



A DISCIPLINED
APPROACH
TO SUSTAINABLE
GROWTH.

“The NEST Plan unfolds”

BUDGET STATEMENT 2011

HON. HAROLD LOVELL
MINISTER OF FINANCE, THE ECONOMY AND PUBLIC ADMINISTRATION
ANTIGUA AND BARBUDA.





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

Acronyms and Abbreviations

Acronym	Description
ABICE	Antigua and Barbuda Institute of Continuing Education
ABHTI	Antigua and Barbuda Hospitality Training Institute
ABIIT	Antigua and Barbuda International Institute of Technology
ABST	Antigua Barbuda Sales Tax
ADC	Agricultural Development Corporation
ALBA	Bolivarian Alternative for Latin America and the Caribbean
ASC	Antigua State College
AUA	American University of Antigua
BAICO	British American Insurance Company Ltd
BoA	Bank of Antigua
CARDI	Caribbean Agricultural Research and Development Institute
CARICAD	Caribbean Centre for Administrative Development
CARICOM	Caribbean Common Market
CARTAC	Caribbean Regional Technical Assistance Centre
CARTFund	Caribbean Development Bank's Aid for Trade Regional Integration Trust Fund
CDB	Caribbean Development Bank
CFATF	Caribbean Financial Action Task Force
CHAPA	Central Housing and Planning Authority
CIDA	Canadian International Development Agency
CMC	Central Marketing Corporation
CPI	Consumer Price Index
CSM	Caribbean Single Market
CST	Customs service tax
CTO	Caribbean Tourism Organization
EC	European Commission

Acronym	Description
ECCB	Eastern Caribbean Central Bank
ECCU	Eastern Caribbean Currency Union
EDF	European Development Fund
EPA	Economic Partnership Agreement
EU	European Union
FAO	Food and Agricultural Organisation
FATF	Financial Action Task Force
FCP	Fiscal Consolidation Programme
FDI	Foreign Direct Investment
FSRC	Financial Services Regulatory Commission
GDP	Gross Domestic Product
ICAEC	International Chartered Accountants of the Eastern Caribbean
ICT	Information Communications Technology
IFC	International Finance Corporation
IICA	Inter-American Institute for Cooperation on Agriculture
IMF	International Monetary Fund
JCI	Joint Commission International
MSJMC	Mount St. John's Medical Centre
NAO	National Authorizing Office
NEST	National Economic and Social Transformation.
NETHE	Network of Excellence in Tourism and Hospitality Education
NSAB	National Statistical Advisory Body
OAS	Organisation of American States
NSLF	National Student Loan Fund
OECS	Organisation of Eastern Caribbean States
OSFI	Office of the Superintendent of Financial Institutions (Canada)
PAN	Physical Activity and Nutrition Programme

Acronym	Description
PDMC	Policy Design and Management Committee
PFM	Public Financial Management
PRC	People's Republic of China
SIDS	Small Island Developing States
SRU	Single Regulatory Unit
UHSA	University of Health Sciences Antigua
UPP	United Progressive Party
WTO	World Trade Organisation
WTTC	World Trade and Tourism Council

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INTRODUCTION

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

The decades of the 1980's and 1990's, even one hundred years hence, will be heralded as amongst the most celebrated periods in the history of the Caribbean. It was during this era when the West Indies cricket team, long full of potential, finally realized its promise and became world beaters.

The team of that era embodied the core values of what it meant to be West Indian: unity; family; discipline; loyalty; levity; confidence; commitment; resourcefulness and determination. Significantly, whilst playing within the long established rules of the sport, the Men in Maroon, somehow - and quite miraculously - managed to not only transform the game of cricket, but to transcend it.

As we recall that era, there were a number of critical success factors which accounted for the unprecedented dominance of West Indies cricket. Firstly, the West Indies were a T-E-A-M. As a team, differences in country of birth, ethnicity, economic status, and educational achievement, were simply different strands woven and intertwined into a unique and beautiful fabric that was quintessentially West Indian, and provided an important rallying point for broad based support. Secondly, there was FOCUS. The objective was clear: **win**. The West Indian people and the team itself were tired of simply being competitive; of being “in the game”; and of being worthy losers. We wanted to be champions and in so becoming, set new standards. Thirdly, DISCIPLINE was a hallmark of the team. We had the best batsmen and bowlers, and claimed the most gifted fielders, but they were continually practicing and refining their art. Our men were the fittest, but they were always doing their laps. Fourthly, there was a DESIRE to win that was at once simple and passionate in its expression. When we won, we laughed; when we lost, we cried. But the team embraced the vicissitudes of the game: the thrust and parry; the ebb and flow; the high and the low. And it was during the low times when the fifth factor, DETERMINATION, shone through and arguably brought the best out of the team and provided some of the proudest moments for us as a People. At such times, there was no obstacle in our path, just a challenge to overcome; there was no hopeless situation, just an opportunity to win over Doubting Thomases; we did not see clouds with silver linings, we saw silver linings with clouds. It was at times like these when supporters and well-wishers would hear a commentator

remark, “**The West Indies batsmen will need to consolidate**”. And almost always, they did, much to our joy and, many a time, to our amazement.

Madam Speaker, Team Antigua and Barbuda is in the midst of a challenging innings but our team is grounded in the same set of core values and principles which were essential ingredients in the success recipe of Team West Indies. Thus, when the United Progressive Party came into Office in 2004, our mission was clear: unleash the potential in our citizens and residents and realize the promise of our country’s Motto, “**Each Endeavouring; All Achieving**”. Our objectives were crystal clear: restore Antigua and Barbuda to responsible membership in the international community; continue to build a strong foundation for economic growth and transformation; and advance the social welfare and quality of life of our people.

Hence, as the year 2008 drew to a close, and the effects of the global crisis began to take root, Team Antigua and Barbuda simply dug in and consolidated. The chilly clutch of the world financial crisis, which had earlier manifested itself in industrialized countries, was about to take a firm grip on the countries of the region. There was a sense that we were on the verge of something terrible – some “thing” which we would not have confronted before: an imminent threat, thinly veiled by curtains of Christmas confetti. But Team Antigua and Barbuda did not become unhinged.

Metaphorically, I believe that the event of Hurricane Luis draws an almost perfect reflection for these unprecedented economic circumstances. In very much the same manner that many of us in Antigua and Barbuda experienced trepidation at the approach of the Hurricane in 1995, many observers and commentators, at the inception of the crisis, warned of catastrophe, as did the Met Office in advance of Luis.

As with Hurricane Luis, so too, this economic cyclone, our ubiquitous foe and constant enemy, had its most shocking effect on those least prepared: whose foundations were weak; whose walls were not reinforced; and whose roofs were not secured. Likewise, those countries that are most affected by this protracted economic crisis, are those whose economic fundamentals were weak, whose institutions were frail and whose systems were less than robust. Unfortunately, at the time when Antigua and Barbuda had begun to feel the unfamiliar severity of the economic squeeze at the beginning of 2009, our rehabilitative programme in respect of our macroeconomic indicators, institutional frameworks and administrative processes, though well underway, was not yet complete. As a consequence, we were terribly scathed. Our response had to be fast, but not rushed; of necessity complex, but not complicated; and built around consensus, whilst maintaining focus.

These were the circumstances, Madam Speaker, which gave birth to the NEST Plan, which the Ministry of Finance, the Economy and Public Administration described as “the culmination of ideas and recommendations that arose in various discussions between the Government and stakeholders in the public, private and social sectors”. The NEST Plan, formulated through this consultative process, represents Antigua and Barbuda’s strategy for growth and transformation. The Plan also represents the mechanism through which Antigua and Barbuda has re-engaged with the world community, and repaired relationships that had long been strained as a consequence of continuous breaches of agreements and of trust. To friendly countries and development partners, the Plan signalled our resolve to chart a new course, one that was disciplined and sustainable. Our perceived resolve was then matched by their willingness to assist Antigua and Barbuda in its cause to resume responsible membership in the international community. The four elements of the NEST Plan – The Fiscal Consolidation Programme; The Economic Action Plan; The Social Transformation Programme; and Financial Sector Stability – constitute the framework for engagement. The NEST Plan compliments and is complimented by the ECCU Eight Point Stabilisation and Growth Programme endorsed by the Monetary Council of the ECCB, the OECS Heads of Government, and the CDB, IMF, World Bank and other development partners.

Madam Speaker, during this Budget Address, I shall be presenting to you, to the Nation of Antigua and Barbuda, as well as to friendly countries and development partners, a progress report on the NEST Plan. I will be speaking specifically on the four elements of the Plan, noting that fiscal consolidation has to be a precondition for sustainable economic growth and development. I shall also be elaborating on the UPP’s Growth Agenda during this presentation entitled: **A Disciplined Approach to Sustainable Growth – The Nest Plan Unfolds**. However, before I proceed, I am moved to thank the citizens and residents of our country for their encouragement and commitment to this new enterprise. It is their support and their continuous affirmation that we are doing the right thing that sustains me, along with the unwavering support of my Honourable Prime Minister and Cabinet colleagues. I also need to express appreciation, Madam Speaker, to the friendly countries and development partners which have stepped up to our assistance, in solidarity with our cause. In this connection, I recognize the Republic of Cuba, the Bolivarian Republic of Venezuela, the People’s Republic of China, the United States of America, Japan, the United Kingdom, the European Union, and Canada for their generous support. We record too our gratitude to the Eastern Caribbean Central Bank (ECCB) and member countries, the OECS Secretariat, the Caribbean Development Bank (CDB) and member countries and to the Caribbean Regional Technical Assistance Centre (CARTAC). Special thanks must be extended to the staff of the Ministry of Finance, and in particular the Budget

Team, who have worked tirelessly over the past months in preparing Budget 2011. Their dedication has been inspiring. The members of my Budget team include:

- i. Mr. Whitfield Harris Jr. – Financial Secretary
- ii. Ms. Rasona Davis – Deputy Financial Secretary
- iii. Mr. Kevin Silston – Deputy Financial Secretary
- iv. Mr. Sean Cenac – newly appointed Permanent Secretary
- v. Mrs. Carolyn Charles-Tonge, Budget Director, Ms. Sandra Henry, Deputy Budget Director, and other members of the Budget Office Staff
- vi. Mrs. Nadia Spencer Henry – Debt Manager and the members of the Debt Unit
- vii. Mr. Everett Christian – Project Manager, Revenue Reform
- viii. Ms. Hortense Brookes – PSIP Coordinator and her team
- ix. Mr. Ted Lewis and Ms. Denise Knight – Senior Economists

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 now left the service. They are:

- x. Ms. Doleen Lee – former Permanent Secretary in the Ministry of Finance
- xi. Mr. Cortwright Ambrose – former Comptroller of Customs
- xii. Ms. Yolanda Goodwin – former Director of Economic Policy and Planning
- xiii. Mrs. Beverly Airall – former Deputy Accountant General and recently, Assistant Financial Secretary

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 online immediately following this presentation.

ECONOMIC DEVELOPMENTS 2010

During 2010 there was some economic recovery globally, but there have been a number of risks to the recovery process. These risks include high debt and fiscal imbalances in a number of advanced economies. Generally, '*emerging and developing economies*' have performed more favourably than '*advanced economies*' due to their earlier implementation of prudent economic policies. Notwithstanding their performance in 2010, the continued economic viability of developing economies depends on demand for their commodities from advanced economies. Overall, global activity is estimated to expand by 4.8 percent in 2010. For '*emerging and developing economies*' the estimated growth in output for 2010 is 7.1 percent, while for '*advanced economies*' the estimate is 2.7 percent.

The estimated output for the advanced economies in 2010 signifies that they have recovered somewhat from the economic recession of 2009. However, this recovery has been characterised as fragile and uneven. The following is a brief highlight of some of our trading partners and visitor origin countries:

COUNTRY	GDP/GROWTH (Decline) 2009	GDP/GROWTH 2010 (Estimate)
United States	- 2.6%	2.6%
Germany	-4.7%	3.3%
Japan	-5.2%	2.8%
United Kingdom	-4.9%	1.7%
Canada	-2.5%	3.1%

Source: IMF, World Economic Outlook, October 2010.

All five countries experienced economic decline in 2009, but are estimated to have some economic growth in 2010. The lowest level of growth, at 1.7 percent, is estimated for the U.K., while the highest level, at 3.3 percent, is estimated for Germany. Despite the increased output in the U.S. market, consumption - the main component of U.S. GDP - is still much lower. This has serious implications for '*Small Island Developing States*' in general, and Antigua and Barbuda in particular.

Madam Speaker

For the Caribbean (CARICOM and the Dominican Republic) real GDP growth was 0.4 percent in 2009, and is estimated by the IMF to be 2.4 percent in 2010; with some countries still recording a contraction in economic output. Notwithstanding this estimate, economic recovery in

the advanced economies remains fragile, and Small Island Developing States (SIDS) cannot escape their vulnerability to external shocks and natural disasters. The impact of hurricanes Earl and Tomas on several Caribbean nations is a clear demonstration of this vulnerability. Our susceptibility to shocks and natural disasters, above all, are major downside risks to continued recovery and growth. For CARICOM States only, the growth rate will be zero in 2010, rising to 2 percent in 2011. A few CARICOM countries, including Guyana and Suriname, have experienced marginal growth because of favourable commodity prices. By contrast, the tourism-dependent countries have not had similar fortunes. Antigua and Barbuda is among the most tourism-dependent countries in the Caribbean. According to the World Travel and Tourism Council (WTTC) 2009 Report, Tourism accounted for 73.5 percent of GDP and 80.6 percent of employment during 2008/2009 in Antigua and Barbuda. The WTTC Report indicates the CARICOM country with the least Tourism dependence was Guyana, where Tourism accounted for 10.9 percent of GDP and 9 percent of employment during the same period.

The general lack of growth in the Caribbean can be attributed to the negative effects of the World Economic crisis, which has magnified declines in foreign direct investment, remittances, and Tourism receipts. Furthermore, the high levels of public debt severely limit the space for fiscal stimulus, and low private investment has also hindered growth. The rebound of the advanced economies is therefore critical to the continued recovery of small island states like Antigua and Barbuda, given that the advanced economies are the main source market for tourists and Foreign Direct Investment flows. Additionally, there is a 12 to 18 month lag between developments in Advanced Economies, and the realized effects of these developments in developing economies. Going forward, developments such as increases in the Air Passenger Duty implemented by the UK in 2010 will negatively impact the price competitiveness of the region. Foreign Direct Investment has been trending away from the Eastern Caribbean and toward Latin America, particularly Mexico. In attempting to arrest this trend, island states must focus on niche sectors and pursue reforms with a view to increasing productivity. Additionally, because the advanced economies are dealing with their own fiscal imbalances, aid to the region has been significantly diminished.

Madam Speaker

The Eastern Caribbean Central Bank estimated a 2.1 percent decrease in economic activity for OECS countries in 2010; compared to a decrease of 7.3 percent in 2009. Within the currency union in 2010, five of the eight economies are expected to contract, with the highest decline of

7.1 percent experienced in Anguilla. Dominica was estimated to have the highest growth rate of 2.4 percent in 2010.

During 2010 there was a 4.1 percent decline in real GDP in Antigua and Barbuda, compared to a 7.1 percent decline in 2009. This was the result of a 10.0 percent decline in construction; a 5.0 percent decline in Wholesale and Retail trade; a 4.0 percent decline in Government Services; a 3.5 percent decline in Hotels and Restaurants; and a 3.2 percent decline in Transportation in terms of their contributions to GDP. Notwithstanding the declines, there was growth in several sectors in terms of contribution to GDP. These include Agriculture with growth of 3.6 percent; Electricity and water, 2.3 percent; Communication, 2.0 percent; Real Estate and Housing, 1.0 percent, and Banks and Insurance, 1.0 percent. The growth in these sectors indicates that the tides are beginning to turn, compared to the 2009 outturn. Additionally, the ongoing implementation of the National Economic and Social Transformation Plan, including the debt restructuring efforts, has positively impacted our creditworthiness. The NEST Plan has set the stage for growth going forward.

MONEY AND CREDIT IN ANTIGUA AND BARBUDA

Madam Speaker:

Throughout the period March to August 2010 there were slight fluctuations in the Money Supply, (M2), which was on average \$3.03 billion, compared to August 2009 when it was also \$3.03 billion. Over the same period there was a 5.1 percent decrease in Narrow Money (M1). Narrow Money at end of August 2010 was \$60 million compared to the same measure at end of August 2009 when it was \$60.7 million.

Private sector foreign currency deposits decreased over the period August 2009 to August 2010 by 4.4 percent from \$4.25 million to \$4.07 million. During the same period, 'Private sector savings deposits' decreased by 1.1 percent from \$9.84 million to \$9.73 million. On the other hand, non-residents deposits increased by 16.2 percent from \$3.02 million to \$3.51 million.

Credit to the private sector increased by 0.8 percent from \$2.53 billion to \$2.55 billion during the period August 2009 to August 2010. This includes households, private businesses, non-bank financial institutions, and subsidiaries and affiliates. During the same period, Loans and Advances to business firms increased by 1.8 percent, while loans and advances to private

individuals increased by 1.4 percent. Total domestic credit decreased from \$3 billion to \$2.99 billion. By contrast domestic credit was \$2.94 billion at end August 2009.

Commercial banks' assets at the end of August 2010 were \$5.39 billion compared to end August 2009 when they were \$5.66 billion. Commercial banks' total deposits were \$3.45 billion at end of August 2010 compared to \$3.52 billion at end of August 2009.

Net foreign assets of the banking system fell significantly from \$4.89 million to \$4.03 million – a 17.5 percent decline in the period from August 2009 to August 2010. Total assets of the banking system decreased by 4.6 percent; from \$5.66 billion to \$5.39 billion over the same period.

FINANCIAL SERVICES SECTOR

The Financial Services Regulatory Commission (FSRC) is well advanced in the process of implementing its restructuring plan to facilitate the effective regulation and supervision of all institutions under its mandate. Such institutions include non-bank financial institutions, international banks; credit unions; insurance companies, money services businesses, amongst others. This restructuring plan flows from the technical assistance received from CARTAC in 2009. The CARTAC consultant's report makes a number of recommendations for strengthening the Commission and ensuring that it is well positioned to execute its regulatory mandate. In this connection, stand alone Financial Services Regulatory Commission legislation is being drafted. This new FSRC Act will allow the Commission to more effectively operate as the Single Regulatory Unit (SRU).

