thirty two houses are to be constructed under this project which will provide jobs for hundreds of persons including carpenters, masons, electricians, plumbers, painters, site managers, project managers and other workers that are needed to undertake a housing development of this type. Again, the thrust of this project will be to provide an opportunity for local contractors to be empowered to offer jobs to citizens and residents. As these persons earn more and increase their spending power, this drives their demand and generates spill-over effects to other sectors, including wholesale and retail.

Other major construction projects to start in 2010 include two new office complexes by statutory corporations.

The first is a multi-storey complex to be erected on Government land on Factory Road. This project will be undertaken by the Marine Services Department and the Financial Services Regulatory Commission (FSRC). The structure is intended to house the Marine Services Department, the FSRC, the Antigua and Barbuda Tourism Authority, and the Antigua and Barbuda Investment Authority. This initiative, which should commence within the first half of 2010, forms part of an overall strategy that emphasises housing ministries and departments in properties owned by the Government or its various entities.

The other project is a multi-storey office complex to be undertaken by the State Insurance Corporation. This will be a Build Own Operate and Transfer arrangement between the Central Government and the State Insurance Corporation. The building will house key Government departments including the Inland Revenue Department and the Treasury. Our effort to establish state of the art premises for these critical agencies of Government will form part of an ongoing initiative to improve the profile of the agencies responsible for collecting revenue and for the efficient management of those resources. This project is expected to start in early 2010 and should be completed at a cost of about \$10 million.

In addition to these construction projects that are to be driven by the public sector, we will also focus on stimulating the economy by encouraging private sector initiatives. Several projects have been approved by the Antigua Barbuda Investment Authority (ABIA). In order to facilitate the start of these projects, the ABIA will continue work with the investors to address any difficulties that have delayed implementation. In light of the need to encourage some private sector activity which could in turn serve to enhance confidence, the Government will consider providing additional incentives to investors who would be in a position to begin work on their projects within the next six months.

Supporting Priority Sectors:

Madam Speaker, this Administration has identified a number of priority sectors that will drive the economic transformation process. These sectors have been chosen based on their contribution to Gross Domestic Product, on their potential to generate employment and on their ability to encourage entrepreneurship and empowerment of the people of Antigua and Barbuda. Tourism, Construction (about which I have just spoken), Agriculture and Fisheries, and Small and Medium Enterprises will be the priority sectors over the next five years and will be the focus of considerable effort by the Government to harness domestic and external resources to support economic growth.

Tourism:

While the recovery of the sector will depend largely on the pace of the upswing in source markets, we are convinced that the rate of rebound in tourism will be influenced by our ability to position Antigua and Barbuda to take advantage of the turnaround in the source markets.

The Government will continue to upgrade its tourism strategy and create an enabling environment to maintain Antigua and Barbuda's position as a preferred tourism destination. An integral part of this strategy will be increasing airlift and improving the quality of our room stock; enhancing the tourism plant; implementing a strategic campaign to expand the markets for business, leisure and regional tourism.

The interventions to be pursued in collaboration with the local private sector, regional organizations and international agencies include:

1. Pursuing a strategic marketing campaign in conjunction with the Antigua Hotel and Tourist Association.
2. Establishing an agriculture-tourism linkage committee to identify effective ways to link the two sectors and allow local farmers and other agribusiness operators to benefit from a thriving tourism industry.
3. Creating a Tourism Employment Opportunity Data Bank through which persons trained at the Hospitality Training Institute and any of the regional Hospitality Training institutions can be apprised of employment opportunities within the sector.
4. Establishing a Tourism Product-Portfolio Package of niche products as a selling tool to promote and attract direct investment into the sector.
5. Strengthening relationships with the Antiguan and Barbudan Diaspora to improve access to foreign markets and encourage know-how.
6. Promoting Antigua and Barbuda as a sports tourism destination.
7. Developing a dynamic and flexible demand-driven education and training system for tourism at the Hospitality Training Institute.

Another critical activity that will impact the sector is a 6 million Euro project to upgrade the Antigua and Barbuda Hospitality Training Institute. This project involves the construction of a 20 room training hotel, two additional classroom blocks and a student lounge, to accommodate an increased enrolment of 300 students and additional faculty.

In an effort to stimulate economic activity and facilitate an increase in the room stock, the Government is working closely with a number of developers including the Crystal Bay Development at Valley Church Bay, the Half Moon Bay project, Azure Bay project at Seaforth and Buccaneer Cove development. We are at advanced stages of negotiations with the various developers and investors for these projects and expect to complete agreements in 2010.

The Crystal Bay Development is a US\$80 million project to construct a 174-room property at Valley Church Bay. The developers are in the process of finalising financing for this project and have an agreement with the Intercontinental Hotel chain to manage this five star property.

The Half Moon Bay development is to be a \$1.9 billion project that will include construction of a five star luxury resort to be managed by another major hotel chain.

This development will also include construction of a marina, infrastructure works, and construction of condos and town houses.

The proposed *Azure Bay* project in Seaforth encompasses a high-end multi-use resort/residential community that will include a signature 18 hole golf course, at least one five star hotel, and other requisite amenities, in addition to various iterations of residential development. The five star hotel will be a major high-end brand that will help to market Antigua and Barbuda and to support the Government's efforts to encourage added and new air service to the nation.

This project has been delayed due to unresolved legal issues. However, the last legal impediment to moving forward was settled in the High Court on November 24th, 2009 after five and a half years of litigation.

Another project that is actively being pursued is the Buccaneer Cove development at Dickenson Bay. This is a US\$70 million development where one hundred and seventeen state-of-the-art condominiums are to be built over a thirty-two month period. These four developments are expected to create employment for more than two thousand Antiguan and Barbudans and increase the room stock by more than 500 rooms over the next three to five years.

Though the global financial crisis caused a significant reduction in available financing for tourism development projects, we are optimistic that work on these projects will start within the next twelve to eighteen months. Although Antigua and Barbuda is anticipating a turnaround in the economy, this Government is of the view that we have the ability to turn the challenges we now face into opportunities to firmly establish Antigua and Barbuda as a 'world class' destination with a competitive product and services that rival any in the Caribbean and beyond.

Agriculture and Fisheries:

Agriculture contributes between two and a half and three percent of gross domestic product in Antigua and Barbuda each year. Though this is relatively small compared to other sectors such as tourism, wholesale and retail trade, communications, and construction, agriculture is an essential sector. The Government, through the Ministry of Agriculture, has developed an action plan to expand crop production in Antigua and Barbuda over the period 2009 to 2012. This action plan will focus on four main sub-projects that are intended to bring about the objective of increasing crop production. One of these sub-projects is restoring and upgrading five agricultural stations where pineapples, tropical fruits, vegetables, and cotton are the main focus. The total cost of this aspect of the action plan is \$5.5 million.

With an increase in the level of crop production, it will be critical to ensure that there is a stable and consistent market for the output of local farmers. A key element in this will be the Central Marketing Corporation (CMC). To ensure that the CMC can meet the needs of farmers, a \$6.5 million project is to be undertaken over the next three years to expand and modernise the facility. Emphasis will be on increasing input storage, improving handling facilities, and building a new food centre. The improved CMC facilities will serve as the export agency for local produce and will have the capacity for primary agro-processing.

Work has already commenced on a number of these activities. At the same time that efforts are being pursued to enhance crop production, the Government will expedite the preparation of similar action plans to enhance output and competitiveness in fisheries and livestock. In addition, a new project for poultry production will commence in 2010. This project will create opportunities for our small poultry farmers. Further, efforts to create linkages between agriculture and tourism will be enhanced as the ministries of Tourism and Agriculture increase collaboration on a number of festivals, including Mango and Pineapple Fest, and an expanded Seafood Festival.

Madam Speaker, we are certain that with the implementation of these various projects and the strong support of all stakeholders and the general public, the agriculture sector's contribution to economic output will increase markedly. By making this sector a priority in Antigua and Barbuda we expect to realise outcomes that both generate and save foreign currency. Also, the Government anticipates that the sector will create new jobs and our country will be effectively positioned to achieve the objective of a modern, sustainable agricultural sector.

Small Business Development:

In 2007 this Government enacted legislation for the development of small businesses in Antigua and Barbuda. Under the Small Business Development Act, Antiguan and Barbudan entrepreneurs may access concessions and technical assistance and support to expand an existing or start a new small business. Under the Small Business Development Act, the Government has institutionalized a system of support through the Antigua and Barbuda Investment Authority for small business owners and potential entrepreneurs to realise the dream of wealth creation.

Also enshrined in the Small Business Act is this Government's policy whereby twenty five percent of Government procurement contracts for goods and services are to be reserved for small businesses registered under the Act.

Since the introduction of the legislation, the Antigua and Barbuda Investment Authority has received over 150 inquiries about the Small Business Development Act. Of those, 75 business owners and potential business owners have begun the process of registering for approved small business status. About 20 of these have already been granted approved small business status while the remaining businesses are either under review or have yet to submit the necessary documentation to facilitate processing of their applications. While we are intent on providing support to our small entrepreneurs, it is still very important that all procedures be followed and that due diligence be conducted to ensure that those applying for concessions and incentives are legitimate businesses with viable business plans.

Businesses that are registered as Approved Small Businesses under the Small Business Development Act are eligible to apply for and benefit from various business incentives including concessions, technical assistance and access to the Credit Guarantee Scheme. These new small businesses will receive support in areas such as developing business plans, establishing the right management structure, using basic accounting tools for financial management, and preparing bid documents to allow them to participate in the competitive bidding process.

Investment Strategy for the Medium Term:

Madam Speaker, in 2010 the ABIA will continue to find creative ways of executing its mandate to attract foreign direct investment, develop and grow indigenous investment, and assist all investors wishing to establish or expand their businesses in Antigua and Barbuda.

The ABIA is articulating a strategic vision to guide our approach to seeking investment opportunities. The need for this overall vision emerged from weaknesses in the linkages between the core service sector, tourism, and a number of the other sectors that engage in primary and secondary production.

The essence of the vision is to develop a high value, internationally competitive, service sector with tourism at its core but with a number of production and service sectors as satellites. These satellite sectors will include agriculture, transportation, telecommunication and other specialized areas of tourism including medical and sports tourism. While we refine the overall framework to achieve this vision, we continue to engage in a number of activities that can be seen as building blocks in this regard.

In November of this year the first batch of Medical Transcriptionists graduated from the programme managed by the ABIA. The average grade was over 97 percent. By April of next year another 50 students should complete the programme and another 100 persons are expected to begin training in 2010.

Government is actively negotiating with two established US entities with a view to entering into a joint venture partnership to start a Medical Transcription Production Centre in the first quarter of 2010.

Another initiative being pursued is the construction of an Oncology Centre for the OECS. The ABIA will facilitate the construction of a world class Oncology Centre to serve the Eastern Caribbean. Cancer is regarded as one of the major diseases plaguing the Caribbean. The projected investment is EC\$32 million. The governments of Antigua and Barbuda and the other OECS countries will be equity partners in this project. Members of the public will also be given the opportunity to own shares.

SOCIAL TRANSFORMATION PLAN

The social transformation component of the NEST Plan is critical to the fulfilment of our national vision which is 'to create a sustainable economy through balanced, integrated development strategies that ultimately provide an improved quality of life, while ensuring social stability and integrity of the environment.'

We are confident that even with the challenging times resulting from the global economic crisis, the necessary resources will be invested in a number of key areas over the next three to five years, including enhancing education at all levels, providing quality health care and tackling crime and national security issues. We are committed to developing programmes that will create avenues to receive multi-lateral development assistance.

National Security and Immigration Issues:

I would like at this time to underscore this government's policy of Zero Tolerance for Crime. We are fully cognizant that crime threatens our way of life and tarnishes the moral fibre of our country and our reputation as a place of safety.

We value the work carried out by the Royal Police Force of Antigua and Barbuda, the Antigua and Barbuda Defence Force and the office of National Drug Control and Money Laundering Policy and we will continue to provide the resources required to ensure an effective fight against crime.

In 2010 and beyond we will strengthen the capacity of the crime fighting bodies as we seek to further assist in the formation of community watch groups. In 2009 we introduced community policing and we are confident that this has allowed us to increase the level of cooperation between the citizenry and the police force. It is important that we continue to strengthen the communication linkages between all parties to ensure that there is adequate information for crime fighting.

It is imperative that we undertake a review of the relative statutes and regulations for bail procedures, possession of offensive weapons and masks, and sexual offences on minors by family members. We recognize that these statutes are some of the most commonly used and we will seek to ensure that they adequately capture the current realities.

Over the next year we intend to implement a revised immigration policy that we will draft with the input of our citizens and residents. I will reiterate the words of the Prime Minister in this regard.

- Our immigration policies and practices will be transparent and just.
- Our revised immigration policies and practices will recognise that immigrants have made a invaluable contribution to building Antigua and Barbuda.
- The diversity of our population is a treasure to be cherished.
- The living concept of “One Caribbean Family” was shaped by the people themselves; before there was a West Indies Federation, before there was CARIFTA, and before there was CARICOM.
- The Antiguan and Barbudan character, culture and identity will be respected, preserved and treasured.
- The human dimension, and fundamental compassion where children and other family members are concerned, will be at the core of our new immigration policies and practices.
- Central to the new immigration policies and practices will be the establishment of a Naturalisation Facilitation Unit with a remit to assist entrants to our national community, and to our national family.
- Strict compliance with the new immigration policies and practices will be required of immigration personnel and of applicants for guest worker status; residency; citizenship; and enrolment on the register of voters.

Madam Speaker, this policy translates to a commitment to properly manage our human resources. Yet there are those who would score cheap political points by deliberately distorting our intentions in this regard, even as they bandy about the term ‘managed migration’. To them, we invoke the words of English author Samuel Johnson: “A patriot is he whose public conduct is regulated by one single motive, the love of his country; who, as an agent in parliament, has, for himself, neither hope nor fear, neither kindness nor resentment, but refers every thing to the common interest.”

Social Protection and Social Safety Nets:

Madam Speaker, the Government has implemented a number of measures over the past few years that are intended to provide relief and support to the population.