The ECCB, in association with CARTAC and the SRUs, including the FSRC, has designed reporting forms to provide financial information regarding the institutions for which the Commission has oversight. A multilateral Memorandum of Understanding (MOU) between the FSRC and the ECCB was executed as at 21 April, 2010 to facilitate cooperation and information sharing. The MOU was implemented to establish a framework in view of the cross border operations and complex activities of financial institutions in the ECCU, and in pursuit of a more robust legal and regulatory framework for financial sector supervision.

In moving ahead with the restructuring of the FSRC, the Commission will engage a team of consultants. The engagements will be finalized by December 2010 and the actual re-structuring will commence by January 2011. It is anticipated that there would be a "new-look" FSRC within

six months of starting the exercise. The FSRC legislation will be finalized at the end of the restructuring project.

Madam Speaker, the FSRC will repeal the existing Gaming and Betting Act 1963 and enact up-to-date legislation to regulate all forms of gaming and betting that exist within our jurisdiction. The thrust of the new legislation will be in keeping with the commercial dynamics of gaming and betting, to ensure that: (1) such activities are regulated in the public's interest, and are not a source of crime; (2) gaming and betting are conducted fairly and openly; and (3) children and vulnerable people are protected from harm or exploitation from gaming and betting.

In recognition of its social responsibility in respect of gaming, the FSRC collaborated with internationally recognised gaming charity GamCare on a social responsibility training programme for Antiguan licensees. The training initiative took place from the 24th to 26th November 2010, and demonstrated the Financial Services Regulatory Commission's strong commitment to social responsibility. This was the first time that GamCare has collaborated with a regulator to produce a practical programme of this nature. In addition to licensee training, GamCare also assists gaming regulators to assess, develop and advance their social responsibility gaming regulations.

On compliance matters relating to the Caribbean Financial Action Task Force (CFATF), the FSRC has prepared a status report leading up to the CFATF Mutual Evaluation Report in 2012. The legal, regulatory and supervisory framework in Antigua and Barbuda has been examined and amended in many respects to address specific deficiencies cited in relation to the FATF 40 Universal Recommendations on money laundering and 9 Special Recommendations on terrorism financing.

The jurisdiction is scheduled for its next evaluation in 2012. A preliminary outline of the preparatory work to be instituted in anticipation of the mutual evaluation will address sensitization of all relevant stakeholders; and implementation of the Strategic Implementation Policy (SIP).

To assist in preparation, the FSRC was represented at a CFATF-facilitated SIP workshop in Trinidad and Tobago in October. The workshop was held in conjunction with the World Bank and Canada and attracted countries which are subject to the International Country Risk Guidelines (ICRG) process and which are required to provide enhanced follow up reports. In this connection, templates will be produced for a national action plan that would identify the actions

to be taken by each agency, along with a time line to implement the actions detailed in the plan, thereby streamlining the evaluation process.

Madam Speaker:

The past 18 to 24 months have severely tested the strength of our jurisdiction, but we have survived the many challenges that came our way. This FSRC remains committed to expanding the international financial services sector in a manner that complies with international best practice, and within a regulatory framework that maintains the confidence of operators and investors and ensures transparency and accountability.

There are over 3,500 institutions in the international financial sector. They employ about 885 persons. Given that more than half of this number are employed in the Gaming Sector, the Government will continue negotiations with the United States to arrive at an agreement on the gaming dispute that is of mutual benefit.

Madam Speaker, I wish to thank the Chairperson, Directors, Management and staff of the Financial Services Regulatory Commission for their dedication to strengthening the regulatory environment and restoring Antigua and Barbuda's reputation as a safe and credible jurisdiction.

THE EUROPEAN UNION AND THE ECONOMIC PARTNERSHIP AGREEMENT (EPA)

In 2010 the Government began to reorganise the Office of the National Authorising Officer (NAO) to more efficiently manage European Development Funds (EDF) provided to Antigua and Barbuda. To facilitate this, a Project Officer has been recruited to enhance the technical capacity of the Office, and activities will be launched to support the involvement of the private and social sectors in EU projects and programmes.

The Government of Antigua and Barbuda has developed a Public Financial Management (PFM) Action Plan to be funded under the 10th EDF. This reform initiative focuses on improving fiscal policy and financial accountability by implementing international public sector standards, systems and controls.

Another tangible demonstration of Antigua and Barbuda's cooperation with the EU is the 4.4 million Euro project to be undertaken at the Antigua and Barbuda Hospitality Training Institute (ABHTI) at Dutchman's Bay. In light of tourism's significance to our development strategy,

particular emphasis must be placed on developing human resources and training a cadre of highly-skilled professionals to enhance Antigua and Barbuda's tourism competitiveness. The sub-region's survival in these challenging times rests with our individual and collective capacity to articulate a vision of pooling the strengths in each territory to develop world class tourism hospitality training and educational institutions.

In response to that philosophical underpinning, this Government has been spearheading a move towards establishing an OECS Network of Excellence in Tourism and Hospitality Education (NETHE), with the main hub at the Antigua and Barbuda Hospitality Training Institute (ABHTI). The concept seeks to harness the special characteristics of each member state of the OECS, while transposing them into nodes of specialization under one harmonized system of tourism industry training.

A Board of Governors will meet regularly at the ABHTI to ensure the adoption of global standards, the development of one core curriculum, examination, certification and articulation of a single strategic development plan for the OECS NETHE. This initiative has been endorsed by the OECS Council of Tourism Ministers, CARICOM and CARIFORUM as the best option for levelling the playing field for the OECS in human resource development in the tourism sector.

A crucial component of establishing this network is the construction of a 20-room training hotel at the ABHTI to provide training in accommodations management as part of its resorts management specialization at the Hub. It will provide training in all types of accommodations including camps, army barracks, hospitals, villas, and resorts. The construction project will commence in mid-2011 and will include two additional classrooms, fencing and equipping the facilities. Additionally, as part of the sustainability arrangements, we are considering a BOOT project for student accommodations on ten acres of land at the ABHTI.

Tender documents are currently being analyzed in order to award a contract for the construction of a Ferry Docking Facility at the former Bryson's pier in St. John's. CARIFORUM and the EU have agreed to finance the construction of this facility to the tune of 1.2 million Euros to help mitigate natural hazard risks. The facility will be used by both the Barbuda and Montserrat ferries, with one side being dedicated to each territory.

Madam Speaker:

Antigua and Barbuda signed the EU Economic Partnership Agreement in October 2008. The EPA is a reciprocal trade agreement designed to replace the trade component of the Cotonou

Agreement, which was based on non-reciprocity. The significance of this agreement is that Antigua and Barbuda will, over a specific period, reduce the import duty on selected commodities imported from the European Union. Likewise, Antiguan and Barbudan goods entering EU countries will not attract import duties. Despite the potential implications for revenue, the private sector must realign and reposition itself, using available technology and the provisions of the agreement to access the EU market, which includes Martinique and Guadeloupe.

Development provisions are infused throughout the EPA, where assistance could be either financial or technical. It is for this reason that the Government agreed to establish an EPA Implementation Unit within the Office of the NAO, with financial support from the CARTfund managed by the CDB. The Unit has the following mandate:

- To disseminate and articulate the contents of the Agreement;
- To ensure that the public and private sectors have the capacity to exploit the Agreement;
- To integrate the outputs of the Regional EPA Implementation Unit into the national “administrative architecture” by implementing the required action at the national level;
- To keep the Government informed on the progress and action at the regional and national levels;
- To provide advice to the Government on addressing constraints and accelerating the progress of implementation;
- To measure the impact of the agreement on the local economy; and
- To coordinate any independent action that may be required to implement the Agreement.

This Unit has already facilitated a number of activities over the course of 2010 to ensure Antigua and Barbuda can meet its obligations under the EPA. One of these activities was a consultation on Chapter 6 – Protection of Personal Data – of the EPA Agreement with public and private sector stakeholders. The consultation, which was held in August, assessed the ability of the legislative and administrative structures in Antigua and Barbuda to effectively implement the EPA’s commitments on personal data protection. The consultant’s report is expected to recommend a coherent programme for cooperation and support activities in personal data

protection. The report will also propose the design of individual programmes and projects to facilitate implementation of Chapter 6 of the Agreement.

A workshop on Market Access issues and the Rules of Origin in the EPA was held in September. This workshop targeted trade and customs officials, manufacturers and customs brokers. It sensitized participants to the rules that govern the movement of goods into the European Union under the Agreement. The workshop was conducted with assistance from the Regional EPA Implementation Unit and the OECS Hub and Spokes Project. During this workshop, a consultation was held with the Customs Division to ascertain the technical needs of the Division to implement the phased liberalization of goods commencing January 2011. The Customs Division has begun the technical work to adjust the tariff lines for goods entering Antigua and Barbuda. It is expected that once the legislative requirements are fulfilled, the new tariff structure will be implemented in January 2011.

In October the EPA Unit facilitated a consultancy relating to Environmentally Responsible Trade and Economic Partnership, as per Chapter 4 of the Economic Partnership Agreement. This consultancy was designed to assess how Antigua and Barbuda could enhance its ability to achieve the environmental objectives agreed to under the Agreement. The second phase of this consultancy will set out coherent programmes for cooperation and environmental support activities as well as design and quantify the individual programmes and projects that would facilitate implementation of Chapter 4 of the Agreement.

Finally, Antigua and Barbuda will host a Regional Media Workshop on the EPA in early 2011. This will bring media personnel from across CARIFORUM to the country for high level discussions on the Accord.

European Union Vulnerability Assistance Programme (V-Flex)

The public has been advised about Antigua and Barbuda's application under the European Union Vulnerability Assistance Programme designed to help African, Caribbean and Pacific countries deal with the effects of the world economic crisis and help protect the priority social programmes within the country. Madam Speaker, I have the pleasure to announce here that this application has been considered positively by the EU and a decision to disburse 9 million Euros has been signed by EU Headquarters, in recognition of progress achieved by Antigua and Barbuda in macroeconomic management, implementation of Public Finance Management reforms and the National Economic Social Transformation Plan. The funds are expected to be disbursed before

the end of this fiscal year. This grant is proof that the EU is delivering on its promises and is supporting its partners in times of need.

REGIONAL INTEGRATION

The regional integration movement has been confronted with many challenges throughout the year; nonetheless the goals and objectives of the integration process must be realized. Antigua and Barbuda remains committed to this process, since our development cannot be sustained within a vacuum. This Administration views the integration process as the best option for the region to effectively respond to the growing global changes that have affected our economies. However, as a less developed country in this integration process, Antigua and Barbuda must ensure that the benefits of the entire regional integration movement are transferred to its citizenry.

We express our appreciation to our regional development partners for their invaluable technical and financial assistance, which has helped to ensure that capacity constraints at the national and regional levels do not frustrate the implementation of the Single Market.

The OECS Economic Union will deepen integration among the economies. To support this effort, a Unit will be created in the Office of the Prime Minister to lead the charge in disseminating information to stakeholders on the benefits and changes that will occur when the new OECS Treaty passes into domestic law in 2011.

The global financial and economic crisis has taught us that we must look inward to develop national and regional skills and competencies in non-traditional professional and business areas. The regional integration movement, through the OECS Economic Union and the CSME, should be viewed as a catalyst to expand existing businesses, develop new business ideas and markets and launch new careers. How we pull ourselves from this financial downturn will depend on the ability of the private sector to utilize all “modes of supply” – cross-border, movement of natural persons, consumption abroad, and commercial presence, to develop and grow their business within and outside of Antigua and Barbuda. The Economic Union and the CSME provide the platform upon which this can be successfully executed. Antiguan and Barbuda companies and service providers can transform themselves into regional conglomerates. The government is prepared to provide assistance (technical or otherwise) to ensure that businesses grow to meet local and regional demand.

Finally, Madam Speaker, the first round of the CARICOM-CANADA negotiations began in 2009 and represents the region's efforts to expand its access to North American markets. In order to benefit from such increased market access for the export of goods and services, Antigua and Barbuda must reposition itself to take advantage of the opportunities provided by this arrangement. However, the potential revenue loss due to the liberalization of duty on commodities originating from Canada is a feature of this agreement that must be continuously kept under review, despite the fact that trade liberalization is a common principle of multi-lateral trade agreements.

SOCIAL AND ECONOMIC COOPERATION WITH THE REPUBLIC OF CUBA

Madam Speaker:

Antigua and Barbuda has a shared heritage with the Republic of Cuba dating back to the 20th Century when there was a sizable migration of Antiguan and Barbudans to that country, mainly to work in the sugar industry. Over the years, the ties between Antigua and Barbuda and Cuba have grown stronger as we have discovered and nurtured our mutual interests. Our shared values in respect of health, education and sports, form a natural basis for engagement.

In the area of health, Cuba continues to provide healthcare professionals to staff our Mount St. John Medical Centre, as well as our clinics. Our interests in health and education coincide in the form of the many opportunities afforded young Antiguan and Barbudans to pursue medical training. Medicine, however, is only one of a wide range of disciplines in which students are qualifying. Other fields include physical education, economics, accounting and architecture. In fact, Madam Speaker, a number of our school coaches have been trained there, and we have benefitted from the presence of a number of highly qualified coaching personnel that the government of Cuba has made available to us on a continual basis.

The Ministry of Works has also benefited from the contribution of Cuban engineers and other professionals skilled in different aspects of road construction and rehabilitation. With respect to energy there is continuing collaboration between us on the matter of identifying and developing more cost effective distribution systems for electricity. In terms of future areas of collaboration, a team from Cuba will come to assess Antigua and Barbuda's agricultural development needs. The team will recommend areas of assistance and cooperation between our two countries.

THE BOLIVARIAN ALLIANCE – BILATERAL RELATIONS WITH VENEZUELA

Our cordial, bilateral relationship with the Bolivarian Republic of Venezuela continued during 2010, with the centerpiece of our collaboration being the PetroCaribe Initiative. PetroCaribe is an energy cooperation agreement, framed within the overall objective of promoting and enhancing the social and economic welfare of the citizens and residents of Antigua and Barbuda and Venezuela. This agreement provides the framework within which Venezuela provides oil products and LPG on concessional terms to a number of Latin American and Caribbean countries. November 2010 was five years since PDV CAB, the local handling company for the agreement, was incorporated. For this year, it is estimated that we would have imported 390,000 barrels of oil on concessionary terms, at a cost of just over \$90.0 million.

Consistent with its overarching goal of improved social and economic welfare, PDV CAB has, since its inception, funded projects that have directly and positively impacted the lives of citizens and residents to the value of approximately \$24 million. Such projects include:

- The Senior Citizens Utility Subsidy Programme at a cost of \$9.0 million;
- Infrastructural work at the Sir Vivian Richards Cricket Stadium at a cost of \$6.0 million;
- The People's Benefit Programme which attracted an outlay of \$3.8 million;
- The new public library with a price tag of \$1.8 million; and
- The Barbuda airport rehabilitation project, which received \$2.0 million

Other causes which attracted PDV CAB assistance include the subsidy programme aimed at reducing the cost of transportation of cooking gas to Barbuda; the rehabilitation of King George V Grounds; and the relief programme following the passage of hurricane Omar.

SOCIAL AND ECONOMIC COOPERATION WITH THE PEOPLE'S REPUBLIC OF CHINA

Madam Speaker:

The Government and People of the People's Republic of China and the Government and People of Antigua and Barbuda continue to enjoy a warm, fruitful and collaborative relationship. Whilst

we bade farewell to Ambassador Cheng Liang in August, we welcomed Ambassador Liu Hanming and his wife. We wish them a pleasant and enjoyable tour in our country.

The People's Republic of China (PRC) remains a generous development partner and in 2010 continued to demonstrate its long term commitment to our country by collaborating with us on a number of important projects. In this regard, Madam Speaker, construction of the new 30 megawatt power plant is scheduled to be completed sometime in February 2011. The addition of this new facility will significantly boost our power generation capacity and will meet our need for power into the foreseeable future. Our utility infrastructure is also being reinforced with the renovation of the Grays Hill reservoir. Work in this regard is nearing completion, and Grays Hill and surrounding areas can be assured of an improved water supply and service. Also being renovated, Madam Speaker, is one of our major drains, the Grays Green gutter. This drain is critical to the environmental wellbeing of a significant part of the population of Antigua and Barbuda, hence this intervention is a welcome one.

Lighting was an issue for a number of Antiguan and Barbudans for quite some time. A number of communities and villages were taking a particularly dim view on the matter of insufficient lighting, given concerns about security and general inconvenience. We must thank the People's Republic of China for assisting us in addressing this issue, by providing island-wide street lighting. The gift of street lights was formally handed over to our government and people on 22nd October 2010.

Our sister island, Barbuda, was also a significant recipient of PRC's generosity, with ground having been broken on 10th May 2010, for the construction of a Community Centre on the sister isle. We expect that this facility will strengthen and enhance the many facets of community life in Barbuda.

We also wish to record our thanks to PRC for providing 15 scholarships to universities in the People's Republic, to study a wide range of disciplines. Lastly, special commendation must go to Ambassador David Shoul, who has toiled selflessly on behalf of Antigua and Barbuda by ensuring the friendly ties between our two countries remain strong and meaningful.

SOCIAL AND ECONOMIC COOPERATION WITH JAPAN

One year after having attained independent status, the Government and People of Antigua and Barbuda established diplomatic relations with the Government and People of Japan. These ties

continue to be strengthened through cultural exchanges and programmes of technical assistance and economic cooperation in the areas of Health, Education, Agriculture, Fisheries and Disaster Management.

Madam Speaker, in the area of Education and Training, 34 Antiguan and Barbudans have benefited, or are earmarked to benefit by the end of 2011 from scholarships made available by the Government of Japan, at an approximate value of \$1.8 million. Twenty-four persons were trained between 2004 and 2009 at an estimated cost of \$975,000. Between 2009 and 2011 it is expected that 10 additional persons would have been trained in language skills, teaching methods for science and mathematics, nursing management, leadership development of persons with disabilities, sustainable waste management and coastal fisheries management, at an approximate cost of \$819,000.