In 2010 we will continue programmes such as the School Uniform Grant and the School Meals Programme, the Home Improvement Grant, the Poverty Alleviation Grant, the GRACE Programme, the Job Training initiatives, and the Senior Citizens Utility Subsidy Programme and the Peoples Benefit Programme that are implemented by PDV Caribe and funded with resources made available through the Petro Caribe arrangement. These programmes represent the foundation of the social safety net for citizens and residents.

In addition to the programmes identified above, the Government will support measures to provide targeted support to various groups. One such intervention has been the development of an arrangement that provides relief to particular segments of the population that may be impacted by changes in fuel prices. This more targeted approach to delivering a subsidy will help to mitigate the impact of price changes while ensuring there is no deterioration in the country's fiscal position.

Pension Modernization:

An essential element of the social safety net is ensuring that the social security and pension arrangements function optimally and deliver valuable service to the beneficiaries. In this regard, the Government will move ahead with a review of existing pension arrangements. This review will be undertaken by the Pension Modernization Commission. The Commission comprises representatives from key stakeholder groups and is responsible for undertaking a comprehensive assessment of pension systems in Antigua and Barbuda. The Commission will recommend ways to transform the current arrangements into a more streamlined and efficient system that is financially viable and capable of securing retirement benefits over the long term.

FINANCIAL SECTOR STABILITY

Madam Speaker, one of the four pillars of the Nest Plan is Financial Sector Stability. The Government of Antigua and Barbuda, along with other member governments of the Eastern Caribbean Currency Union, and the Eastern Caribbean Central Bank, are continuously working to improve the robustness of our regulatory regime at the sub-regional and domestic levels. As a result there will be enhanced surveillance of non-bank financial institutions and commensurate capacity building initiatives to be undertaken at the Financial Sector Regulatory Commission (FSRC).

With respect to the British American Insurance Company, Madam Speaker, we are now in receipt of the Judicial Manager's report. The report reveals that there were substantial transfers of resources from the Eastern Caribbean branches to fund activities orchestrated by the parent company, C L Financial. In the final analysis, Madam Speaker, BAICO has been found to be insolvent.

The Judicial Managers have, however, advised against liquidation, a position consistent with that of the Eastern Caribbean governments, which on 2nd November 2009 announced a strategy for a restructured entity. The Judicial Managers are applying to the Court for acceptance of this proposal. In the meantime, the governments of Trinidad and Tobago and Barbados have expressed their interest in joining with the governments of the ECCU to capitalise this new company and, in so doing, to offer policyholders and annuitants a real alternative to simple liquidation and a vehicle by which they may be able to recover a greater portion of their investments.

BUDGET PROJECTIONS – 2010

Madam Speaker:

Our Fiscal Consolidation Programme, detailed above, is expected to bring about a significant improvement on the fiscal accounts in 2010. The measures to enhance revenue collections and curtail expenditure are expected to result in a positive primary balance.

Recurrent Expenditure for Fiscal Year 2010, which includes debt service payments, is estimated at \$886,478,273 while Recurrent Revenue is estimated at \$836,286,276.

Madam Speaker:

As indicated earlier, the primary balance presents the difference between the Government's primary expenditure; that is, all expenditure excluding debt payments, and its revenues. For Fiscal Year 2010, Antigua and Barbuda will realise a primary surplus of \$104,560,377.

Recurrent Expenditure:

Recurrent expenditure for 2010 is budgeted at \$886,478,273 compared to revised budgeted expenditure of \$1,088,649,091 for 2009. The decline in expenditure in 2010 reflects the expenditure measures to be implemented under the Fiscal Consolidation Programme.

In 2010, expenditure on salaries and wages is budgeted at \$310,940,213.

Government's Social Security and Medical Benefits contributions are budgeted at \$23,315,836.

For Pensions and Gratuities a budgetary allocation of \$51,405,467 is included in Budget 2010. .

We have budgeted \$150,430,661 for expenditure on Goods and Services in 2010. .

In terms of Transfers and Grants, we budgeted \$116,768,625 for 2010.

Finally, Debt Service payments are budgeted at \$214,506,242 for 2010.

Other personnel costs and Contributions and Subscriptions account for \$6,734,557 and \$12,376,672 respectively in Budget 2010.

BUDGETARY ALLOCATIONS

Expenditure in the Prime Minister's Ministry

Total budgetary allocation for the Prime Minister's Ministry in 2010 is \$42,793,508. This allocation is significantly below the amounts budgeted in 2009 and mainly reflects the transfer of Immigration and the Military to the Ministry of National Security.

In addition, as a part of the fiscal consolidation process, the budget of the overseas missions and offices has been reduced by \$8 million to \$15 million in 2010.

Investing in the Development of Barbuda

Madam Speaker:

In 2010 the Government will continue to provide resources to encourage development in Barbuda. In keeping with recommendations coming out of the Live and Direct consultation, the Government will work with the Barbuda Council to convene a two day symposium in the second quarter of 2010 at which a Development Plan for Barbuda will be discussed.

Also to take place in Barbuda is the construction of an Artisanal Fisheries complex with funding from the Government of Japan. Four million of the amount budgeted for capital expenditure in 2010 will be allocated to continue the road development programme in Barbuda. Further, a portion of the funds received from Venezuela will be used to finance work on the Barbuda airstrip.

Finally, Madam Speaker, Barbuda will continue to benefit from social programmes such as the Senior Citizens Utility Subsidy programme and the People's Benefit Programme. As the Government develops and implements the various elements of the NEST Plan, we will ensure that Barbuda has an opportunity to participate and to benefit from improvements in economic and social welfare.

Information and Communication Technology (ICT)

Madam Speaker:

In 2010 the Government will continue to implement its Digital Agenda in an effort to empower our citizens and residents to make use of information technology. The work commenced in the Community Access and Empowerment Centres in many communities across the country will continue in 2010.

In addition, the Government will continue the programme of providing laptops for lease to students and teachers at institutions of higher learning in Antigua and Barbuda. This initiative started in 2009 and has been of tremendous benefit to many students.

Expenditure in the Ministry of Tourism, Civil Aviation and Culture

A total of \$57,542,344 has been allocated to support the work of this Ministry in 2010.

Madam Speaker:

In order to enhance the competitiveness of Antigua and Barbuda's tourism product, it is essential that we develop an aggressive and multi pronged approach to marketing. This strategy will focus on enhancing the yield from traditional markets and identifying opportunities to penetrate new markets. The execution of this strategy will need to take place within an environment of limited resources and therefore demands optimal returns from every dollar spent on marketing.

Madam Speaker:

It is anticipated that a number of airlines will commence or increase service to the country in 2010. Specifically, American Airlines will now operate daily service from Miami to Antigua throughout the year, except for September and October when flights will be five days per week. In addition, American Eagle will add three flights per week to the current daily return overnight service. The additional flights will take effect from April 2010 and will be on Sundays, Mondays and Fridays. This will increase the current American Eagle weekly seats serving San Juan from 448 to 640.

In 2010 Delta Airlines will increase the number of flights from John F. Kennedy airport to a maximum of four per week during the upcoming winter season. There will be three flights per week starting in early February, increasing to four per week until April 2010. The Delta Airline flight out of Atlanta will also increase to two per week during the heart of the tourist season. Continental Airlines is also expected to increase the number of flights out of Newark airport from six to eight per week beginning on Dec 17th 2009.

Airlift out of Canada is projected to increase by 85 percent in 2010. The charter company Air Transat will operate two new flights per week from Montreal and Toronto. Discussions are ongoing with other Canadian carriers, including West Jet, to establish routes between Antigua and western Canada.

Coming out of Europe, Livingston charter out of Milan, Italy will fly weekly to Antigua from December 2009 to March 2010. We are currently engaged in discussions with the operator to secure charters out of Italy during the summer months. Antigua and Barbuda has also signed a new agreement with Condor for weekly year round service from Frankfurt. Finally, LIAT has agreed to cooperate with Air Caraibes by scheduling flights between Guadeloupe and Antigua to coincide with the arrival of flights from Paris. This should facilitate same day transfer of visitors from France to Antigua and Barbuda and will help improve our access to this market.

Expenditure in the Ministry of Agriculture, Housing Lands, Fisheries and the Environment

An allocation of \$31,009,103 has been made in Budget 2010 for this Ministry.

Madam Speaker:

Agriculture has been identified as a priority sector in the Economic Action component of the NEST Plan. The resources allocated in Budget 2010 will help the Ministry to continue work in a number of areas including:

- implementing the National Food Production Plan
- establishing a system for adequate and reliable input supply at the Central Marketing Corporation
- upgrading operations at the Agricultural Development Corporation
- upgrading the analytic and diagnostic facilities at Dunbars to provide services to producers and to ensure food safety
- providing production , training, technology and farm certification services to all producers through the Extension Division
- finalising strategic action plans for fisheries and livestock

The Ministry will advance work on a number of housing developments and will also work to create a National Physical Development Plan which will stress environmental protection, promote sustainable development and ensure the appropriate use of land through the creation of a zoning system.

Expenditure in the Ministry of Education, Sports, Youth and Gender Affairs

An allocation of \$90,557,651 is made in Budget 2010 to facilitate implementation of the various programmes and activities of this Ministry.

This Ministry will play an essential role in bringing about social transformation in Antigua and Barbuda and is therefore highlighted as a priority area in the Social Transformation Programme of the NEST Plan. In 2010, the Ministry is expected to enhance its efforts in a number of areas including:

- Licensing Day Care and Pre-school facilities to ensure a safe and healthy environment is maintained at all times
- Supporting training of teachers in the field of special education

- Entering into partnership arrangements with local institutions to expand training opportunities for our teachers
- Introducing more literacy and numeracy programmes
- Advancing work towards making the Antigua State College a degree granting institution
- Continuing work on plans to construct two new secondary schools

In addition to the above, the resources allocated to the Ministry will also be used to support the work of the National Training Agency, the Antigua Barbuda Institute of Continuing Education, and the Boys Training School. Additionally, an allocation has been made in Budget 2010 that, along with resources to be provided through PDV Caribe Antigua Ltd., will ensure that the Public Library is completed and operational in 2010. Resources have also been included in the budget to address a number of the challenges being faced by the National Archives.

Expenditure in the Ministry of National Security and Labour

An allocation of \$89,537,337 has been made in Budget 2010 for this Ministry.

Madam Speaker:

The Ministry of National Security and Labour will concentrate on a number of critical issues in 2010, amongst them being to upgrade crime fighting equipment and facilities used by the armed forces, and to enhance the human resource capacity deployed to fight crime.

Other specific crime fighting activities will include:

- Stop and search road blocks to seek out those involved in criminal activity;
- Augmenting foot and mobile patrols in criminal hot spots
- Boosting the effectiveness of the Rapid Response Unit
- Continuing joint patrols of the Police and Defence Forces

Madam Speaker the matter of national security will be more fully addressed by the Prime Minister and the Attorney General during the course of the debate.

Expenditure in the Ministry of Health and Social Transformation

An allocation of \$108,440,553 has been made in Budget 2010 for this Ministry.

In 2010 therefore, the work programme for this ministry will include activities such as:

- Articulating a clear and comprehensive National Health policy
- Developing an effective National Health Information System
- Training food- handlers in food service establishment, and vendors
- Continuing implementation of a program to monitor drinking and recreational waters
- Strengthening port health inspection and surveillance at all ports of entry
- Enhancing the ability of the Prices and Consumer Affairs Division to advocate for

- and protect the rights of consumers
- Securing technical assistance from regional and international organisations to develop and enhance social programmes
- Advancing implementation of a Comprehensive Disaster Management programme
- Providing quality tertiary health care services through the Mount St. John Medical Centre
- Strengthening the clinics to improve the delivery of primary health care services

Expenditure in the Ministry of Finance, the Economy and Public Administration

An allocation of \$105,686,422 has been made in Budget 2010 for this Ministry.

These resources will allow the Ministry to implement the Fiscal Consolidation Programme and to oversee the completion of the NEST Plan.

Included in Budget 2010 is an allocation to ensure that Antigua and Barbuda is able to meet the reporting requirements that form part of the Caribbean Development Bank's Policy Based Loan and the Stand-By Arrangement with the IMF. The Government is intent on meeting all fiscal targets, to secure timely disbursements under these arrangements. In addition, we have made resources available in the budget to secure the services of debt advisors so that we can move to resolve our debt issues with Paris Club and other creditors in early 2010.

Expenditure in the Ministry of Public Works - Capital Expenditure

Madam Speaker:

The 2010 budgetary allocation for the Ministry of Public Works amounts to \$74,799,155. These resources, along with the overall capital budget of \$90,151,654, will allow the Government to continue to implement a number of critical capital programmes in 2010. Of the \$90.15 million identified for capital projects, approximately \$60 million will be resources provided from the consolidated fund while the balance represents grant funding for various projects including the Coastal Zone Management Project.

Finally, the Ministry of Public Works will continue its rationalisation exercise in 2010 to increase efficiency and ensure the most cost effective use of Government resources. An essential element of this rationalisation process will be to implement a comprehensive policy for the use and management of Government vehicles

Other Budgetary Allocations:

Expenditure for Democracy and Governance

The Budget 2010 allocation for the Governor General's Office is \$1,237,110.

For the Legislature, the allocation is \$2,051,402.

The allocation for the Cabinet Office is \$3,343,429.

Expenditure for the Justice System

The allocation for The Judiciary is \$2,858,108.

For the Office of the Attorney General and Ministry of Legal Affairs, an allocation of \$13,101,173 is made available to allow the Government to continue the implementation of its legislative agenda in 2010.

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 2010 Budgetary allocation for the Services Commissions is \$629,244.

The provision for the Audit Department is \$1,505,790.

For Pensions and Gratuities, we have allocated \$42,798,519.

The provision for Charges on the Account of the Public Debt is \$214,506,242.

The 2010 provision for the Electoral Commission is \$3,626,141 and \$455,042 has been allocated for the Office of the Ombudsman.

RECURRENT REVENUE

Madam Speaker:

Recurrent revenue for Fiscal Year 2010 is budgeted at \$836,286,276. The three major sources of this revenue will be direct taxes, which make up 15 percent of recurrent revenue, indirect taxes, which make up 79 percent, and non-tax revenue, which comprises 6 percent. Tax revenue accounts for about 94 percent of total recurrent revenue and is budgeted at \$786,663,746. Non-tax revenue makes up the remaining 6 percent of recurrent revenue and is budgeted at \$49,622,530.