Madam Speaker, the Fisheries sector is an important part of our national development thrust and has the potential to make even greater contributions to our economic growth. The Government of Japan continues to be a significant development partner, having financed major infrastructural facilities for fishing. In 2005 the community of Point benefited from the construction of the Point Wharf Fisheries Complex, at a cost of approximately \$35 million of which \$26 million was a grant from the Government of Japan. This has greatly enhanced the economic and social vibrancy of this community, as have the fisheries complexes in the villages of Parham and Urlings, which were also constructed largely through grant assistance from the Government of Japan. The economic and social spinoffs accruing to these communities are indicative of those which the Barbuda Artisanal Fisheries Project should have on communal and economic life on the Sister Isle. This \$30 million project commenced last year.

In 2011 the Government of Japan, through its Grant Assistance for Grassroots Human Security Projects (GGP), will support one local non-governmental organization (NGO) or community based organization (CBO) in a small development project. Sectors that will be given priority are basic education; primary health; vocational training; special education; agriculture; public welfare; and the environment. Highest priority would be accorded those projects that benefit women directly.

SOCIAL AND ECONOMIC COOPERATION WITH OTHER COUNTRIES: BRAZIL AND MEXICO

Madam Speaker, Antigua and Barbuda continues to nurture and strengthen its relationships with Brazil and Mexico. Along with other CARICOM member states, Antigua and Barbuda participated in the CARICOM-Brazil Joint commission held in Brasilia in April 2010. During the Summit, the Prime Minister, Honourable Baldwin Spencer, held negotiations with President Luiz Inacio Lula da Silva, leading to a joint communiqué which detailed plans to collaborate on initiatives in the fields of Education, Agriculture, Investments, Science and Technology, Culture, Sports and Tourism. Technical discussions on effecting the agreement between the two Heads of Government have already begun.

During 2010 the collaborative relationship between the Government and People of Antigua and Barbuda and the Government and People of Mexico continued and has centred on our shared belief in the importance of education as a catalyst in the development process. Six young Antiguan and Barbudans received scholarships to pursue university studies in Mexico. Three of them are enrolled in technical studies in electrical engineering and computer science and three in Spanish proficiency certification courses.

FISCAL PERFORMANCE 2010

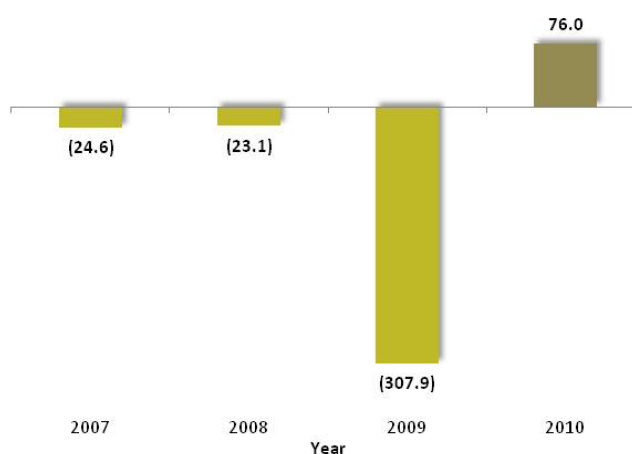
The global recession, along with the collapse of CL Financial and the Stanford Financial Group, continued to affect economic activity in Antigua and Barbuda, further constraining tax revenue growth in 2010. Government revenue from taxes on economic activity is projected to be 25 percent lower than originally budgeted. In light of the lower revenue outturn, the Government instituted procedures to contain expenditure by the various ministries and departments in line with the revised revenue outcomes. Ensuring as little divergence as possible between revenue and expenditure was essential to Antigua and Barbuda's ability to meet the fiscal targets outlined in our Fiscal Consolidation Programme.

Chart 1 below presents the current account balance from 2007 to 2010. The current account balance provides an indication of the Government's ability to cover its current expenditure. We are committed to ensuring that current expenditure is kept in alignment with current revenue. Current revenue is generated from tax and non-tax sources and in 2009 it was not sufficient to cover current expenditure. Consequently, a current deficit amounting to \$307.9 million or 10 percent of GDP was recorded in 2009. A significant contributor to this figure was an estimated

\$234 million in interest payments on the debt, which includes considerable penalties on arrears and past due interest.

In Budget 2010, a current account surplus of \$77.3 million was projected under the Fiscal Consolidation Programme (FCP). A critical aspect of this programme is maintaining sufficient expenditure control to make the requisite adjustments in the face of lower than expected revenue outturns. Despite the lower than anticipated revenue performance, an actual current account surplus of \$58.3 million or 2 percent of GDP is projected for 2010.

CHART 1: Current Account Balance (EC\$M): 2007 to 2010

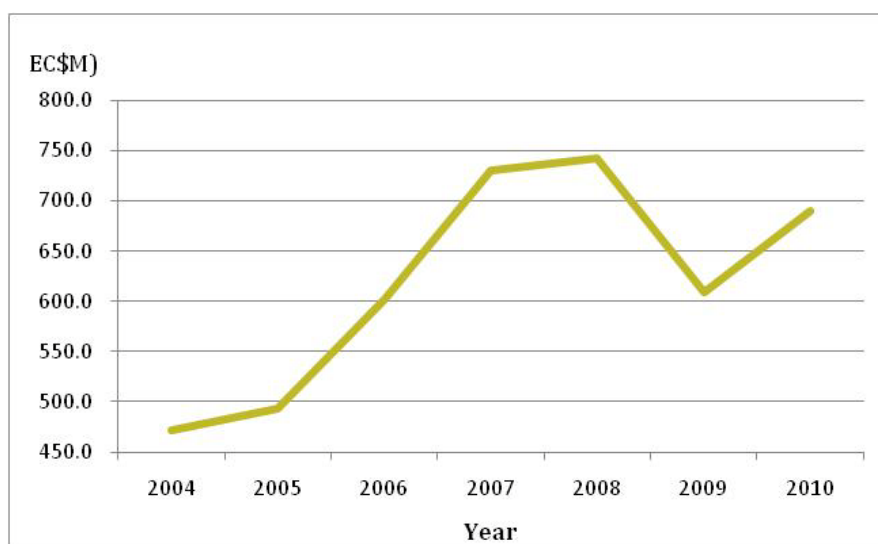


This expected current account surplus is due to significant reduction in expenditure for 2010. Actual current expenditure for 2010 is projected to be \$631.7 million. This is about \$280 million or 30 percent less than actual current expenditure of \$914 million recorded in 2009 and about \$130 million less than the \$759 million estimated in Budget 2010. This sizeable decline in current expenditure is the result of deliberate efforts to curtail expenditure. Also, a substantial reduction in the interest bill has been achieved as a result of the Government's successful efforts to renegotiate and normalise the public debt.

Revenue Performance

The improvement in the current account balance was also due to a projected 13 percent increase in current revenue in 2010 over current revenue raised in 2009. As seen in Chart 2 below, current revenue grew steadily between 2004 and 2008. This was due to a combination of strong economic performance and revenue reform initiatives that streamlined the tax system and improved tax administration. In 2009 the global economic and financial crisis contributed to a considerable decline in current revenue to \$609 million. Despite the poorer than anticipated economic performance, as well as the delay in implementing some of the revenue measures at the beginning of the year, current revenue for 2010 is estimated to increase by \$80 million to \$690 million. However, the outturn for current revenue is still expected to be about \$150 million less than projected in Budget 2010.

CHART 2: Current Revenue (EC\$M): 2004 to 2010

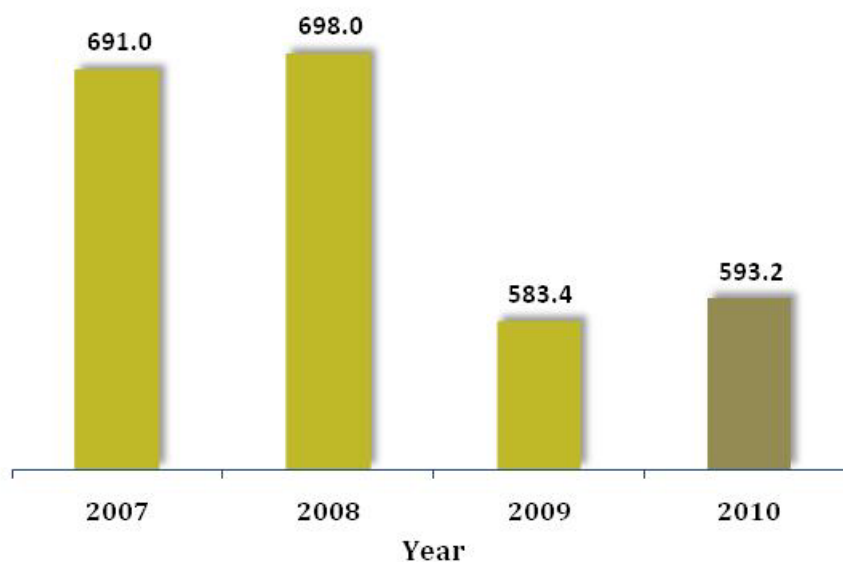


Included in this anticipated \$690 million is the \$34 million grant from the European Union which was provided to Antigua and Barbuda in support of its NEST Plan. Also included in the anticipated current revenue yield for 2010 are tax arrears amounting to \$20 million.

Tax revenue is presented in Chart 3 below. In Budget 2010, tax revenue was projected at \$787.3 million. Actual outturn for 2010 is estimated to be almost \$194 million less at \$593.2 million.

Tax revenue outturn for 2010 is expected to be about 2 percent greater than the \$583 million collected in 2009.

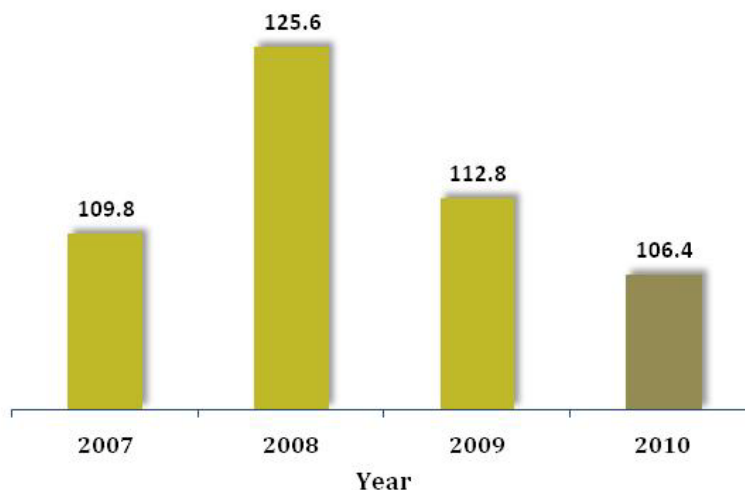
CHART 3: Current Revenue (EC\$M): 2004 to 2010



This revenue outturn was made possible by the Government's decision to implement difficult but necessary measures to curb the downward trend in revenue and help stabilise very challenging fiscal circumstances. The anticipated \$589.5 million in tax revenue for 2010 is at least \$40 million more than would have been collected had the measures not been implemented.

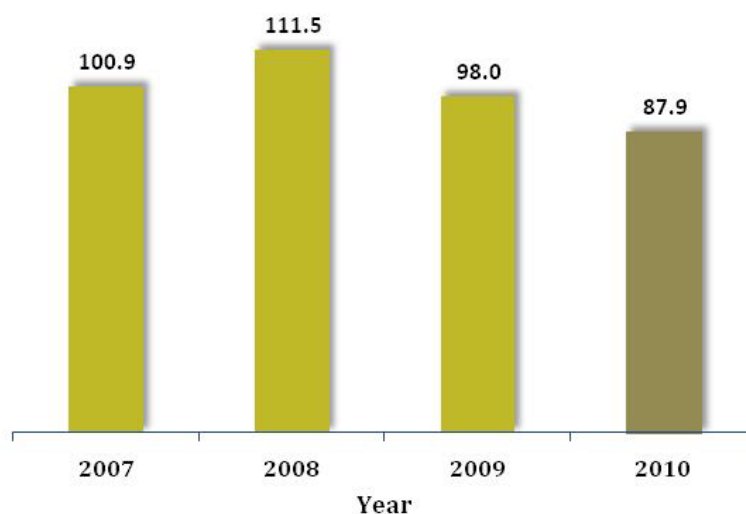
Direct taxes, which should yield \$106.4 million in revenue, accounted for about 18 percent of tax revenue in 2010. This is about 6 percent less than the \$112.8 million in direct tax revenue generated in 2009. Revenue collected from direct taxes between 2007 and 2010 is presented in Chart 4. The main components of direct taxes are taxes on income and taxes on property – shown in Charts 5 and 6 below.

Chart 4: Direct Taxes (EC\$M): 2007 to 2010



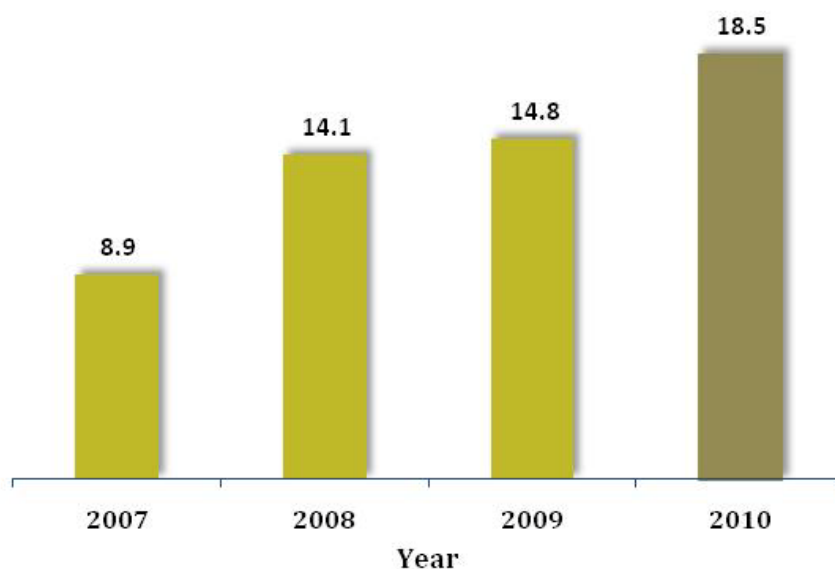
In 2010, revenue from taxes on income amounted to \$87.9 million, which is about \$10 million less than the amount collected in 2009. Corporation tax and personal income tax, which make up taxes on income, are expected to yield \$55 million and \$33 million in revenue respectively. In 2009 the corporation tax yielded \$62 million while personal income tax yielded \$36 million.

Chart 5: Taxes on Income (EC\$M): 2007 to 2010



Property tax generated \$14.8 million in revenue in 2009. Revenue from this source is expected to increase by 25 percent to \$18.4 million in 2010. This improvement in revenue is indicative of ongoing efforts to enhance property tax administration. A key contributor to this improvement is the Property Valuation Department's collaboration with the Antigua Public Utilities Authority to distribute property tax citations to property owners. Chart 6 below depicts the progression of property tax revenue between 2007 and 2010.

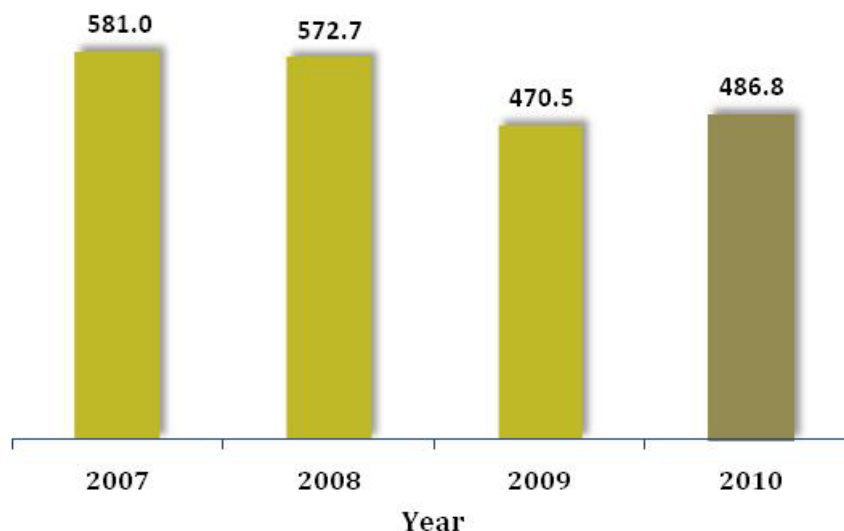
Chart 6: Property Tax Revenue (EC\$M): 2007 to 2010



The property tax administration reform initiatives, particularly the introduction of new and modern property tax legislation, along with the hard work of the dedicated staff at the Property Valuation Department, helped to boost revenue by ensuring a marked improvement in the number of properties were captured in the property tax system.

Indirect taxes should account for 72 percent of tax revenue in 2010 and are expected to generate \$486.8 million, which is about 3.5 percent above the amount generated in 2009. In light of the depressed economic activity associated with the global recession, revenue from indirect taxes has fallen by more than \$100 million compared to 2007 and 2008 (see Chart 7).

Chart 7: Indirect Taxes (EC\$M): 2007 to 2010



Indirect tax revenue is generated by taxes on domestic production and consumption and by taxes on international trade and transactions. Taxes on domestic production and consumption include stamp duties and the Antigua and Barbuda Sales Tax (ABST) and are expected to yield revenue of \$240 million in 2010. This is about 5 percent less than the \$252.6 million collected in 2009 and, as seen in Chart 8, about \$100 million less than the revenue collected from this source in 2007 and 2008.

Chart 9 depicts revenue collected from stamp duties and the ABST between 2008 and 2010. Stamp duties are projected to generate \$32 million in revenue in 2010 while this revenue source yielded \$29.5 million in 2009. The ABST is the main source of revenue from taxes on domestic production and consumption and is expected to yield \$182 million in 2010. This is about 11 percent less than ABST revenue generated in 2009 and is indicative of a greater than expected contraction in the domestic economy. The worse than expected economic performance, late implementation of the reduced basket of zero rated items and delays in executing some key administrative arrangements to boost compliance are expected to result in an ABST yield that is \$20 million less than the amount collected in 2009.

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

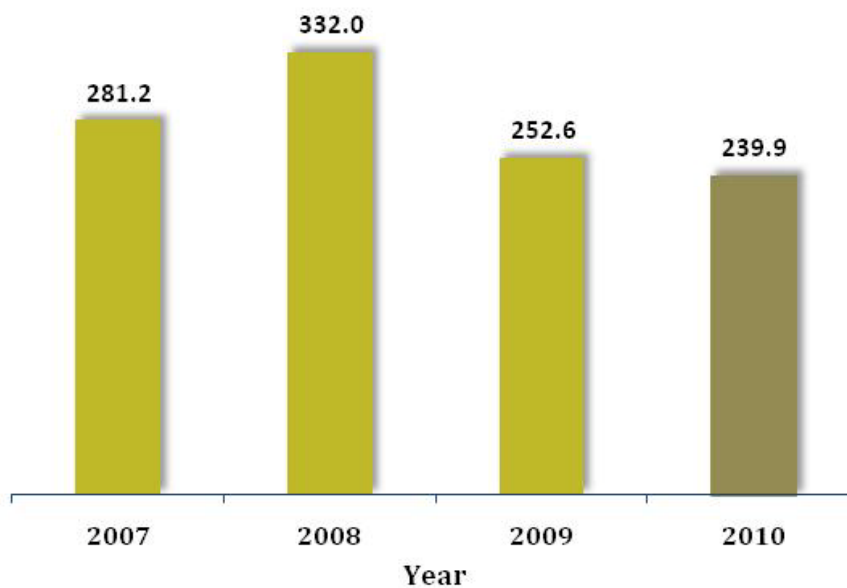
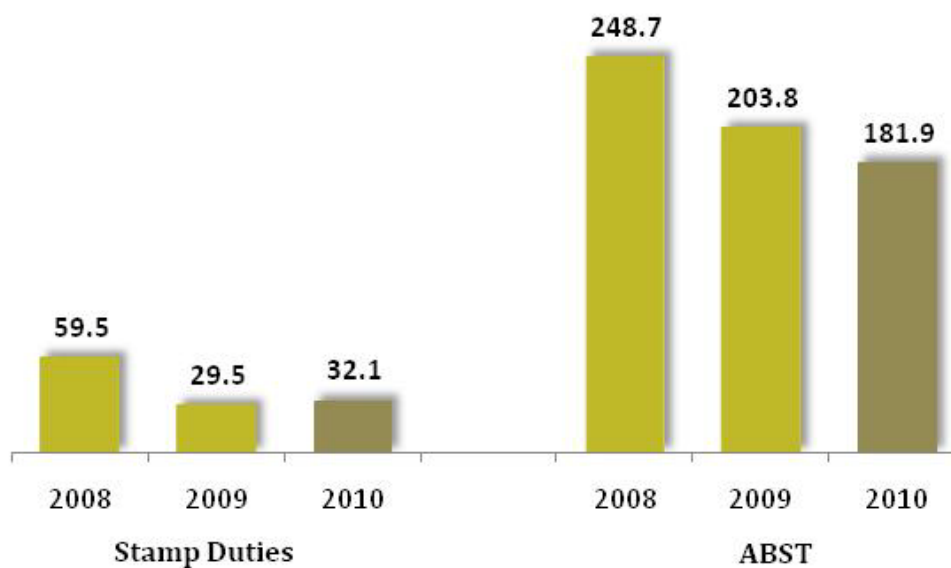
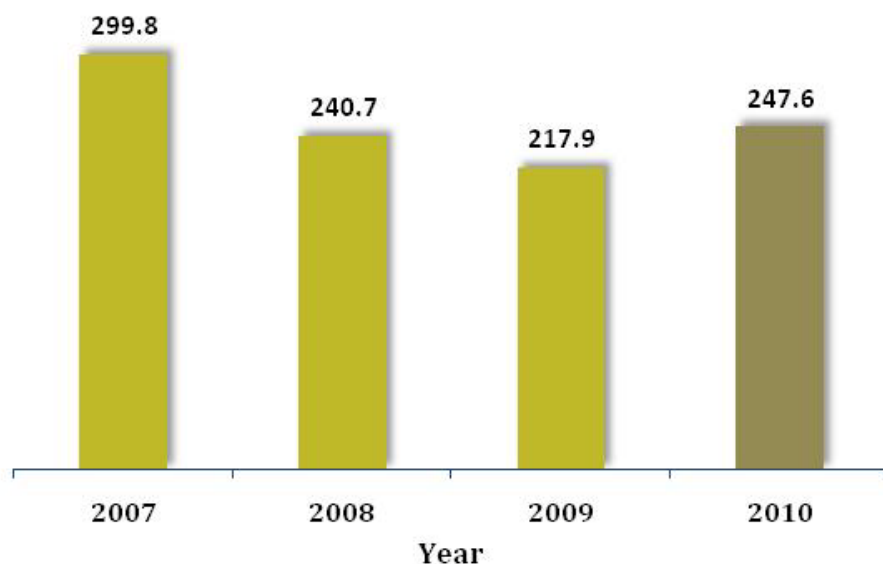


Chart 9: Revenue from Stamp Duty and ABST (EC\$M)



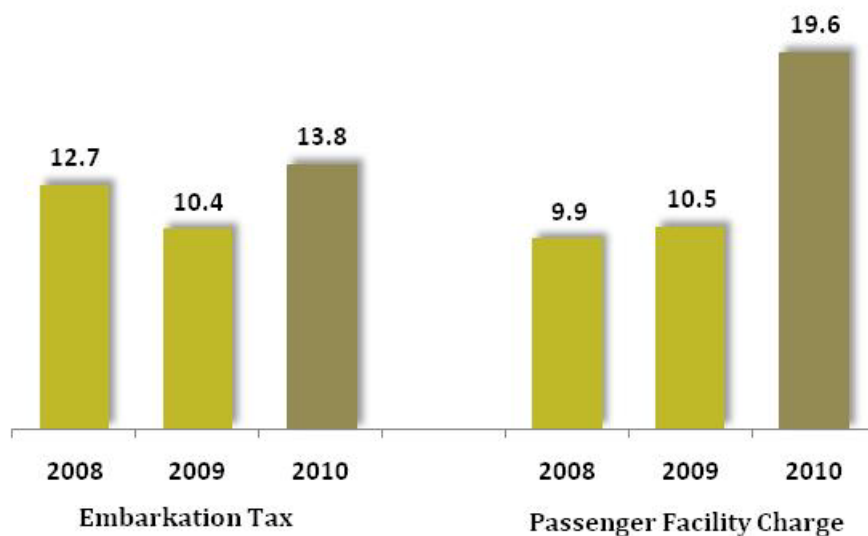
As seen in Chart 10 below, revenue from taxes on international trade and transactions is projected to be about 14 percent higher in 2010 than in 2009. These taxes are expected to yield \$247.6 million in 2010 compared to \$217.9 million in 2009. This improvement is due to higher revenue from the Embarkation Tax, the Passenger Facility Charge (PFC) and also from the Revenue Recovery Charge (RRC).

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



Revenue from the Embarkation Tax amounted to \$10.4 million in 2009 and increased to \$13.8 million in 2010. This 33 percent increase in revenue from the embarkation tax is due to the increase in the rate of this tax to \$50.00 for nationals and Caricom citizens and to US\$25.00 for non-Caricom visitors. In 2009, revenue from the PFC amounted to \$10.5 million. With the increase in the PFC rate from US\$10.00 to US\$25.00, revenue from this source increased by 87 percent to \$19.6 million in 2010. Chart 11 below shows revenue from the Embarkation tax and the Passenger Facility Charge.

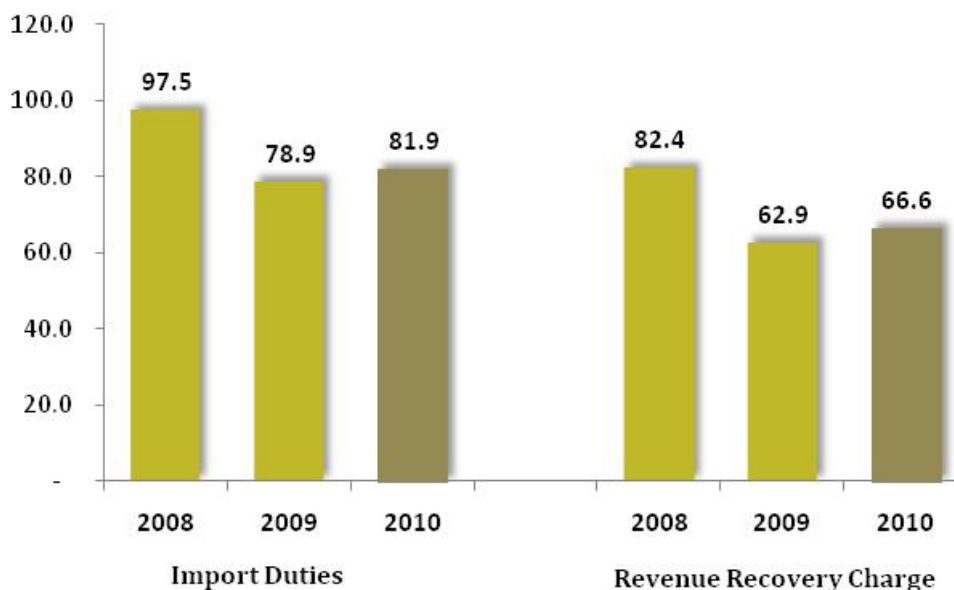
Chart 11; Revenue from Embarkation Tax and Passenger Facility Charge (EC\$)



The Revenue Recovery Charge (RRC) was introduced on January 25th 2010 to replace the Customs Service Tax (CST). While the CST was applied at rates ranging from zero to ten percent, the RRC is applied at a single rate of 10 percent on all non-oil imports. The CST generated revenue of \$62.9 million in 2009 while the RRC is projected to yield \$67 million in 2010. This, along with the first few weeks of CST collection in 2010, should generate combined revenue of \$70 million. Average monthly revenue from the CST in 2009 was about \$5 million while average monthly revenue from the RRC amounted to about \$6 million. As seen in Chart 12, revenue from import duties remained relatively flat between 2009 and 2010. Revenue from this source amounted to \$78.9 million in 2009 and is expected to amount to \$81.9 million in 2010.

Non-tax revenue is the other component of current revenue and is expected to yield \$62.6 million in 2010. This is about \$37 million more than the \$25.4 million collected in 2009 from this revenue source. Profits payable to the Government from the Eastern Caribbean Central Bank, money paid in respect of the IHI/Bruce Rappaport legal settlement, and surplus funds from merchant shipping, were responsible for this significant increase in non-tax revenue.

Chart 12: Revenue from Import Duty and Revenue Recovery Charge (EC\$M)



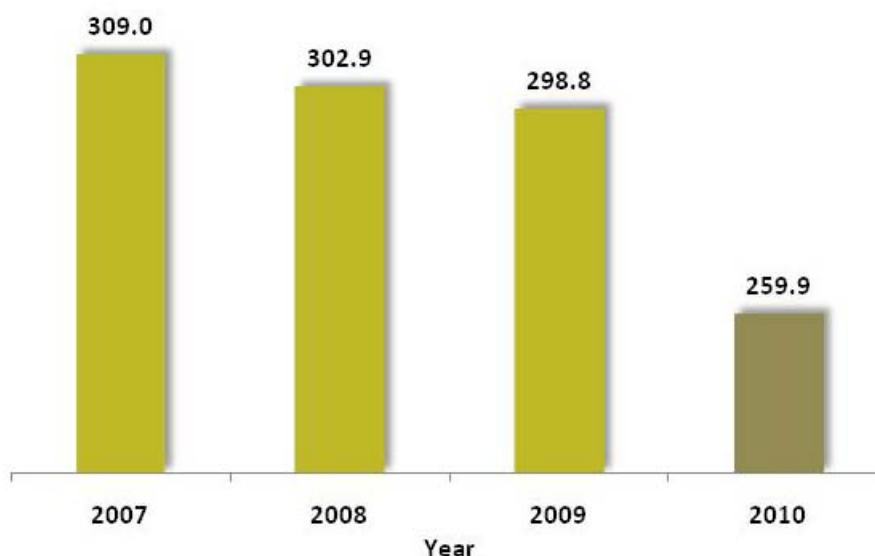
Expenditure Performance

With the revenue outturn for 2010 about \$145 million less than anticipated, it was important to have arrangements in place to keep expenditure in line with actual revenue. One of the procedures put in place is the procurement policy that requires ministries and departments to secure approval before executing a transaction with a merchant or contractor. This facilitated greater control of expenditure so that the fiscal targets could be achieved and the cycle of accumulating arrears could be broken. Other efforts to curtail expenditure included continuing measures that were initiated in 2009. These include a freeze on non-essential hiring, limiting expenditure on overtime, postponing the expansion of existing programmes and delaying implementation of new programmes.

While recurrent expenditure was estimated at \$759 million in Budget 2010, actual recurrent expenditure is expected to be about 17 percent less at \$631.7 million. The components of recurrent expenditure include wages and salaries, transfer payments, goods and services, contributions to statutory corporations and interest payments on public debt.

Wages and salaries amounted to \$260 million in 2010, accounting for 42 percent of recurrent expenditure. Due to the restriction on hiring and efforts to control spending on overtime, actual spending on wages and salaries in 2010 will be about 13 percent below the amount projected in Budget 2010. Chart 13 below presents the movement in expenditure on wages and salaries between 2007 and 2010.

Chart 13: Wages and Salaries (EC\$M)

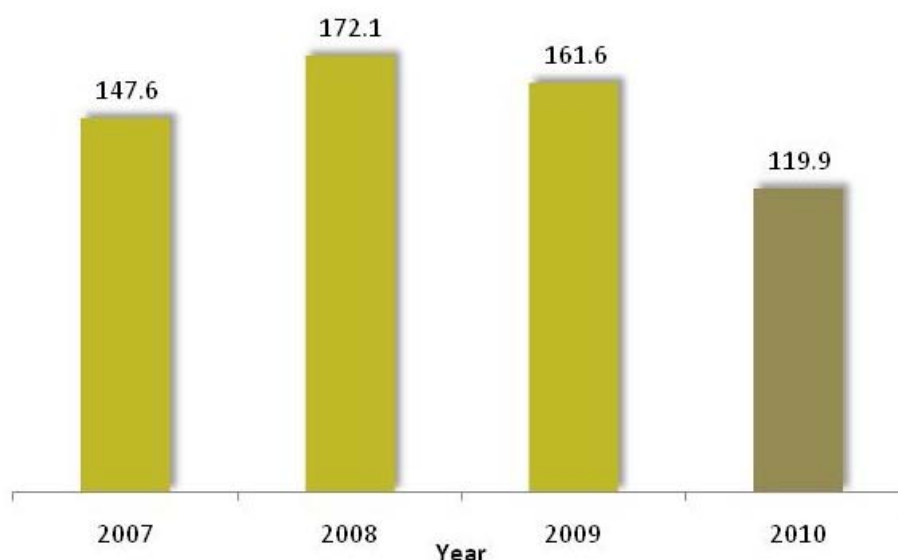


In Budget 2010 expenditure on goods and services was estimated at \$149.9 million. Actual expenditure on goods and services is projected to be about \$120 million, which is 20 percent below the amount budgeted for 2010 and 26 percent less than expenditure on goods and services in 2009. The areas of government spending that comprise goods and services include office and computer supplies, cleaning and security services, rents, food, and consultancy services. Chart 14 presents the movement in expenditure on goods and services between 2007 and 2010.

Transfer payments are expected to amount to about \$171 million in 2010, which is about 5.5 percent below the \$181 million estimated in Budget 2010 and about 7 percent below the amount spent in 2009. Transfer payments include expenditure on pensions and gratuities and transfers to state owned corporations such as Mount St. John Medical Centre, Antigua Barbuda Airport Authority and the overseas offices and missions. Expenditure on pensions and gratuities is estimated as \$64.7 million in 2010. This is about 26 percent more than the \$51.4 million estimated in Budget 2010 and about 5 percent less than the amount spent in 2009. The greater

than projected spending on pensions and gratuities is partly attributable to the Government's attrition programme; officers proceed on retirement upon reaching the age of 60. Except in special cases where the expertise of the officer was essential to the operations of a department, all officers who achieved the age of sixty (60) years were retired.

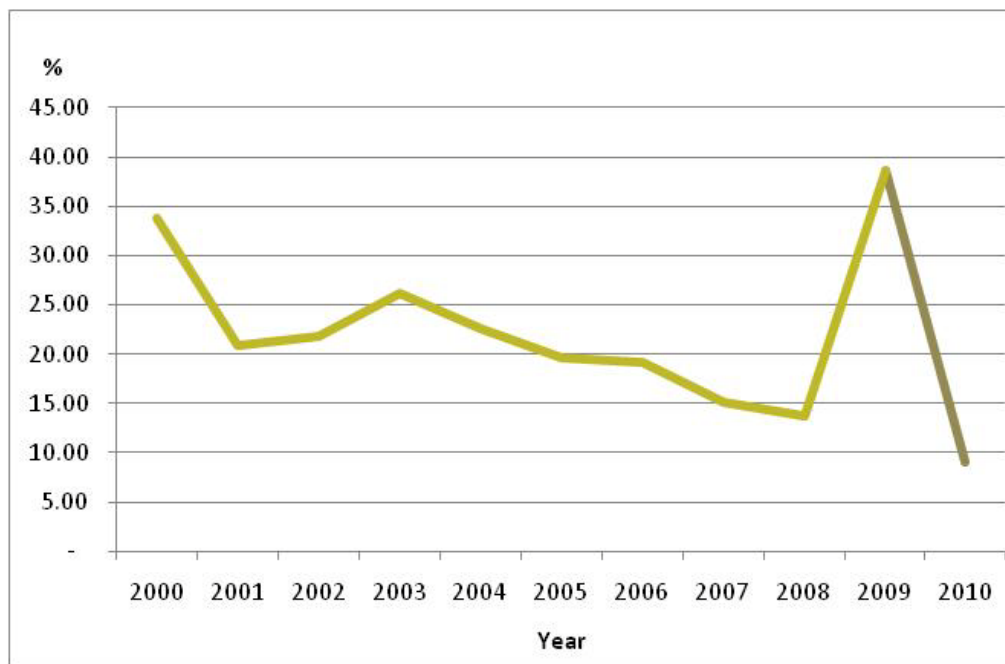
Chart 14: Goods and Services (EC\$M)



Expenditure on other transfers is projected to be \$106.5 million, which is 18 percent less than the \$129.6 million estimated in Budget 2010. This is also 8 percent less than the \$116 million spent on transfers in 2009 and represents deliberate efforts by the Government to rationalise expenditure in overseas offices and missions and to streamline resources provided to statutory corporations that are dependent on subventions from Central Government.