The main source of the projected revenue from taxes on income will be corporate income tax, which is expected to yield \$64,154,911. The personal income tax, or contribution to the stabilisation fund, generates about 39 percent of revenue from taxes on income, and is expected to yield \$41,149,867 in 2010.

Revenue from the property tax is expected to amount to \$19,440,882 in 2010. This is one of the taxes where compliance has tended to be very low.

Madam Speaker:

We established collection centres in Cedar Grove, Jolly Harbour and Cobbs Cross for three months this year to make payment of property taxes more convenient for persons living in those and surrounding areas. This was a successful initiative, as is reflected in the anticipated 25 percent increase in revenue from property taxes in 2009 over 2008. In light of this, the Inland Revenue Department plans to re-establish a collections office in Jolly Harbour in early 2010 to provide a convenient location for persons in the south of the island to pay property and other taxes.

Finally, Madam Speaker, the property tax, corporate tax and personal income tax legislation all contain mechanisms through which taxpayers may challenge their tax assessment or seek relief from payment of taxes. The Income Tax Appeal Board, the Valuation Appeal Board and the Property Tax Relief Committee were established to ensure a balanced tax system where taxpayers' responsibilities are matched by a set of taxpayer rights. Individuals or companies may challenge an assessment of their income tax liability by making use of the Income Tax Appeal Board, while a property owner may challenge a valuation upon which his tax liability is based by way of the Valuation Appeal Board. In a situation where a taxpayer is unable, for whatever reason, to pay his property tax, he may apply to the Property Tax Relief Committee for assistance.

Indirect Taxes

Madam Speaker:

The yield from indirect taxes is budgeted at \$661,288,086, which is about 84 percent of tax revenue. Of this, taxes on domestic production and consumption are expected to yield \$490,051,937, while taxes on international trade and transactions are projected to yield \$152,826,399.

A total of \$290,000,000 or 44 percent of the revenue from indirect taxes will be generated from the Antigua and Barbuda Sales Tax (ABST). This increase in revenue from the ABST will be driven by the reduction in the basket of zero-rated items and by boosting compliance among ABST registered businesses.

Madam Speaker:

Lest we be accused of targeting any group or penalising anyone for having a taste for particular items, I wish to submit that the basket of zero-rated goods should be one that contains items that are essential. The intent of establishing this basket was not to make allowances for the tastes of all persons but to ensure that the basic items used by most of our residents and citizens are zero rated. The People First approach is intended to provide the greatest benefit for the largest number of our people. It is with this in mind that we propose to reduce the basket of zero-rated items from the more than seventy categories of goods to twenty nine categories. The new basket of zero-rated goods would include:

Chicken	Cooking oil
Fish, including saltfish, mackerel and red herring	Shortening and Margarine
Milk	Bread
Butter	Yeast
Eggs	Water
Fresh fruits and vegetables	Medicines such as aspirin, paracetamol, and cough medicine
Rice	Sugar and salt
Flour	Tofu, soya milk and soya chunks
Cornmeal	Diapers for babies and adults
Cereal, including oats and cream of wheat	Baby formula and foods

Madam Speaker:

While we propose to remove beef and pork from the list of zero-rated items, citizens and residents who purchase these products from local butchers or from the small vendor at the market will not face an ABST charge, since these retailers would not be registered to charge the ABST. The other advantage here is to encourage consumption of beef and pork supplied by our local livestock farmers.

As we mentioned in many presentations over the past several months, compliance with respect to the ABST has fallen tremendously since it was introduced in 2007. What this means, Madam Speaker, is that many businesses that are registered and collecting the ABST are not remitting the revenues to the Inland Revenue Department. These are existing businesses that are still operating and charging their customers the ABST. Madam Speaker, as I indicated earlier, we will be making significant changes to revenue administration in Antigua and Barbuda to stamp out non-compliance. The Inland Revenue and Customs and Excise Departments will be strengthened in 2010 to ensure greater efficiency in tax administration and improved revenue collection. Non-compliance will not be tolerated and various mechanisms will be put in place to bolster the enforcement arm of the Inland Revenue Department so that it can take appropriate action against delinquent taxpayers, particularly those that collect and hold on to the ABST.

It should be noted that even with an assumption that economic activity in 2010 remains at the same level as in 2009, the additional revenue to be generated from the ABST once compliance is improved could amount to more than \$50 million.

Madam Speaker:

One measure to be instituted by January 1 2010 will be a Tax Compliance Certificate. This Certificate is to be issued by the Inland Revenue Department to businesses and other large or frequent importers. The way this will work is that businesses and other large or frequent importers will be required to demonstrate to the Customs Department on a regular basis that they are up-to-date in the payment of taxes to the inland Revenue Department before they can clear their goods at the port. The importer will be required to present his/her Tax Compliance Certificate for the timely clearance of their goods. The intent here is twofold. First, to boost compliance and second, to create greater synergies across the revenue agencies.

In addition, Madam Speaker, where a business that has received tax incentives and concessions is found to be regularly delinquent in filing returns at the Inland Revenue and Customs Departments, those incentives and concessions will be immediately suspended until such time that the business has settled its tax liabilities. We will move early in 2010 to make the necessary legislative provisions to give effect to this policy.

Finally, Madam Speaker, we will establish a Revenue Court in Antigua and Barbuda through which matters relating to tax delinquency will be addressed. The Inland Revenue Department is currently reviewing the structure and operations of similar institutions across the region. The Ministry of Legal Affairs will provide the support and guidance needed to put the appropriate administrative arrangements in place such that the Revenue Court may be operational by the end of the first half of 2010.

Madam Speaker:

The other contributor to indirect tax revenue is taxes on international trade and transactions. Revenue from these taxes, which include import duties, the Embarkation Tax, Consumption Tax and the Revenue Recovery Charge, is projected to amount to \$152,826,399 in 2010.

Revenue from the Embarkation Tax is estimated at \$18,792,853, which reflects a 38 percent increase over revenue for 2009. The gain in the yield from this tax will be driven by the increase in the rates from \$35 to \$50 for nationals and Caricom passengers and from US\$20 to US\$25 for non-Caricom passengers. This measure will take effect from January 1, 2010.

Revenue from the Consumption tax, which is mainly related to fuel, is projected to yield \$37,909,720 in 2010. This level of revenue is to be achieved by maintaining the pass-through mechanism whereby increases in the international price of fuel will be passed on so that the consumption tax per gallon of diesel and gasoline does not fall below \$2.60. Under the pass-through mechanism, declines in the international price of fuel will also be passed on to the public.

While the Government is still committed to cushioning certain segments of the population from increases in the price of fuel, we will move to implement a more targeted system of support. Instead of providing a blanket subsidy to all persons, regardless of whether they drive a Hummer or take the bus, we will continue to work with the Antigua and Barbuda Bus Association and the Taxi Associations to contain the price of public transportation.