In 2010, interest payments are expected to amount to \$62.1 million. This is 29 percent less than interest payments estimated in Budget 2010 and approximately \$170 million less than the interest payable in 2009. This very substantial reduction in the interest bill is attributable to the Government's debt management strategy. The details of the activities undertaken by the Debt Unit with the invaluable assistance of Antigua and Barbuda's debt advisors are presented in the debt management section of this document. Chart 15 tracks interest payments as a percentage of revenue between 2000 and 2010.

Chart 15: Ratio of Interest to Revenue (EC\$M)

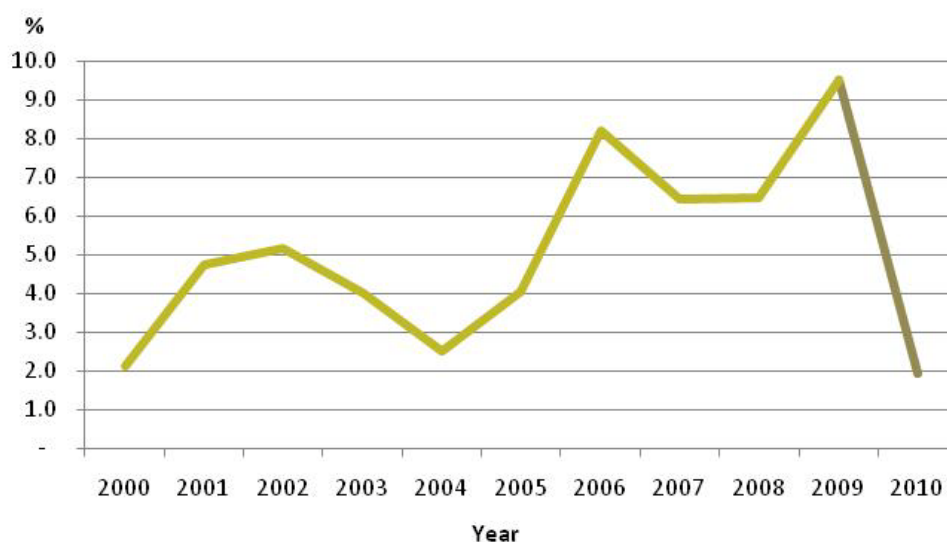


Of the \$62.1 million in interest payments over \$3 million was paid to investors in treasury bills and bonds that were issued before 2004 and about \$47 million was paid to domestic banks between January and October 2010.

In Budget 2010 we projected capital expenditure would be \$90.2 million, with \$30.4 million of this expenditure to be funded with grant resources. Actual capital expenditure for 2010 is estimated to be 37 percent lower at \$57.2 million. A contributing factor to lower than budgeted capital expenditure is underperforming revenues and slower than expected disbursement of grants that have been provided to fund capital projects.

In order to repair and maintain the existing stock of capital and to engage in new infrastructural development projects that would support economic activity, capital expenditure in Antigua and Barbuda should be between 5 and 8 percent of GDP. Chart 16 below tracks capital expenditure as a percentage of GDP from 2000 to 2010.

Chart 16: Capital Expenditure in Percent of GDP



It should be noted that from 2006 to 2009 average capital expenditure as a ratio of GDP was 7.6 percent. Given the significant levels of investment in infrastructural development over that four year period, it is unlikely that restricting capital expenditure to between 1.5 and 2 percent of GDP for a year or two would result in significant depletion of the capital stock. However, it is imperative that the level of capital expenditure be returned to more acceptable levels to avoid significant deterioration in the capital stock to pre-2006 levels. Though the Government's cash constraints limited the amount of capital work that could be undertaken in 2010, we were able to make \$85 million in payments to contractors and local merchants and suppliers between January and November 2010. The majority of these payments were for goods and services that were acquired before 2010 and in some cases up to ten years ago.

Many local contractors and suppliers have outstanding claims against the Government that are decades old. Our efforts to liquidate some of this debt to local contractors and suppliers have been made possible by the Government's ability to access funding from the IMF and the CDB for its Fiscal Consolidation Programme. In 2010 we received \$83.4 million from the Stand By Arrangement with the IMF and \$27 million from the CDB Policy Based Loan. This represents \$110.4 million in financial support for Antigua and Barbuda – financial support made possible

by this Administration's successful articulation and implementation of policies and strategies to correct longstanding fiscal imbalances.

Total primary expenditure, which is equivalent to capital expenditure plus recurrent expenditure less interest payments, represents the Government's total spending in the fiscal year. A key indicator of effective fiscal management is whether Government is able to cover its primary or non-debt expenditure with the revenues generated within a given fiscal year. For 2010 the Government expects to realise a primary surplus of \$77.8 million or 2.6 percent of GDP. This is a \$435 million improvement compared to the primary deficit of \$357 million recorded in 2009, which was about 12 percent of GDP. This represents an adjustment of 15 percent of GDP and is one of the largest fiscal adjustments made in a single fiscal year.

This adjustment was made possible by the Government's concerted effort to rein in expenditure, as revenue performance lagged behind expectations. Table 1 below presents a summary of expenditure and revenue for 2009, the amounts estimated in Budget 2010 and the revised expected outcome for 2010.

Table 1 – Fiscal Summary

	Actual 2009	Budgeted 2010	Projected 2010
Total Revenue and Grants	608.8	866.7	704.4
Current revenue	608.8	836.3	689.8
<i>of which: Tax revenue</i>	583.4	787.3	593.2
Capital revenue	0.0	0.0	1.6
Capital grants	0.0	30.4	13.0
Total Expenditure	1,200.9	849.2	688.8
Current expenditure	914.1	759.0	631.6
Wages and salaries	298.8	297.5	260.0
Contribution to SSB, MBS,BOE	36.4	43.5	18.4
Goods and services	161.6	149.9	119.9
Interest payments	234.1	87.1	62.1
Pensions, other transfers	183.2	181.1	171.2
Capital Expenditure & Net Lending	286.7	90.2	57.2
Current Account Balance	(305.3)	77.2	58.2
Primary Balance	(358.0)	104.6	77.7
Overall balance	(592.0)	17.5	15.6

The fiscal adjustment achieved in 2010 is noteworthy and is a clear indication that the Fiscal Consolidation Programme has set Antigua and Barbuda on the right path to fiscal and debt sustainability. However, there are still financial challenges facing the Government and impacting cash flow. These financial challenges have plagued other developed and developing countries, including our Caribbean neighbours. Some countries, including Anguilla, have reduced the salaries of public servants. Others – St. Kitts and Nevis and Barbados – have introduced revenue measures to address their fiscal difficulties. These fiscal measures represent each country's deliberate and necessary effort to adhere to the fundamental model of fiscal management. This model, which was articulated in my last budget presentation, simply requires that Government's total expenditure equates to its revenue and net borrowing.

A country's ability to rely on the net borrowing element of this equation will depend on its capacity to acquire and service additional debt. Indeed, a government's ability to leverage additional resources through borrowing can provide much needed cash flow relief in periods of fiscal difficulty. Unfortunately, this was not an option for Antigua and Barbuda. The decades of persistent deficits, our failure to service our debt, and the liquidity crunch that accompanied the global recession were a confluence of factors that demanded a change in this country's approach to fiscal management. Since we could not borrow, we had to generate the revenue needed to cover expenditure. In the absence of that revenue, the Government would have to adjust expenditure to ensure the fiscal equation is not violated. I daresay it was the consistent and seemingly unapologetic violation of this principle that propelled our predecessors to borrow and not repay and to take resources from statutory corporations to cover shortfalls in cash flow. This course of action was eschewed by this Administration, for it could only lead to further deterioration in economic conditions.

It is no secret that the past 12 to 18 months have been particularly challenging for this Administration. We have struggled through the worst economic crisis the world has seen in over 80 years and have found it difficult at times to generate the funds needed to meet some of our obligations in a timely manner. This was a complicated and difficult situation and was no doubt extremely inconvenient for public servants and their families as well as for the merchants and contractors who engage in business with the Government. Fiscal adjustment is never easy. But it is sometimes necessary to take unpopular action to address an untenable set of circumstances. Despite the challenges experienced over the past several months, this Government was able to avoid implementing measures that required an immediate reduction in the number of public servants or a reduction in their wages and salaries. Though our people faced some trials, I am convinced that this Government's decision to pursue policies that were fiscally sound will yield

great rewards. Though it may be difficult for some to appreciate the link between fiscal discipline and economic growth, our people will see the tangible results of our efforts over the coming months and years. Madam Speaker, I wish to thank the public servants, businesses, and all citizens and residents of Antigua and Barbuda for their continued patience and understanding. I also wish to say to them that our sacrifice and discipline during these tough times will not be in vain. Antigua and Barbuda will emerge from this period well positioned to take hold of opportunities for sustainable growth.

ECONOMIC OUTLOOK 2011

The October 2010 publication of the IMF's "*World Economic Outlook*" indicated that global output should increase by 4.2 percent in 2011. For 'emerging and developing economies' growth is projected at 6.4 percent. Within this group, the highest level of growth is being projected for China – 9.6 percent and India – 8.4 percent, indicating that Asia is at the forefront of the economic recovery. By contrast, growth in the 'advanced economies' is only projected at 2.2 percent for 2011. This is comparatively low, given the depth of the recession and the excess capacity that now exists in these economies. Specifically for our major trading partners, growth is projected at 2.3 percent for the United States of America and 2.0 percent for the United Kingdom.

For the Caribbean Region, growth in 2011 is projected to be 4.3 percent. Within the Eastern Caribbean Currency Union, projected growth rates for 2011 range from 0.5 percent to 3.1 percent. In Dominica, growth is expected to be 2.5 percent; in Grenada, and St. Vincent and the Grenadines, 2 percent; in St. Kitts, 0.5 percent; in St. Lucia, 2.3 percent, and in Antigua and Barbuda growth is projected to be 3.1 percent.

STRATEGY FOR 2010 TO 2014 – THE NEST PLAN

The NEST Plan is the strategic response of the government and people of Antigua and Barbuda to the prevailing economic and developmental challenges that our country faces. The four elements of the plan represent the areas of focus which need to be addressed if our twin-island state is to transition into macro-economic stability and sustained, "people first" growth.

While the Fiscal Consolidation element of the Plan is to some degree calendar driven, that is, scheduled to be substantially implemented between 2010 and 2013, the Economic Action Plan,

the Social Transformation Programme and Financial Sector Stability are elements which will evolve and emerge, but from the basis of a strong and consolidated fiscal position.

FISCAL CONSOLIDATION PROGRAMME

Madam Speaker:

In my maiden budget presentation I spent some time explaining the underlying principle for pursuing a “stronger” and more disciplined fiscal stance in 2010. We embarked on this process with help from a number of development partners including the ECCB, CDB, CARTAC, IMF, World Bank and the EU. I use the word “stronger” here quite deliberately. I am making the point that back in 2004 when the UPP took office we knew then that we inherited an unsustainable fiscal position. We started the process of fiscal consolidation in 2005, albeit at a different pace, trying to address the problem of the past while confronting ongoing challenges. However, the impact of the global recession caused us to adjust the scope and quicken the pace of the consolidation

The discussion on fiscal consolidation last year was framed around examining two different approaches or models to growth and development in the pre- and post-independence era. In particular, I spent some time explaining why we needed to break from the past approach of consistently running annual fiscal deficits and accumulating debt given the global challenges that persist.

The fiscal consolidation programme generated much debate last year and I would like to thank some members of the opposition for the mature way in which they debated the topic, opting to focus on the issues. I distinctly remember that the Leader of the Opposition used his entire two hour allotment to defend his almost 30 years of stewardship in various capacities to include Minister of Economic Development, Minister of Finance, and Prime Minister. I am hopeful that this will continue because I truly believe that the way we conduct ourselves in this Honourable House signals the level of maturity of our democracy. More importantly, notwithstanding our physical position on different sides of the floor, if we are able to find commonality on critical policy positions, our people will benefit and our democracy will be strengthened.

We are well aware that policies proposed and ratified in this Honourable House can only be effective if we have strong institutions to implement them in an environment that is conducive to change. Madam speaker I submit that members of the opposition are well aware of this fact and

I want to believe this is the reason they have for the better part of the last 18 months been trying to use political influence, without success, to destabilize the policy environment.

Over the past year members of the opposition have made a number of baffling statements, which at times are contradictory and dishonest to say the least. We have heard:

- (1) Fiscal consolidation does not promote an environment for sustainable growth and development.
- (2) Notwithstanding a tax burden of 20.0 percent of GDP at the end of 2009, they suggested that the tax burden in Antigua and Barbuda is the highest in the Caribbean.
- (3) The ALP Government took a policy decision dating back to the 1980's not to pay the external debt. That debt should not be repaid.

Madam Speaker, most members of the opposition are trained professionals: lawyers, bankers, accountants and businessmen. Some have sat as members and have even chaired some of the highest decision making bodies in the Caribbean: ECCB Monetary Council, CDB, OECS and Caricom. For them to make some of these incredible statements belies the fundamental principles of fiscal management and good governance on which these regional institutions were built. The members of the opposition seem to suggest that there is a disconnect between fiscal consolidation and engendering an environment favourable to growth and development. I wish to discredit that notion at this point.

The view that fiscal consolidation will reduce aggregate demand and suppress growth is simplistic and misleading without looking at the scope or structure of the consolidation and the role of long-run expectations. The evidence on successful adjustment programmes shows that fiscal consolidation consisting primarily of revenue measures has a higher probability of success if the country is starting from a position where the tax to GDP ratio is low. Compared with the rest of the Caribbean and the world Antigua and Barbuda's tax to GDP ratio of 20 percent is among the lowest.

Further, the most successful fiscal consolidation programmes have been those where the government has reduced the level of expenditure over time. The argument here is that by permanently reducing the share of the public sector in GDP, the government is making room for the private sector to expand and grow. Additionally, if the expenditure reduction is seen as a credible medium to long term policy position, then businesses see this as the government's commitment to fiscal discipline. They can envision a stable environment where government will not have to raise taxes in the future to pay for past or current fiscal deficits. The end result is that

businesses feel more comfortable investing now, confident that their returns will not be subject to unexpected taxation.

A fiscal consolidation programme signalling a new era of fiscal discipline also supports inflows of Foreign Direct Investment that are critical for the continued growth and development of Antigua and Barbuda. Where the fiscal accounts and the sovereign debt of a country are described as unsustainable, such a country has a very low credit rating and will be seen by investment banks and credit rating agencies as a very risky investment proposition. Under that scenario, investors looking to secure credit from investment banks to invest in hotel development or other capital projects would find it very difficult to access funding and if they do, they will pay higher interest rates. Similarly, businessmen trying to transact business with suppliers abroad will confront the same challenges.

When the Leader and the other members of the opposition stand in this Honourable House and proudly shout at the top of their voices, “we took a policy decision not to pay debt!”, one can deduce either that this is a very casual approach to managing the affairs of this country, or it reflects a limited understanding of how the economy functions. This policy decision dating back to the 1960’s has had a significant impact on the cost of doing business in Antigua and Barbuda. It resulted in increased financing costs for hotels, higher costs for financing infrastructure projects and even higher costs for goods and services, including the food on supermarket shelves. What appeared to be glory days was in fact a disaster waiting to happen, and happen it did.

So Madam Speaker, with this as a backdrop I wish to again summarise our approach to fiscal consolidation. We maintain that the overall objective of the fiscal consolidation programme is to, over time, see the government moving to a position that on average it operates within the context of a balanced budget. In particular, within three years we intend to restructure our fiscal accounts by adjusting current revenue measures and reducing the level and the rate of growth of current expenditure. The aim is to increase revenue to within the range of 25 to 27 percent of GDP and restrict total expenditure to a range of 23 to 25 percent of GDP. At the same time, we are making fundamental institutional changes across departments and ministries, (including at Inland Revenue, Customs, and the Treasury) which are all a part of the fiscal machinery.

The caveat placed on the 2010 estimates will also hold for 2011; i.e. if during the year revenues underperform we will adjust expenditure to ensure that we stay within the fiscal framework we have devised for ourselves and the targets we agreed upon. Meeting these targets is critical because it allows us to use monies from our development partners to pay down the domestic

floating debt and some relatively small external developmental loans from multilateral institutions.

The effect of this approach will be to reduce the outstanding amounts owing to firms and individuals who in turn owe the government. It will allow us also to regain market access to a number of multilateral creditors that can provide us with new development financing. This will unlock the domestic system by increasing the amount of money in circulation, expanding aggregate demand and supporting the recovery process. This is being pursued while we regularize our relationships with all other domestic and external creditors.

Much has been said about debt over the past 18 months. The bottom line is that no developing country can survive without debt. This includes Antigua and Barbuda, a small island developing state with a market that is highly open, a very narrow production base and a relatively small population. As a government we aspire to improve the lives of the citizens and residents and that will require us to borrow to improve the economic and social infrastructure of this country. We are not looking to get out of debt but to be strategic in our borrowings and to effectively manage the debt so as to reduce the cost of servicing it over time. The problem, Madam Speaker, lies not in borrowing, but in refusing to repay.

Madam Speaker an indisputable fact that must be mentioned is that in 2004 our debt to GDP ratio stood at over 140 percent. At the end of 2010, notwithstanding the decline in GDP, the debt to GDP ratio will be 94 percent. This decline of almost 50 percentage points of GDP took place under the UPP administration. These numbers can be verified in any international publication and this is the number that financial institutions and bilateral creditors will look at when they assess the risk of doing business in Antigua and Barbuda.

The UPP Administration is very proud that the policies developed here in Antigua and Barbuda have received a demonstrated vote of confidence from regional and international institutions. In particular, we are grateful to the President, management and staff of the Caribbean Development Bank for the continued support provided to the people of our twin island nation. We have benefitted time and again from technical and financial assistance from this august institution and are particularly grateful for the Policy Based Loan which was granted in support of our fiscal consolidation programme.

With respect to our relationship with the IMF, I am pleased to report that we remain on track with the Stand-By Arrangement. We have been continuously engaged with the IMF over the past 18 months. We continue to enjoy a productive relationship with the Fund, notwithstanding

the changes to the team that interfaces with us. To date we have had one successful review of the SBA covering the period January to June 2010. Given the information at hand we are confident that the reviews for end September 2010 and end December 2010 will also be successful.

POLICIES FOR REFORM AND INSTITUTIONAL STRENGTHENING

As I mentioned before the success of our fiscal consolidation programme will depend on our ability to strengthen our institutions, reform the agencies that are at the heart of the fiscal machinery, transform our approach to financial management and modernise the public sector. Indeed, transforming the public sector and improving its institutions are imperative to sustaining the gains realised as a result of the fiscal consolidation. The reform and institutional initiatives include:

- i. Revenue Administration Reform
- ii. Expenditure Management
- iii. Public Sector Transformation
- iv. Divestment
- v. Development of Statistics

Revenue Administration Reform Project

To achieve sustainable growth, the Government must have access to the resources (financial and human) required to invest in infrastructure in the public sector. During the first year of the NEST Plan we focussed on correcting the fiscal imbalance in the economy. We have made significant headway, due to the reforms being undertaken at Customs and Inland Revenue.

Madam Speaker, I now provide a synopsis of the major accomplishments to date under the Revenue Reform Project. Prior to this UPP Administration, it was the practice in Antigua and Barbuda for the Government to commission all types of studies on what was required to improve efficiency at both Customs and Inland Revenue, but once the report was received, it was placed on a shelf to gather dust. This Administration has opted for a new approach to governance and revenue administration. We have dusted off the reports, reviewed the recommendations;

determined which were applicable, and developed a programme to bring about real and lasting revenue reform.

With the assistance of CARTAC and our regional and international partners and donors, we devised a one-year programme to reform the Customs Division and Inland Revenue Department. This programme is intended to improve the level of professionalism; to build capacity, and to position both entities to maximize revenue collection by, among other things, closing the numerous loopholes that exist.

The Government appointed a Project Manager to oversee the reform project. In taking this action, we ensured that we had someone whose entire focus was ensuring the success of the project. At Customs, we recruited additional staff from within the public service to enhance the capacity of the Division. In addition, we have drafted a new Customs Management Act and related regulations, based on the CARICOM model. The new Act will be taken to Cabinet for review in the first quarter of 2011.

We introduced new procedures for clearing perishable and urgently required goods. The department discontinued the practice of accepting open or undated cheques from importers, and this has reduced the level of revenue leakage. All duties and taxes are now paid at the time the goods are uplifted.

In last year's budget statement, I indicated that the system of duty free shops would be examined with a view to substantially reducing leakages. I am happy to report that the Customs Division has begun inspections of duty-free shops and bonded warehouse facilities, in order to put proper procedures in place to control the movement of goods in and out of these facilities, and to ensure that revenue leakage is reduced, if not halted.

In order to secure a successful reform programme, a draft code of conduct has been developed and is currently being reviewed by all stakeholders before implementation. This new code of conduct will govern the behaviour of customs officers. Also, a first draft of a three-year Strategic Business Plan has been developed for the Customs Division and is expected to be implemented in 2011.

We are pleased with the results of our interventions to date at the Customs and Excise Division. Upon reviewing statistics for imports from January 2009 to September 2010, we note that the dollar value of custom duties, taxes and levies held steady during the period. This is a clear

indication that many of the loopholes previously exploited have been closed. We anticipate an increase in revenues once the economy rebounds as projected for 2011.

At the Inland Revenue Department, we recruited and trained additional auditors, enhancing the capacity of Inland Revenue to conduct in-house and on-site audits. In addition we purchased a new building to house the operations of the department. The new home of the Inland Revenue Department is being retrofitted and we expect that the staff will be relocated during the first quarter of 2011.

Meanwhile, the organisational structure of the department has been changed from a tax type to a functional operation. An important part of this new structure is the establishment of teams responsible for the various functions of the Inland Revenue Department. These teams are already in place and have begun to yield results.

During 2010 we identified the largest 226 taxpayers and commenced compliance activities regarding their filing and payment of arrears. These taxpayers account for approximately 80 percent of the major taxes collected at Inland Revenue, and the improved compliance rate has resulted in an increase in revenues. The new structures are expected to boost collection of arrears and ensure maximum revenue returns during 2011.

As is the case with Customs, the Inland Revenue Department has completed the first draft of a Code of Conduct as well as a Corporate Strategic Business Plan. Once both documents have been reviewed and approved, we will implement them early in 2011.

Madam Speaker, these activities represent the proverbial “tip of the iceberg”. While we have made commendable progress in transforming our major revenue agencies, other significant changes are planned, and will be implemented once we secure the necessary financial assistance from our donor partners. The Revenue Reform Project is a three year process, at the end of which Customs and Inland Revenue will be transformed into exemplary institutions, which will point the way to the future of the Public Service. Managing change is a process and during this process of modernisation, there have been delays and other inconveniences. We thank all stakeholders for continuing to work with us during this transitional phase.

Expenditure Management

In 2010 the Government, with assistance from CARTAC and the European Union, developed a Public Financial Management (PFM) Reform Action Plan. This plan details the steps that will be

taken to significantly improve public financial management over the period November 2010 to December 2013. The plan has several elements, including improvements to the following: budget credibility, comprehensiveness and transparency; revenue collection, expenditure management in the form of improved cash management and forecasting; debt acquisition and provisions for government guarantees; payroll management; procurement; strengthening of expenditure controls; accurate and timely financial statements; and the overall improvement of the audit function in Government.

Expenditure Management

A critical part of improvement in expenditure management is Treasury reform. A new organisational structure for the Treasury Department was put in place in March 2010. Two major elements of this were the creation of a Funds Management Section which combined all units dealing with the collection and disbursement of government funds, and the introduction of an internal audit unit. The former is intended to give effect to better cash management and the latter will ensure that appropriate procedures are followed and risks are minimized.

To date, Madam Speaker, significant strides have been made in improving expenditure management in the Treasury. In addition to implementing the new structure, a lot of work was done to ensure better use of the FreeBalance system for processing and reporting on transactions. CARTAC provided technical assistance in this regard, with funding from the UK Department for International Development. Several consultants worked with the staff of the Treasury Department to improve processes, revise procedures and improve the bank reconciliation process which is essential to cash management.

Having completed some final adjustments to the financial management systems we are now able to process all transactions through the FreeBalance system. We have also achieved near complete automation of Government's payroll, and improved payroll management. This has provided a good platform for assessing our wage bill.

Over the next three years, a number of initiatives will be undertaken as part of the PFM reform. The cash forecasting model which was developed with the assistance of CARTAC will be implemented and used to better manage government's funds on a daily basis. Another element of improved expenditure management is the procurement of goods and services. Significant improvement is expected in this area with the passing of the Procurement Act and attendant regulations in 2011.

Public Sector Transformation Programme:

In July 2010 Cabinet approved the Public Sector Transformation Strategy. Specific activities enshrined in the Strategy include a public sector census, a payroll audit, training needs assessments, significant improvements in service quality and the introduction of a comprehensive succession planning programme along with mandatory annual performance appraisals.

Thanks to a grant from the World Bank, the Government completed the functional review of the ministries of Foreign Affairs and Works and Transport. The reports submitted in the wake of the two reviews contained recommendations for improving operational efficiencies and staff productivity. The respective ministries have now been tasked with producing action plans for implementing those recommendations which were approved by Cabinet. At the same time, plans are well advanced to commence functional reviews in the remaining ministries.

One of the stated goals of the Government's Public Sector Transformation Strategy is the integration of the two parallel systems – i.e. Established and Non-Established Workers. In order to accomplish this objective, significant changes are required in the legal and operational framework. With the kind assistance of the Organization of American States, significant advances have been made in this regard, and the final report including draft new legislation and regulations will be completed shortly.

Madam Speaker, I wish to thank all public and private sector stakeholders who have participated in the public sector transformation activities in 2010. Particular mention must be made of Mrs. Ava Elabanjo, Chief Establishment Officer, Mr. Konata Lee, Director of Public Sector Transformation, and Ambassador Joan Underwood, Chairperson of the Public Sector Transformation Advisory Committee.

Divestment

We are now proceeding to Phase II of the State Insurance Divestment Project. Having taken into consideration feedback from various stakeholders and the public, the Divestment Unit in collaboration with the International Finance Corporation identified a transaction structure which addresses the various concerns that were articulated in the wake of the initial announcement of the Government's intention to divest State Insurance Corporation. Prior to presentation to the Cabinet the transaction structure was endorsed by the State Insurance Corporation Divestment

Advisory Committee which includes representatives from the Board and Management of State Insurance, trade unions and the private sector.

Among the most notable features of the proposed transaction structure are the retention of State Insurance's considerable land holdings, security of tenure for the staff and mandatory retention of the majority of shares by Antiguan and Barbudans.

Development of Statistics

Madam Speaker:

An Institutional Strengthening Project is ongoing in the Statistics Division, with funding from the CDB. The project began in April 2009, and since then there have been significant accomplishments. At this point, I will highlight a few of the more recent ones.

Madam Speaker:

In accordance with the General Statistics Act of 1975, the Statistics Division is preparing to conduct the 2011 Population and Housing Census. This exercise is easily the most complex of those which the Division is mandated to undertake, and also amongst the most critical, in terms of the data and information that it generates. A significant resource allocation has been made to this activity. The Census Office was established in January 2010, and has since been outfitted with the staff, equipment and technology to ensure its success. Attendant units and committees, including a National Advisory Committee (NAC), and a Technical Advisory Committee (TAC) were established in May.

We wish, Madam Speaker, to thank all persons and businesses that have supported this initiative to date, and crave the continued support of all. The data we collect will inform our development policies and strategies. The government will be better able to address the questions and challenges in respect of pension reform, health care, housing development and employment. Issues such as where schools should be built, what services clinics should provide and in which population centres, public transportation and road construction can also be dealt with if we have the complete and comprehensive information a census provides.

It is therefore critical that we all fully participate in this exercise, which is held only once every ten years. I wish at this time to say a special "thank you" to the officers and staff of the Statistics Division for their hard work in respect of the Institutional Strengthening Project and preparations for Census 2011.

ECONOMIC ACTION PLAN

Madam Speaker “*The Growth Report (2008)*” prepared by the Commission On Growth and Development made the following points about growth:

- (1) “*We focused on sustained growth, not because it is the final goal, but because sustained growth enables and is essential for things that people care about: poverty reduction, productive employment, education, health and the opportunity to be creative.*”
- (2) “*Fast sustained growth does not happen spontaneously. It requires a long-term commitment by a country’s political leadership, a commitment pursued with patience, perseverance and pragmatism.*”

Madam Speaker, I think these two quotes capture the essence of the critical link between our roles as politicians and policy makers. It also provides insights into how we should proceed as we strive to increase the levels of social and economic development for our people.

Madam Speaker I make a plea here again for us in this Honourable House to act as mature politicians. What exists now is that the opposition opposes for the sake of opposing or I daresay in the name of politics. We are usually heading in opposite directions on critical issues that require consensus. In many cases, if good sense and integrity prevail, a common position is the only realistic position. I say here again that finding common ground on issues that serve the greater good of society signals the maturity of a democracy.

The policies that shape the growth path for this economy in the medium to long term should be something that we are all reasonably comfortable with. We should not be arguing about whether fiscal discipline is important or whether we should adopt a more responsible approach to debt management. Additionally, there should be some agreement about the economic sectors we choose as winners and our approach to developing them going forward.

In essence, successive governments should be building on what was left, not trying to destroy everything and start over. A good policy is a good policy, irrespective of who implements it. Different governments may want to make minor adjustments to policies but we should not be heading in opposite directions on major issues. This is a costly and irresponsible approach and is counterproductive to the growth and development process.

Madam Speaker, achieving sustained growth and development in the current global environment has become increasingly challenging over the past two and a half years. Most developed countries, including our major trading partners, are experiencing significant fiscal and growth challenges and they are now looking inward for solutions. Given the structural characteristics of our economy, our recovery will be influenced by stable growth outcomes in the economies of our major trading partners, the UK and the US. Madam Speaker, we recognise that generally, growth in developing economies lags behind that of developed economies by 12 to 18 months. And, given the unevenness and fragile nature of the recovery in developed countries, it is clear that developing economies will continue to face significant growth challenges in the short-run.

However, as policymakers in small, open, vulnerable economies, we do not have the luxury of leaving the future of our people to chance or to be dictated by forces that are totally out of our control. We have to adopt a more methodical approach to the growth process. We have to identify the factors that are critical for growth and put the mechanisms in place that will allow the growth factors identified to translate into increases in productivity. We have to engineer this process, fully cognisant of the fact that given our monetary arrangement, the fiscal account, through the budget process, is the most powerful tool we have at our disposal.

Critical Growth Factors

Foreign Direct Investment (FDI)

We have already discussed at length the link between a disciplined fiscal stance and inflows of foreign direct investment. I wish to expand on this in the context of the economic action plan. Why is FDI so critical for Antigua and Barbuda? The engine of growth for our economy is tourism and construction. In fact, if we consider that most major construction projects are tourism-related, the primary engine of growth is undoubtedly tourism: a fact that is well known. FDI is important because it provides the financing necessary for these major projects. FDI projects, along with government capital projects, fuel activity in construction.

I digress once again to reiterate the point about the link between fiscal discipline, debt sustainability and creditworthiness. If capital projects are critical for generating activity in this sector and government is unable to secure adequate financing, how then can we effectively participate in the growth process? Keep in mind that private and public activity go hand in hand, and government should be able to provide the necessary infrastructure, for example roads, drains and utilities to support these projects.

With respect to FDI in Antigua and Barbuda, in 2007 in the first six months of operation, the ABIA approved 66 projects valued at \$148.0 million. In 2008 they approved 103 projects valued at \$1,672.0 million. In 2009 the number of projects approved was 28, valued at \$933.0 million and in 2010 ABIA gave the green light to 67 projects valued at \$267.0 million. A few points to note here Madam Speaker:

- (1) Seventy percent, on average, were FDI and were received and processed with very limited spending on FDI promotion and marketing. Between 2005 and the first half of 2008 there was a lot of liquidity in the major international financial markets and investors were actively looking for investment opportunities. You may recall that in 2006 the economy expanded by 12.9 percent, with construction growing by 35.0 percent.
- (2) FDI for hotel type investment declined by 95.0 percent during 2009. So there is generally a lack of this type of funding globally. This largely accounted for the fall in 2009 and 2010.
- (3) Not all the projects approved were implemented. Some investors had significant challenges securing funding for major tourism projects from late 2008 onwards, when financial markets began to crash and investment banks reduced their appetite for these types of projects given the depth of the global recession the fragility of the recovery and the sharp decline in demand for tourism.

The issue is not finding projects. We have a number of projects. Some have started and have stalled. Among these are Crystal Bay and Azure Bay, both of which I announced last year. The major issue continues to be funding due to the current state of the financial markets. Notwithstanding these challenges, the developers of the Half Moon Bay project have continued and are nearing completion of the master planning phase of this joint venture.

Madam Speaker, the discussion about FDI indicates that these flows, which are critical for our economic revival and survival, have declined globally. This necessitates a new approach to attracting FDI inflows. Under the economic action plan this will be a major focus of the Government, supported by the ABIA. We have engaged an architectural firm to develop a number of renderings to be used as proposed development projects. These include new projects in strategic locations and redeveloping existing sites.

Included in this portfolio will be all the information an investor would need to assess each project and make a decision about investing, including his rights and responsibilities and the possible list of concessions based on the level of investment.

Given the current environment we have to be more aggressive in our efforts to attract FDI. Most of these things already exist in various pieces of legislation and we have the vehicle to implement them in the ABIA. What we are doing is streamlining the process even further.

We are creating a product, “a dossier of investment opportunities”, packaging this product and taking it to the investors. This dossier will be the focus of our FDI marketing strategy in 2011 to be executed jointly by the ABIA and the Tourism Authority at strategic private meetings and at international conferences and trade shows.

However, we will continue to actively engage and where possible partner with investors that have either approved or stalled projects to see how we can assist in addressing their funding challenges. Through our Ambassador to the Peoples Republic of China, we have engaged the Export-Import Bank of China in discussions to provide funding for at least one major private sector hotel project.

Madam Speaker, residential construction generates a significant amount of activity in the construction sector. Activity has waned substantially in this area and this is a trend we would like to see reversed. In 2010 the Ministry of Finance held discussions with a number of business persons on initiatives to stimulate economic activity over a 12 to 18 month period. One suggestion was a programme to encourage residential construction. The idea was that all stakeholders in the construction industry who are a part of the programme would agree to individually reduce their costs so that overall, the cost of construction would decline during the period of the programme. These stakeholders include government, contractors, banks, insurance companies and suppliers of construction material.

By the end of January 2011, we expect to have firm commitments by all stakeholders and a package ready to present to the public. From our initial discussions this should include reduced interest rates on mortgages, lower costs for material and labour, lower insurance premiums and lower taxes. We are also exploring a similar package for commercial construction and for citizens abroad wishing to build in Antigua and Barbuda.

Madam Speaker, while we continue to make every effort to stimulate private sector participation in the construction sector there are some public sector projects that are noteworthy. The planned

State Insurance Corporation BOOT arrangement with the Government to build a modern office is well advanced. Also, the Antigua Department of Marine Services will be building a state of the art office and conference facility. Together these projects are expected to cost \$30 million and provide employment for about 200 Antiguan and Barbudans. Construction should commence in the second half of 2011. As I mentioned earlier, with the assistance of the European Union, we expect to commence construction of a 20-room training hotel along with two new classrooms at the Antigua and Barbuda Hospitality Training Institute in mid-2011. This is in addition to the Ferry Docking Facility to be built in St. John's.