Madam Speaker:

A key revenue measure associated with our Fiscal Consolidation Programme is the Antigua and Barbuda Revenue Recovery Charge. This charge will replace the Customs Service Tax and will be levied at a rate of 10 percent on all non-oil imports and on domestically manufactured and produced goods. The Revenue Recovery Charge is projected to yield \$115,000,000 in 2010.

Finally, Madam Speaker, Non-tax revenue, which includes dividends from the Eastern Caribbean Central Bank and the West Indies Oil Company, income from postal services and revenue from leases, is projected to yield \$49,622,530 in 2010.

Duty Free Policy:

One of the early measures adopted by the Government in response to the significant decline in revenue as a result of the global crisis was to introduce a moratorium on discretionary duty free concessions. This measure has been in place since May 15th 2009.

We will develop a clear policy in respect of duty free concessions, especially as they relate to motor vehicles. Notwithstanding the moratorium, we determined that we would not penalise individuals who had already been granted concessions before May 15th 2009. This meant that the Ministry would routinely process warrants for individuals who may be changing the vehicle for which the duty concession was originally granted or revalidate a concession for someone who may not have had the opportunity to use the concession within twelve months of receiving it.

What the Ministry has come to realise is that there is rampant abuse and fraudulent transfers of the duty free concessions. In fact, I have personally made random calls to individuals who submitted warrants claiming that they have not used the duty concession and are seeking to substitute one vehicle for another. Upon asking the individuals whether they had indeed used the duty free that our records indicated was granted to them, they each admitted to having “sold” the duty free and thus were not the individuals submitting the warrants for substitution.

Having personally verified that this fraudulent practice is occurring, I wish to advise that with immediate effect, the Ministry of Finance will no longer be revalidating duty free concessions that were not used within twelve months from the date of issuance. Further, any warrants presented for processing that are associated with duty free concessions that are still valid will only be processed if presented by the individual whose name appears on the warrant. Finally, all individuals in possession of a duty free concession are advised that these will only remain valid until December 31 2009. These persons are therefore encouraged to make use of the benefit on or before December 31 2009 since they will not be able to carry over the concession into 2010.

I must take a moment here to express how astounded I was to realise the pervasiveness of fraudulent use of duty free concessions. This is no less an offence than businesses charging and collecting the ABST and not submitting the funds to the Inland Revenue Department. The Government is determined to stamp out this practice and has commenced an in-depth investigation of this matter. Such fraudulent behaviour will not be tolerated at any level. In the same way we are going to deal with those tax payers who fail to comply with the ABST legislation, we will bring the full weight of the law to bear on those who perpetrate fraudulent use of duty free concessions.

In 2010, the Government will also review the current system of duty free shops with a view to eliminating leakages and ensuring that only individuals leaving the country receive the benefit of duty free shopping. We have started the process of examining the administration of duty free shopping in other Caribbean countries and will soon develop a policy to revamp the system in Antigua and Barbuda. One of the main objectives is to ensure that there is a level playing field among all domestic retailers. Retailers who do not operate in the duty free shopping areas are placed at a disadvantage when individuals who own shops within and outside the duty free zones transfer inventory intended for the shop in the duty free zone to their other stores.

This practice gives owners of duty free shops an unfair advantage since they would be competing against retailers who do not have access to duty free inventory. In addition, the shops in duty free zones also compete unfairly with the shops outside the zones when they illegally sell products to persons that are not travelling. We are committed to addressing this problem and to establishing a system that is fair, efficient and transparent. The duty free shopping arrangement is intended to make Antigua and Barbuda a competitive port of call for those visiting our shores. It was never intended to create an inequitable system where retailers with access to duty free inventory could compete unfairly for domestic sales against retailers who pay duty on their inventory.

Government Vehicles Policy

The topic of Government vehicles was among one of the issues most frequently raised during the recent NEST Consultations and Live and Direct meetings. Whether they were representatives of the private sector, labour unions, civil society or non-government organisations, several participants expressed major concern about the use of Government vehicles. It is very clear that the consensus in the public is that the number and treatment of Government vehicles represent costs to tax payers that, with better control, can be reduced.

One matter that is typically raised relates to the number of Government vehicles. It should be noted that one factor that may have contributed to this perception is the fact that this Administration, upon assuming office, adopted the policy of placing 'G' licence plates on vehicles owned by the Government or statutory corporations. Before this policy was introduced, there were many Government vehicles on the road that were not identifiable in any way as public property.

What we have decided to do is increase transparency by ensuring that assets which are the property of the Government, and hence the public, are recognisable as such.

This notwithstanding, we have already commenced the process of addressing the level of expenditure associated with vehicles. In May 2009, the Government issued a directive that no new motor vehicle purchases were to be made. We also reduced the amount of fuel provided to officials who drive government vehicles by fifty percent and we are developing a policy for the use of Government vehicles. In 2010, we will accelerate work on this policy. Included in this is further reducing the amount spent on fuel by requiring all officers and consultants in possession of Government vehicles at all times to purchase their own gas. This means that anyone who has possession of a Government vehicle outside of working hours and over weekends when they are not on official assignment will be responsible for purchasing fuel for the vehicle.

Madame Speaker, the basis of this decision is the fact that the officers with these vehicles essentially have possession of a vehicle for which they incur no cost to maintain, insure or repair. It is our view that the officer should make some contribution and can do so by providing fuel for the vehicle which they use not only for transportation relating to work but also for personal purposes. Indeed, the fact that some officers opt to drive a Government vehicle in lieu of receiving their travelling allowance is an indication that it is a very significant benefit to be in possession of a Government vehicle. For those officers who do not wish to cover the cost of fuel for their vehicle, the option of returning the vehicle to the motor pool at the end of the work day and picking it up at the beginning of the next day will be available. This is an interim measure towards the ultimate plan of the Government to reduce its fleet of vehicles. Public officers will have the first opportunity to purchase the vehicles but ultimately the general public will also have the chance to purchase Government vehicles put up for sale.

The Government will continue to provide fuel for vehicles used to provide essential services and those which are typically returned to the motor pool at the end of the workday and over the weekend. This means as well that the Government will move aggressively to ensure that those vehicles such as school buses and vehicles used to transport staff are returned to the motor pool at the end of the workday. There will be a strict policy where these vehicles will not be allowed on the roads after working hours unless they are being used to conduct legitimate Government business. It is expected that once the new policy related to Government vehicles is completed, the overall expenses related to these assets will be significantly reduced.

Madam Speaker:

There were many recommendations coming out of the recent Live and Direct consultations. As we have stated, nothing is ruled in and nothing is ruled out. Among the suggestions placed on the table and which we intend to consider are:

- A review of the dollar barrel initiative
- A rationalisation of utility payment exemptions
- Use of prisoners to assist with agricultural work and national beautification efforts

DEFICIT FINANCING, DEBT SERVICING AND DEBT MANAGEMENT

Madam Speaker:

I indicated earlier in my presentation that the Government projects a primary surplus of \$104.6 million for 2010. This however is only one part of the picture, for we must make provision for servicing debt to our creditors. Debt service payments for 2010 have been budgeted at \$214.5 million. This means that even with a primary surplus of \$104.6 million, there is still a \$110 million financing gap.

When the interest arrears and penalties on past due principal into account the financing gap would increase to more than \$400 million.

This, Madam Speaker, is not a gap that can be closed in a year or a few years. Antigua and Barbuda requires financial assistance to resolve this challenge and to place Antigua and Barbuda on a path to debt sustainability.

Debt Management:

The government of Antigua and Barbuda's ability to finance its fiscal deficit over the current fiscal year was particularly difficult given the deteriorating global economic environment. Tightening liquidity on regional and international financial markets along with the dramatic decline in government revenues have exacerbated fiscal pressures and once again threaten debt sustainability. Whilst the challenge of relatively high debt ratios is not new for the country, these factors have had catastrophic consequences on the Government's finances.

Against the background of high levels of arrears and rapidly widening fiscal gaps, the Government initiated discussions with the Eastern Caribbean Central Bank (ECCB) and the Caribbean Development Bank (CDB) to formulate a comprehensive reform programme to restore fiscal and debt sustainability over the medium term. This reform programme would then be used as a platform for discussions with the International Monetary Fund (IMF) and the CDB for much needed financing.

It is envisioned that the government's request to CDB will be discussed at the next board meeting of the Bank and this will be followed by continued discussions with the IMF. With the support of the IMF the Government intends to reach out to all of its external creditors to seek a comprehensive resolution of its outstanding arrears and establish a sustainable debt service profile.

SOCIAL PROGRAMMES RELIEF MEASURES

Madam Speaker:

Since this Government announced that it would be implementing a Fiscal Consolidation Programme with the assistance of the International Monetary Fund, the opposition has pursued a non-stop campaign of misinformation and exaggerations.

Madam Speaker, at a time of such global economic turmoil, one would have expected that all who claim an undying love for Antigua and Barbuda would focus on finding solutions to the challenges that face our country. Instead of stirring fear among the people, what we need is steady, dedicated and resolute action to confront the problems and to provide hope to our citizens and residents. Madam Speaker, the UPP Administration does not claim to have all the answers. Indeed, it is clear that not even the developed countries have found the magic wand to stop the financial and economic crisis. We recognise the need for the continued articulation of dynamic policy options and to identify and implement strategies that will bring about change.

As is the case with any bold initiative, there will be challenges. What we refuse to do however, is to be drawn into fruitless discourses with our critics who have yet to bring any meaningful alternatives to the table.

It is quite easy, Madam Speaker, to be loud, to be aggressive, to be negative and to oppose for the sake of opposing.

That is what those who have no interest in the future of our nation will tend to do. This Government is however intent on taking a higher path, the patriotic path and, with the help of the people of this country, we will bring about economic and social transformation in Antigua and Barbuda.

Madam Speaker:

To those who have heard the negatives and have been made afraid, I wish to assure you that with the UPP Government you are in good hands. Your People First Government has the best interest of the nation at heart. If the naysayers have told you that any country that has been involved with the IMF has suffered irreparable economic and social destruction, then the UPP says look at Barbados, a country that had two Stand-By Arrangements with the IMF. If they say to you that Antigua and Barbuda's engagement with the IMF will lead to a devaluation of the currency, I say to you in no uncertain terms that such a statement betrays either incomprehension of the workings of the currency union or a reckless disregard for the truth.

Madam Speaker, let me make it clear, Antigua and Barbuda's engagement with the IMF will not lead to a devaluation of the EC dollar.

It has been bandied about by the Opposition in and out of Parliament that once we sign on the dotted line with the IMF, all social programmes will be eliminated. Madam Speaker, I am amazed at the fertility of the imagination of our colleagues across the floor. I can say again, Madam Speaker, that the notion of sacrificing our social agenda is yet another poisonous and misleading bit of propaganda. The Parliamentary Opposition has continually refused invitations to participate in public consultations and in our National Economic Symposium.

Had they participated, Madam Speaker, they would have known that the Fiscal Consolidation Programme is accompanied by, among other things, a Social Transformation Programme in the NEST Plan. What this means is that the social programmes that have been implemented by the UPP over the past five years will continue and we will also work with regional and international agencies to develop other arrangements that will strengthen social safety nets and bring about social transformation.

School Uniform Grant and National School Meals Programmes:

The School Uniform Grant and the School Meals Programme will continue to be implemented in 2010. Both of these programmes have been beneficial to many citizens and residents and they will be continued. Madam Speaker, the number of school children who have benefited from the School Uniform Grant programme has increased steadily. A total of 19,053 children were registered for this programme in 2007. The number of primary and secondary school beneficiaries increased to 21,156 in 2008 and 21,996 in 2009. Through this programme more than 300,000 uniform grants have been provided to our primary and secondary school children attending 81 schools across Antigua and Barbuda.

Madam Speaker:

More than 354,000 hot, nutritious meals have been served to school children as a result of the National School meals programme. This social programme has been the subject of ridicule by some who have claimed that it was a waste of money. During our Live and Direct consultations, where we visited communities across Antigua and Barbuda, the people themselves gave us their verdict. Madam Speaker, we were heartened to hear the many men and women of Antigua and Barbuda say in no uncertain terms: "Leave the school meals programme alone." I am happy to respond that this Government will ensure that this essential social programme will remain intact. This means that the children attending seventeen schools across the country can continue to count on receiving their meals.

Madam Speaker:

Despite the great success of these programmes, I must indicate that there have been reports of abuse. The UPP is a caring Government and we will always put the interest of the People First. As such, in 2010, we will commence a comprehensive review of the operations of the School Meals and School Uniform programmes to ensure that the services are delivered in the most cost-effective and efficient manner. Where we can improve the delivery we will do so and where we discover abuse of the system, we will take swift and decisive action.

Support through the Board of Guardians

Madam Speaker:

The Government provides assistance to a number of vulnerable groups in society through the Board of Guardians, a department within the Ministry of Health, Social transformation and Consumer Affairs. Through the Board of Guardians, the Government provides a stipend every fortnight to elderly, mentally challenged, visually impaired, and other groups of individuals needing assistance to meet their basic needs. The UPP government more than doubled most of these stipends in 2005 and has provided assistance to more than four hundred and fifty persons across the country.

In addition to these stipends, the Board of Guardians administers a Home Help Grant of \$2,500 to assist individuals with essential home repairs. We established the Government's Residential Assistance and Care programme for the Elderly and Eligible (GRACE) through which companionship, care and assistance are provided to elderly persons with physical limitations and persons who are disabled and live alone.

Madam Speaker:

These programmes have provided considerable relief to persons in our society. They are essential components of our social protection system and will therefore be retained in 2010. In light of the importance of securing the welfare of the vulnerable, the Government will consider developing programmes that will benefit families with single mothers. It will also examine the provision of financial support to elderly individuals who do not receive a pension from either social security or a pension fund established by a private sector employer. The pace of the development and ultimate implementation of these new social programmes will be determined by the rate at which fiscal space can be created under the Fiscal Consolidation Programme. However, the Government is committed to providing support to these groups and will make every effort to introduce these programmes at the earliest opportunity.

Financing Education – National Student Loan Fund

Madam Speaker:

In June 2008 we launched a National Student Loan Fund (NSLF) through which low interest loans are granted to Antiguan and Barbudans wishing to pursue various programmes of study.