More directly, in our attempt to reduce expenditure on rents and leases, we began a programme of renovating and refurbishing a number of government buildings. This process will continue in 2011. However, given the current cash constraints the Government, through the tendering process, will invite interested private sector individuals to bid for these contracts to be executed in the context of a build, lease, and transfer (BLT) arrangement.

Tourism

Madam Speaker, the changing face of global travel and tourism demands a similar change in our strategic approach to the continued growth and development of the tourism industry. The new approach must reflect a new paradigm, a new business model which must be sufficiently flexible to reflect the dynamic environment. Our ability to cope and to constantly adjust will determine if we continue to be a major player in this industry.

With respect to tourism marketing and promotion this calls for moving into non-traditional markets while at the same time engaging legacy markets more strategically. It calls for utilizing information technology and social networks as a part of the overall marketing strategy. In the coming year, the Ministry of Tourism will launch a new initiative to drive visitors directly to a website and to direct telephone lines in the ministry. This new and comprehensive online marketing strategy is expected to stimulate greater interest in Antigua and Barbuda. This will be done in addition to the work being done by travel agents.

A key strategy is to focus on those attributes of the country that match the passions of potential travelers. This will be a key factor in maintaining Antigua and Barbuda's competitiveness in the marketplace. As an integral part of our global strategy we will continue to enhance and promote traditional tourism experiences – beach tourism, residential tourism, weddings and honeymoons, meetings and conventions, soft adventure, sports tourism and festivals while developing new experiences to include nature excursions, domestic travel or staycations and medical tourism.

With respect to medical tourism the Government views the development of a viable medical tourism sub-sector from two angles:

- (1) It will serve to diversify the current tourism product with this niche being less volatile to changes in the global environment.
- (2) It will provide a stream of revenue that can be used to subsidize the cost of health care in Antigua and Barbuda.

The most critical component for developing this niche market is an internationally accredited health care facility. International accreditation would allow medical tourists the option of using their private medical insurance to pay for medical services. This is key in designing any marketing and promotion initiative. In this regard, the government will engage all industry stakeholders, including senior officials in the Ministry of Health and the board and management of the MSJMC to discuss and outline a road map for transforming the MSJMC into an internationally accredited institution.

As part of this process we will review the current operations of the MSJMC. The specific objectives of this exercise would be to assess the financial sustainability of the current model of healthcare delivery; to identify the needs and requirements associated with attracting consumers of medical tourism; and to design and adopt a universal plan for the health care system. The aim is to improve the operational efficiency of the system within the context of the available resources.

Madam Speaker, the airline industry has undergone significant changes as well. There have been mergers, acquisitions and bankruptcies as a result of the global economic turmoil. Notwithstanding these challenges we must ensure that we continue to have sufficient airlift to our destination. In this regard, the government will continue to negotiate with low cost carriers with the objective of having at least two such carriers service this destination in 2011. It is also our intention to attract new scheduled and charter services out of Europe. We will continue our efforts to open new markets in South and Central America, improve our position in Europe and strengthen existing markets.

The cruise sub-sector continues to be a vital component of the country's tourism product, contributing significant revenue to the government and being the source of livelihood for a number of individuals in spite of the reduced spending by cruise passengers. In 2011 the Government will continue to explore opportunities for forming partnerships with potential investors to improve and enhance the appropriate infrastructure, including visitor attractions.

Madam Speaker, the yachting sector also contributes significantly to the development of the national economy. It is the intention of my Government in 2011 to review our national strategy for this sub-sector with attendant policies for the growth of the sector, including a legislative and administrative framework. The Cabinet of Antigua and Barbuda recently approved a package of incentives for the yachting sector and we hope to continue to improve on this initiative in 2011.

Madam Speaker there are a number of other exciting things happening in tourism and I will allow the substantive minister to introduce and expand on other areas in his presentation. But before I exit this section I would like to discuss one other point.

Madam Speaker, as we reposition ourselves in the tourism industry we have to ensure that the tourism product can provide the type of visitor experience that would be self-marketing and results not only in new visitors but a constant flow of returning visitors. Thus, we have a responsibility to ensure we offer the right package of incentives that allow hoteliers to continuously refurbish and upgrade their plant.

In 2008, the Government of Antigua and Barbuda signed a Memorandum of Agreement with the Antigua Hotel and Tourist Association. Under the terms of the Agreement, hotels were given concessions on capital items, operating equipment and security apparatus. It is our intention to engage the major stakeholders again with a view to renewing the Agreement for the 2011-2012 tourism season.

In addition to current incentives to up-grade and refurbish hotel plants as agreed to under the Memorandum of Understanding, it is our intention in 2011 to examine existing legislation to further improve profitability, efficiency and competitiveness of our hotel plants operating.

Madam Speaker, the Government also has a critical role to play in enhancing the visitor experience by improving the economic infrastructure that supports the tourism industry. I am happy to report that we are in the process of finalising a loan of US\$45.0 million from the People's Republic of China to construct a new airport terminal in 2011. In this business of tourism, where being competitive is critical, a visitor's first and last impression of Antigua and Barbuda must be profound. A state of the art airport is critical to creating this impression and we intend to start building this new terminal in the second half of 2011.

Agriculture

Madam Speaker, the importance of agriculture to the national economy cannot be overstated. Although the statistics indicate that its contribution to GDP is 3.5 percent, there are related

activities which add value to its primary products and account for considerable spinoffs in earnings. It is estimated that agriculture provides a source of livelihood, employment and home based income for about 10,700 persons, including 3,500 crop and livestock farmers. For some time we have expressed a desire to see agriculture regain its rightful place among the productive sectors with its percentage contribution to GDP increasing to between 10.0 and 15.0 percent.

I submit to this Honourable House that this process will intensify in 2011. In a number of other Caribbean countries a large percentage of the food consumed is produced locally. There is no reason why we cannot move in the same direction in Antigua and Barbuda. This country has its roots tilling the soil and will pursue in earnest expansion in agriculture as a part of an effective economic diversification initiative. The overall objective of this expansion will be to improve food security, build linkages with the tourism sector and exploit the comparative advantage in the production of selected crops including onions and carrots.

In 2007 Antigua and Barbuda imported 16.1 million pounds of fresh tropical vegetables, fruits and root crops valued at \$45.1 million. The Ministry of Agriculture responded to this situation by implementing phase 1 of the National Food Plan in order to reduce the level of imports and curtail the high price of fresh produce. In 2008 and 2009 this effort increased local production from 4.5 to 6 million pounds of fresh vegetables. In addition, an estimated 4 million pounds of fruit and root crops were harvested, bringing total local production to 10 million pounds at a value of \$28 million.

Notwithstanding this major positive development in the sector, data on the import of fresh agricultural crops suggest that the potential exists to increase local crop production to a level that could generate an additional \$20 to \$30 million in income for producers, based solely on local demand. In 2011 we will begin to further increase domestic production to satisfy this demand. It is also the intention of the ministry to undertake the export of carrots and onions to Dominica, St. Lucia, Trinidad and Guyana and Venezuela.

Preliminary discussions have been held with the respective marketing agencies and a team will travel to these five countries to meet with importers. In 2011 a pilot export effort will target 200,000 pounds of onions which will increase by 1 million pounds annually from 2012 to 2016.

The government is also exploring a bilateral arrangement with Venezuela in which we will receive a discount on the purchase of petroleum products in proportion to the value of agricultural exports to that country. Under the arrangement the money we save will go directly to producers who participate in the initiative.

Madam Speaker you may ask, how will this increase in crop production be achieved? Do we have a plan? Are we putting the necessary mechanism in place to support farmers? In 2011 we will begin to develop a national youth farm. The Farm will comprise 100 acres of land to provide training and employment for Antigua and Barbuda's future farmers. The overall cost to establish the farm and to provide the relevant training and employment for 250 young people over a three year period is \$6.0 million. The projected revenue to be generated from this investment after three years is \$6.6 million.

The project will be implemented in three phases. Phase 1, which will be implemented in 2011, will require the recruitment of 3 technicians and 80 youth to begin training in modern crop production on 40 acres of land. The total cost for this phase is \$2.3 million. The projected return after one year is \$800,000. Phase 2 will be implemented in 2012 and will bring an additional 40 acres of land under crop production, with another 80 youth recruited. Phase 3 is to be implemented in 2013 when 20 acres will be established in crops and 40 youth recruited.

It is projected that after three years the farm should be self sustaining and after the second year the first batch of recruits will exit the program to be absorbed into the agriculture sector as farmers or skilled agricultural workers. After the third year the program would have prepared 160 trained personnel for absorption into the agricultural sector.

This state farm initiative will support an ongoing project in the agricultural industry - Project 40:20. Under this project the Ministry of Agriculture has indentified 40 acres of land in Pares which have been subdivided into one and two-acre plots. The idea is to have at least 20 farmers cultivating these plots with specific crops to satisfy the local market and begin the aforementioned export initiative. Project 40:20 and the first phase of the national youth farm will be located in the same area to reduce the cost of infrastructure, ploughing and harvesting. It also allows for more efficient use of the water harvesting technology that has been developed here in Antigua. We have had preliminary discussions with the CDB for technical support and financing for these two initiatives. We intend to continue to engage them very early in 2011 with a view to finalising an arrangement.

With respect to livestock production, in 2008 we consumed 16.1 million pounds of imported meat valued at \$64.1 million, compared with less than 1 million pounds of domestically produced meat valued at \$4.9 million. In particular, chicken production accounted for less than 1.0 percent of the 13.6 million pounds consumed. This data suggest that there is significant scope for livestock production in Antigua and Barbuda.

Madam Speaker, one of the most interesting and exciting agricultural projects being developed is a proposal by a current broiler chicken producer to import the technology used in South America to significantly transform the method of producing broilers and increase domestic production. The overall project has five stages (1) breeder farm facility, (2) hatchery facility, (3) broiler farm facility, (4) feed mill and (5) broiler processing plant. Operating at the maximum capacity the project has the potential to produce approximately 150 million pounds of chicken per year and provide approximately 1000 new jobs.

Given the scale of this project and the level of success when it was implemented in other countries, we believe that within five years Antigua and Barbuda can be self-sufficient in broiler chicken production. The Government has supported this project by providing land in different locations to facilitate each phase and we will continue to lend support by providing the necessary incentives.

Small Business Development

The actions taken by the UPP Administration have resulted in Antigua and Barbuda securing the position of second most business friendly country in the Caribbean. According to the World Bank's 2011 Doing Business Report, Antigua and Barbuda is second only to St. Lucia in the ease of doing business in the Caricom region and numbers 64 out of 183 countries across the world.

The Government is pleased to have maintained its position in the region, but is intent on further improving the business environment in the coming years. In fact, we are committed to taking the actions necessary to ensure that Antigua and Barbuda is among the top twenty countries for ease of doing business within the next five years.

Madam Speaker we cannot over-emphasize the importance of small businesses to the continued growth and development of Antigua and Barbuda. Small businesses are characterized as the engine of growth because they create the link that forms the full circle between productive enterprises and sectors. For example they satisfy all the transportation needs of this country. They support the cruise industry by enhancing the visitor experience via tours or excursion packages. They support construction and tourism by moving equipment. They support the wholesale and retail trades by hauling containers. They support every sector in the economy by moving labour from place to place. The economy receives the same vital support from other small businesses including vendors, restaurateurs, and car rental agencies.

The Small Business Development Act No. 24 of 2007 presents a major change in Government support for small business in Antigua and Barbuda. Traditionally, small businesses were not formally catered for, but the Act provided access to concessions, incentives, technical and financial assistance. The Act, now fully operational, allows the small and medium enterprises to access these provisions within four weeks: from registration to the granting of concessions.

The Enterprise Development Division of the ABIA has developed a series of courses which will provide relevant and contemporary business tools, to support the growth of small businesses. The “Mind Your Business” small business development series, which began in 2010, will deliver 14 short courses which cover the spectrum of business including accounting, technology, taxation, pricing and costing and marketing. These courses are formulated with a real time implementation component to ensure immediate use by potential and existing business operators. The courses are user friendly, to ensure maximum participation by all potential and existing business owners. Importantly too, they are priced to reflect the current economic constraints. The courses will train approximately 1300 persons by end of 2011.

The Commonwealth Secretariat has responded positively to a request for technical assistance to develop and assist with implementing a business incubation programme for Antigua and Barbuda. The objective of this project, which will run between November 2010 and January 2012, is to enhance the competitiveness of small enterprises in Antigua and Barbuda by creating opportunities for them. The business incubator allows businesses to function in one location which affords them the opportunity to have access to training and mentoring in their infancy stage and reduces administrative costs by utilising shared services.

The following outputs will be delivered through this project:

- (1) Feasibility study to implement a business incubation programme in Antigua and Barbuda, including delivering dissemination and sensitization programmes to various stakeholders on the work outputs; and
- (2) Capacity building, through training and development of ABIA’s incubation management team, including initial training support with management of the incubatees.

Given the demographics of Antigua and Barbuda, there will be a strong focus on ensuring that youth and women are among the primary beneficiaries of this project. It is expected that this project will directly assist in establishing 25 small businesses, employing about 150 persons, in

the first 18 months. Thereafter, it will have a pervasive impact on indigenous entrepreneurship and enterprise development in Antigua and Barbuda. An existing factory shell has already been identified by ABIA to establish the business incubator.

Start-ups or expansion of small businesses require innovative financing. This type of funding is not readily available but the government has tried to assist by providing a loan guarantee scheme for small businesses. We have had some administrative and cash flow challenges effecting this initiative, but I am happy to report that these have all been ironed out. Funds have been allocated and very early in the new year we will move ahead with this initiative.

Another interesting development in the area of funding for small businesses is that the Caribbean Export Development Agency will deliver training and technical assistance for potential and existing exporters to access the Grant Assistance Programme. This programme assists eligible businesses to export. We are hopeful that a number of small businesses will use this opportunity to expand their scope outside of the domestic economy.

Business advisory services are an integral part of the work programme of the ABIA and these are complemented by local professional service providers who deliver discounted services to assist small businesses. These professional services are offered through an initiative which promotes business to business support. The ABIA will continue to collaborate on these services with ABI Bank Ltd., Scotiabank, Community First Credit Union, National Development Foundation, the Gilbert Agricultural Rural Development Centre and other government bodies.

Manufacturing

Manufacturing is another sector of the economy that has been significantly affected by the global downturn and on a wider scale has seen its contribution to GDP continue to decline. The government continues to look within the domestic economy to find ways of stimulating growth and generating employment opportunities. The manufacturing sector is one area where this can be done. For example government spends approximately \$2.5 million per year on the School Uniform Programme. This programme was designed to assist parents by subsidising the cost of educating their children. A preliminary review of the programme shows that a large portion of this \$2.5 million is spent on uniforms made outside Antigua and Barbuda. If we add to that the amount spent by parents on school uniforms outside of the programme, you will get a sense of the amount being spent supporting other economies.

Local garment manufacturers have indicated that they are currently operating below capacity and would be able to employ more people for the entire year if they were afforded the opportunity to supply more school uniforms. In this regard, the Government has started the process of reviewing the school uniforms programme with a view to significantly increasing the number of school uniforms made in Antigua and Barbuda. We will also look at the procurement of uniforms for Government departments and state owned enterprises in a similar manner.

Madam Speaker this is just the beginning of a review process in one area of manufacturing. In 2011 we are committed to looking at all areas of manufacturing to assess their needs and challenges and see how we can introduce similar initiatives.

Electricity

The last point I wish to make under this section has to do with the cost of electricity and the continuous call by businesses for some relief in this respect. In some circles I have heard that the costs of utility and conducting business at the port are the two biggest challenges to doing business in Antigua and Barbuda. We are addressing the issues at the sea port under the revenue reform programme. How do we address the cost of electricity given the inherent inefficiencies in electricity generation and distribution and the rising cost of fuel? We should see some improvements in electricity generation and distribution beginning in the second quarter of 2011 when we commission the new 30 megawatt electricity plant. This should result in savings to all consumers.

With respect to businesses, APUA will very shortly introduce a preferred commercial rate of electricity to businesses in the productive sectors. It is envisaged that businesses selected will have outstanding amounts discounted by the new rate and will enjoy this rate if they fulfil the following two criteria: (1) they pay fifty percent of the discounted amount on past due bills and enter an arrangement to clear the balance, and (2) they must remain current on future payments. Businesses failing to fulfil their obligation will no longer receive this preferential rate. In addition APUA is currently undertaking a review of the tariff structure with a view to a reduction in the cost of electricity to consumers generally.

So Madam Speaker, let me briefly summarise our approach to economic recovery and stimulating growth in Antigua and Barbuda in the medium term. Tourism and Construction will continue to drive the growth process but we are cognisant that FDI flows and tourism

demand are down given the continued depressed and fragile state of the economies of our major trading partners. We will respond to this by being more strategic in our marketing for tourism, expanding our reach and intensifying our efforts in markets where individuals still show a strong appetite for travel to Antigua and Barbuda. At the same time we continue to provide incentives for hoteliers to improve the tourism product by refurbishing their plants and to devise ways of reducing their cost of operations so they can in turn reduce the cost of their service.

With respect to FDI and domestic investment we will develop a package of potential projects to include generous incentives and be more assertive in our approach to attracting investments. On the domestic side, agriculture and small business development will feature prominently. We will push ahead with a number of initiatives in agriculture to create jobs and improve the sector's contribution to GDP while we continue to improve the environment for small businesses to develop and to grow.

Madam Speaker, with these efforts we expect that over the course of the next twelve months we will create a minimum of 750 new jobs for our people.

SOCIAL TRANSFORMATION PLAN

Despite the effects of the global economic crisis, this Government recommits to its promise to provide modern education, deliver quality health care, reduce crime and safeguard our national borders against unwanted influences.

Education

The Government recognizes that the future rests on the imagination and application of today's young population. We recognize the importance of sustaining and nurturing the nation's minds. The institutions that are our centres of learning for early childhood, primary, secondary and tertiary education provide essential opportunities to our youngest citizens. These opportunities rest on the highest of standards being employed today at our day care centers and our use of modern learning techniques at the secondary and tertiary levels.

Government will adequately meet the demand for knowledge by providing opportunities for our teachers to upgrade their skills; improving the management and assessment system of student examinations and ensuring that advances in Information Communication Technology (ICT) are integrated into school curricula.