The objective of the NSLF is to provide financing to students who would otherwise find it difficult to access the resources needed to pursue their educational goals. Under this Fund, Antiguan and Barbudan students who are eighteen years and older apply for loans of up to \$50,000 at an interest rate of 3 percent per annum. During its first year, with an initial endowment of \$2 million, 64 Antiguan and Barbudan students received loans to pursue Undergraduate Studies, Graduate Studies, Post Secondary/Technical Education, and Vocational studies. A number of these students have already returned to Antigua and are making a meaningful contribution to the development of this nation while they repay their loans.

Madam Speaker:

In 2009, we increased the allocation for the National Student Loan Fund to \$4 million. I am pleased to report that with a doubling of the resources, there are twice as many loan recipients. The Student Loan Advisory Committee has approved loans to more than 130 students. These students are pursuing associates, bachelors, and masters degrees at accredited local, regional and international institutions. The fields of study include economics, accounting, culinary arts, criminal justice, finance, computer science, engineering, education, and tourism and hospitality management.

This programme is one of many tangible ways through which this Administration has invested in the development of the people of this nation. In two years, we have provided the opportunity to nearly 200 students to attain their academic goals.

Other Relief Measures:

In addition to the social programmes mentioned before, the Government will continue to provide relief through a number of measures that were implemented over the past five years. Madam Speaker, I refer here to the situation in which individuals who pay the personal income tax can claim income tax deductions in respect of:

- Interest paid on residential mortgages;
- Contributions paid into approved pensions schemes;
- Health insurance premiums; and
- Tuition payments on behalf of children pursuing university studies.

Also Madam Speaker, the property owners will continue to receive the residential allowance and pensioners will still be eligible for a fifty percent reduction in their tax liability. Under the Property Tax Act, each owner-occupied residential property receives a \$150,000 residential allowance which is deducted from the value of the property before the income tax liability is assessed.

Further, where the residential property is occupied by a pensioner, that pensioner can claim a fifty percent deduction in his/her tax liability. This means that if after the \$150,000 residential allowance, the pensioner's tax liability is to be assessed on \$100,000 he/she can receive further relief such that the tax payable would be in respect of \$50,000 and not \$100,000.

Madam Speaker, there are many other relief and support measures that will continue to be accessible to the people of Antigua and Barbuda. For example, the zero-rating of residential construction will be continued and the Senior Citizens Utility Subsidy Programme and the People's Benefit Programme, which are implemented through PDV Caribe Antigua Ltd., will continue to provide benefits to pensioners, persons with disabilities and the disadvantaged.

Finally, Madam Speaker, we promised in Budget 2009 to introduce an unemployment assistance fund to provide relief to persons who would have lost their jobs due to the impact of the global economic crisis on the domestic economy. The Government worked with the Social Security Board to develop a programme and the administrative mechanisms to provide unemployment assistance to our citizens. Madam Speaker, because of a much greater than anticipated fall off in revenues, we were not able to deliver on this promise as expeditiously as we planned.

This Administration takes its promises seriously. We are determined to provide unemployment assistance to persons who have been negatively impacted by the economic crisis and therefore we made this one of the areas to be funded with the US\$50 million received from Venezuela. Having received the financing, we have revisited the initial arrangement for the unemployment assistance fund and are making some adjustments to ensure that as many persons as possible can benefit. You may recall, Madam Speaker, that the original intent was for the unemployment assistance fund to operate for a nine month period. However, the Government is of the view that such a programme should become a permanent element of the social protection network. In this regard, we are working with the Social Security Board to determine the feasibility of creating an unemployment insurance scheme that will provide unemployment benefits to citizens and residents on an ongoing basis.

Madam Speaker, it could very well be politically expedient for the Government to introduce a programme that is short term and provides benefit for few persons. However, while we reaffirm our commitment to promoting economic growth and attaining full employment, we believe that the more judicious and sustainable approach would be to take the time to develop a sustainable programme that will redound to the benefit of Antiguans and Barbudans for decades to come. It is expected that the Government will be able to consider proposals for an enhanced unemployment assistance fund which will be shared with the public for discussion before implementation. This process should be completed before the end of 2010.

CONCLUSION

Madam Speaker, here we are at a cross roads. There are tough and bold decisions to be made, and we must make them now. There are complex matters to be resolved; and we must resolve them now. There are shared responsibilities to be shouldered and shared opportunities to be grasped. A bright and prosperous future awaits us, but only if we have the faith to claim it.

Along the pathway to our future, Madam Speaker, there will be several signposts. Amongst the first that we are likely to encounter is the signpost of HONESTY: honesty with ourselves as we reflect upon the choices that we as a People have made and as we evaluate the outcomes of these choices; and honesty as we contemplate the options available to us, knowing absolutely that “doing nothing” is not an option. We are keenly aware that the future we desire is not likely to lie at the end of the path that appears easiest.

The signpost of COURAGE, Madam Speaker, will also loom large on the path to our future. Having, upon honest reflection, made the decision to reset our course, the first step in the new direction will require courage: courage to confront the unfamiliar; courage to ignore the heckling of cynics and courage to stay the course when the path becomes difficult. To the people of Antigua and Barbuda, I say we are on the right track and heading in the right direction.

Madam Speaker, the signpost of UNITY will also have pride of place on the pathway to a prosperous future.

Unity of purpose will be required to marshal citizens and residents into a resilient force that is neither easily deterred nor derailed and will be particularly critical given the challenges that we face here at home and globally. Time and again, we should expect that forces not committed to our cause will test us, but, in the words of Mahatma Gandhi, we will "...stand the severest strain without breaking".

As a Nation now into its twenty-ninth year of Independence, it would be unjust to, as one writer puts it, "...claim the privileges of age and retain the playthings of childhood". Madam Speaker, a mature response to our current challenges will demand that we part with approaches to fiscal management that have led us down the path of unsustainability, and that we embrace an approach that is prudent, responsible and in the long term interest of our country. A patriotic response will require that we break ties with partisanship and embrace partnership as we endeavour to build our Country and secure our destiny. Claiming our future, Madam Speaker, will oblige us to think, not only of the next day, or of the next week, but in terms of the next generation. We must resolve, Madam Speaker, to give our children and grandchildren every opportunity to be citizens and residents of a Country that is prosperous, a State that is secure, a Nation that is both respected and respectful of others.

But Madam Speaker, in order to claim our future, time and timing are of the essence. The window of opportunity beckons and our "Moment of Decision" calls us to act now. As Stacey Charter states, "Life is all about timing...the unreachable becomes reachable, the unavailable becomes available...the unattainable...attainable".

Madam Speaker, I humbly submit that the timing is perfect and that today is D-day for a patriotic response from all well-thinking Antiguan and Barbudans.

In the words of our very own King Short Shirt:

De state of affairs at de moment
Indicate dat a stand will have to be taken soon
By we de people ourselves.
For our future's sake, we can't allow
Our time, effort and talent to waste.
If we open up our eyes
We can soar the skies
And make this island a paradise.
We can't unite speaking with divided voices.
Rise, Rise, Rise, Rise!
People open up our eyes.

I thank you, Madam Speaker, and I commend Budget 2010 to the Honourable Members and ask that they endorse the proposals presented therein.