The Antigua State College is positioning itself to become a degree granting institution that quickens the strides taken at the primary and secondary levels. Further innovations include the expansion of the formal curriculum with offerings such as music, visual arts, business education, a diploma in Education, and associate degrees in Early Childhood Education and Marketing.

Health

The Government has been able to maintain steady achievements in our very important Health Sector in 2010, in spite of obvious prevailing circumstances, by delivering important health services to our communities. A Dental clinic in Gray's Farm; refurbishments at the Mental Hospital; and training for emergency medical technicians have comprised Government's continued effort to provide decentralized Emergency Medical Services. The Government expects to deliberately focus on a health policy in 2011 that will guide further advances in health services delivery to all segments of our society.

Non-communicable diseases, or diseases of lifestyle, continue to be the greatest challenge to the health care system of Antigua and Barbuda. An emboldened health information system will empower people to make the right decisions and, by extension, define their well being.

The Government envisions the Fiennes Institute working within the Social Transformation agenda of the NEST Plan to champion the formulation of policy that will, as a priority, ensure the protection of the elderly and most vulnerable. The National Office of Disaster Services will revise the National Disaster Plan to ensure preventative and preparatory mechanisms are in place to safeguard against the perennial threat of natural disasters that invariably heighten our health risks; and the Public Health Department will deploy education, surveillance and treatment measures to arrest communicable and non-communicable diseases.

The glaring persistence of HIV/AIDS frustrates the efforts of our medical practitioners and social advocates for healthier living. Government recommits resources and targets the partnership with the AIDS Secretariat and the Public Health & Health Information Department as a meaningful counter-attack to HIV/AIDS.

National Security, Labour and Immigration

The Government has forged greater synergy between Labour and Immigration and a stronger alliance has been established between the Labour Department and Social Security, Medical Benefits and the Board of Education. We are especially proud of this alliance because it has

resulted in a higher compliance rate for all contributors fulfilling their statutory contributions. This means more workers are protected. The Government is also earnest in the effort to secure the rights of both employers and workers, given that prevailing global circumstances have forced sporadic, unavoidable lay-offs, redundancies and, in some instances, a shortened work-week. These conditions demand that we maintain deliberate care to assist both employers and employees to resolve industrial relations disputes.

Nevertheless, Madam Speaker, finding employment remains the constant target on Government's radar, and there has been notable success with the Labour Department's 'One Stop Employment Centre', which has facilitated the placement of suitably qualified nationals seeking employment in available positions. In 2011 this Centre will expand services, accompanied by more aggressive marketing. At the core of this expansion will be valuable assets such as counseling services, skills development and the promotion of attitude adjustments for job seekers in today's discerning service-based economy. In the same vein, we are facilitating the CARICOM initiative by issuing and verifying Caribbean Community Skills Certificates to qualified CARICOM citizens in the specific categories that Antigua and Barbuda has signed on to. Nationals of Antigua and Barbuda who qualify in any of the categories are encouraged to maximize the employment opportunities provided by this initiative.

A legislative upgrade and reform initiative to amend the Antigua and Barbuda Labour Code is under ministerial review and slated for enactment in early 2011. This will modernize labour relations in a manner consistent with a developing society such as Antigua and Barbuda, bringing gains to the social agenda and advancing the productive economy. Complementary advances in Occupational Safety and Health (OSH) and the tabling of a new Workmen's Compensation Act will replace outdated legislation and bring Antigua and Barbuda well within the realm of the 21st Century.

There is undeniable evidence that this UPP Government is successfully repairing the fissures created by crime spates that at one time shrouded our streets and cloaked the citizenry with fear. Increased arrests and convictions in recent times have begun to push back against darker elements. The Royal Police Force of Antigua and Barbuda and the Antigua and Barbuda Defence Force have made significant in-roads in the fight against criminal activity and have begun to show the promise of earlier decisions taken by this Government to change the approach to law enforcement and protection of our borders.

There is little doubt that training and deployment of strategic resources have deterred crime and improved safety. Continued training of our officers in all ranks and the procurement of resources,

including adding to the capacity of the K9 unit, have netted increased drug seizures and decreased the number of crimes reported for this year.

In 2008 there were 2,735 reported incidents of crime. This number dropped to 2,417 in 2009. This Government cautiously but happily notes that in 2010 there has been a remarkable reduction to 1,591 incidents. While this is still 1,591 too many, it is clear that hard decisions and applied resources are paying off. Four out of five murders have been solved. This is a result of the hard work and determination of the Royal Antigua and Barbuda Police Force and the Antigua and Barbuda Defence Force. Also, stop and search operations across the country have recovered illegal firearms and rounds of ammunition.

A core aspect to crime prevention and securing safety is the significantly improved relationship between the police and the citizenry. Individuals are far less reluctant to share information and have, as a result, contributed tremendously to the increased arrest rate and high number of cases being solved. In fact, the community and the police joining forces and combining energies in this way forms part of the ever so important holistic approach to detecting and controlling crime.

The future of police enforcement will be reinforced with continued training, further strengthening the practices of disciplined investigations, adjudications and procedures; audit; police surveillance and cyber crime investigations.

The Antigua and Barbuda Immigration Department is an integral component of the security apparatus of Antigua and Barbuda and work continues to upgrade the technological capacity and equip personnel with the means to detect fraudulent documents; prevent and detect human trafficking and, most importantly, improve customer relations, particularly as it relates to linkages with Tourism. Our Immigration personnel are charged with being both firm and welcoming, a task that without doubt demands skill and finesse. Yet this is the demand placed on a modern and progressive Immigration Department, which this Government seeks to evolve.

Social Protection and Social Safety Nets

In 2006 Antigua and Barbuda benefitted from a “Country Poverty Assessment” which, for the first time in this country’s history, made empirical data accessible to social policy makers for decision-making. The Government, in its quest to ensure that no one is left behind, continues to emphasise social protection and poverty alleviation programmes and has commenced work on a number of initiatives. A constrained fiscal environment forces prudence and this Government seeks institutional reform and carefully crafted policies and regulations to improve upon the

services targeting the vulnerable within the population. To accomplish this, the Government has embarked upon several projects with our local, regional and international partners.

The National Poverty Reduction Strategy (NPRS) rests solidly on the achievements of the past six years and sets us on a path toward sustainable poverty reduction, value reorientation, employment generation, wealth creation and a healthy investment climate. It will first outline the factors responsible for poverty in the country. It will, secondly, define the macroeconomic, structural and social policies and programmes of priority to be pursued over the next five years that are geared to promote growth and reduce poverty. Thirdly, joining the trend of institutional reform, the Poverty Reduction Strategy will secure meaningful and participatory roles for the National Assessment Team (NAT), Government and Civil Society Organisations, the private sector and donor agencies. Lastly, a clear mechanism for monitoring and evaluating the implementation of strategies and a resulting framework for assessing the impact will ensure long term success.

Antigua and Barbuda's Social Safety Net system comprises a network of programmes with the well placed intent of improving the means available for economic advancement. The fair citizenry of this country are already familiar with programmes such as the School Uniform Grant; the School Meals Programme, the Home Improvement Grant; the Poverty Alleviation Grant; the GRACE Programme; Job Training initiatives; 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.

We are especially proud of the progress made with the School Meals Programme. In further consolidating resources, a human resource audit is planned to determine available skills and better ascertain training needs. Security will be enhanced to reduce pilferage and control costs and ultimately, the programme will strive toward income-generating status. The National School Meals Programme helps sustain and nourish young minds to be more productive. Primary school students remain on track to fill their rightful places among the future leaders with measures such as the National School Meals programme that support their growth, their development and our future.

2011 will see a *Central Registry of Beneficiaries* lodging all social services within the Twin Island State to safeguard against fraud or duplication of benefits and ensure that our programmes reach their intended audience. The Citizens' Welfare Division will play an ever more crucial role in giving effect to the Convention on the Rights of the Child by formulating a Child Care and Protection Policy. The Government remains focused on the protection of our children,

particularly those who are vulnerable and at-risk. Legal and institutional protection for children and the elderly within our society will be vigorously pursued.

Our efforts at social transformation are in line with international standards and have won the support of other social development partners such as the Organization of Eastern Caribbean States (OECS), the United Nations Economic Commission for Latin America and the Eastern Caribbean (UN-ECLAC) and United Nations Development Fund (UNDP).

Social Security and Pension Reform

Social Security and pensions make up an important dimension of the social safety net. Over the past year the Government has realised notable advances in the analysis necessary to transform and streamline social security and pension reform into efficient, financially viable systems. The Social Security Act and Regulations have been comprehensively reviewed, culminating in a draft new Act that incorporates several fresh proposals and recommendations, intended to guarantee the long term sustainability of the fund. These proposals and recommendations will be presented to the Cabinet of Antigua and Barbuda for consideration. They include: (1) increasing the pensionable age to 65; (2) increasing the ceiling of insurable income; (3) introducing an employment injury benefit (which is intended to replace the Workman's Compensation Act) and (4) including an independently funded unemployment benefit.

The Pension Modernization Commission has worked assiduously to rationalize pension payments, particularly in the public sector. Various pieces of legislation related to public sector pensions have been analysed in a manner that compares the transformative processes undertaken by other countries such as BVI and Barbados, in order that we may benefit from their experience with pension modernization. The Commission expects to submit final recommendations by September 30, 2011.

Antigua and Barbuda undoubtedly has the core assets of good governance, human capital, natural resources and buoyancy necessary to guide our macroeconomic, structural and social policies and programmes over the next five years. This will undoubtedly break with the failures of the past, pave the way for a united and flourishing nation for generations to come, and firmly enable us to retain our status as one of the leading economies, supported by one of the more progressive social agendas in the region.

FINANCIAL SECTOR STABILITY

The Financial Sector in Antigua and Barbuda continues to battle the effects of the world financial crisis. However, the stabilizing role played by the ECCB, led by the Monetary Council and the Board of Directors, continues to instil confidence in the financial system as a whole and the banking system in particular. Evidently, Madam Speaker, the financial landscape has changed, signalling the need for governments, financial institutions, and regulators to regroup, rethink, and re-configure institutional and legislative arrangements to make our financial systems more resilient and more robust. This need has been articulated in the ECCU Eight Point Stabilization and Growth Programme, which specifically addresses issues of financial sector stability, and proposes how the lessons learnt from the global financial and economic crises should inform our approach in respect of financial sector stability.

One of the lessons learnt over the past two years is that member governments of the ECCU, including the Government of Antigua and Barbuda, need an entity that specializes in restructuring and recapitalizing financial institutions under stress. Such was the case of the Bank of Antigua, which, as a direct result of a swift and unusual depletion in its deposit base, was confronted with acute liquidity and ultimately solvency issues. The Government of Antigua and Barbuda has agreed to the establishment of the Resolution Trust Company (RTC), which has the specific mandate "...to restructure and recapitalize financial institutions and manage troubled assets in the ECCU". Discussions are underway in terms of its capitalization, and member governments, along with the ECCB, are expected to inject an initial sum of \$50 million into this enterprise. This proposed enhancement of our institutional arrangements will lead to reinforced protection for depositors, greater insulation of ECCU governments from the direct financing of financial sector resolution strategies, and increased efficiency in the execution of such strategies.

In respect of the legislative agenda in relation to the financial sector, Antigua and Barbuda is committed to maintaining financial sector stability and is in the process of implementing a robust legal framework that would effectively regulate the operations of the entire financial system, including insurance companies, cooperatives and money transfer service providers. The Government has already passed legislation to strengthen the Financial Sector Regulatory Commission (FSRC). We have also passed into law an enhanced Insurance Act. Also enacted were the Money Services Bill, the Payment Systems Bill and the Co-operative Societies Bill. In Fiscal Year 2011 the Ministry of Finance will pilot legislation to address outstanding issues in relation to International Finance Companies, Building Societies, Securities and Banking.

Madam Speaker, the continuing resolution of the Bank of Antigua and the rise of the Eastern Caribbean Amalgamated Bank (ECAB), the ECCU's and Antigua and Barbuda's newest bank, are events that are worthy of the highest note. From the nervous early days of February 2009 –

when there were indications that there might be cause for concern with respect to the Bank of Antigua - until today, when the operations of ECAB are a source of gushing pride for every citizen and resident of the OECS, the Government has played an integral role in resolving the crisis that ~~was~~ Bank of Antigua. The government wishes to acknowledge the critical roles played by strategic partners, including the ECCB, St. Kitts–Nevis–Anguilla National Bank Limited, East Caribbean Financial Holding Company Limited, National Commercial Bank (SVG) Ltd., National Bank of Dominica, our own Antigua Commercial Bank Ltd., and of course, the depositors. In partnership, all parties ably navigated treacherous and uncharted waters which, had it not been for shared determination, a strong sense of purpose and the wooing voice of destiny, might easily have engulfed us. ECAB represents the resilience of unity, the richness of diversity and the pinnacle of possibility. It foreshadows our anticipated success in resolving matters related to British American Insurance Company Ltd. (BAICO).

With respect to BAICO, let us recall that the ECCU's articulated resolution strategy is based on the following principles:

- Ensuring that British American does not become a system risk to the financial system;
- Protecting, as far as practicable, the interests of depositors and investors;
- Keeping British American as a "going concern" in a form to be determined; and
- Crafting a solution that is regional in nature.

In this connection, Madam Speaker, there have been some important developments. The Government of the Republic of Trinidad and Tobago, from the outset, has been an important stakeholder in the undertaking to find a fair and balanced solution. With the recent change in government, there was a pause in dialogue; however there has been re-engagement at both the technical and ministerial levels. The key recommendation put forward by the Judicial Managers is the establishment of a new company to take over the liabilities of Eastern Caribbean policyholders, and this recommendation remains the preferred option. Whether it is pursued depends to a significant degree on the policy stance of the Government of Trinidad and Tobago, which is currently reviewing the proposals of the ECCU governments.

In the interim, we are cognizant that there are persons awaiting settlement in respect of claims on their health insurance policies. The ECCU governments are completing arrangements to establish

a Health Insurance Support Fund, which is being set up as an independent fund, separate from any existing BAICO operation.

In addition, Madam Speaker, I am happy to report that the property portfolio of BAICO has been transferred to Caribbean Alliance. This transfer took place in May 2010 and was a welcome one both to policyholders and financial institutions.

BUDGET PROJECTIONS – 2011

Madam Speaker:

Recurrent Expenditure for Fiscal Year 2011 is estimated at \$793,508,748 while Recurrent Revenue is estimated at \$ 674,737,786. Recurrent Expenditure excluding principal payments is estimated at \$700,381,390. Accordingly, we expect a current account deficit of \$25,643,604 in 2011.

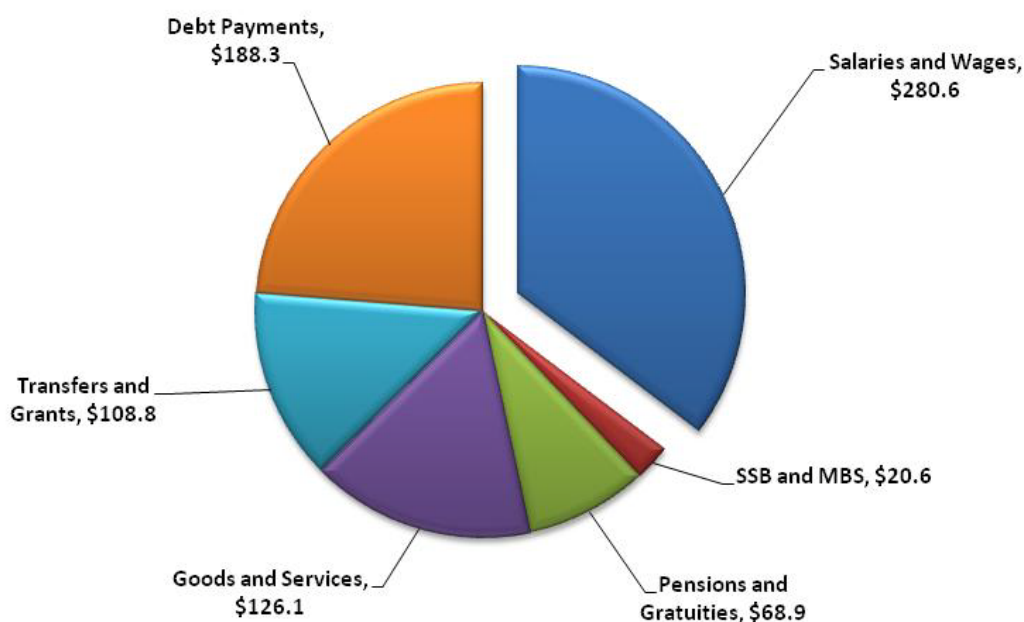
Recurrent Expenditure:

Recurrent Expenditure of \$793,508,748 in 2011 is significantly less than revised budgeted expenditure of \$922,089,804 for 2010. The 14 percent reduction budgeted expenditure for 2011 reflects the Government's determination to continue to implement and build on the measures under the Fiscal Consolidation Programme.

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

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

Chart 17: Categories of Recurrent Expenditure (EC\$M)



In 2011 expenditure on Salaries and Wages is budgeted at \$280,636,890 compared to \$321,718,683 for the revised estimate for 2010.

Government's Social Security and Medical Benefits contributions are budgeted at \$20,621,538 compared to \$23,215,836 in the revised estimates for 2010.

For Pensions and Gratuities a budgetary allocation of \$68,933,468 is included in Budget 2011. This compares with the revised figure of \$64,695,489 for 2010.

We have budgeted \$126,123,078 for expenditure on Goods and Services in 2011. This compares to \$163,665,979 in the revised estimates for 2010.

In terms of Transfers and Grants, we budgeted \$108,817,414 for 2011. This compares to \$133,000,701.00 in the revised estimates for 2010.

Finally, Debt Service payments are budgeted at \$188,251,360 for 2011 compared to a revised estimate of \$214,506,242 in 2010.

BUDGETARY ALLOCATIONS

Expenditure in the Prime Minister's Ministry

The 2011 budgetary allocation for the Office of the Prime Minister is \$41,510,199. An important undertaking in 2011 will be to develop and execute a plan that will transform the Government's overseas missions and offices. These offices were part of a functional review of the Ministry of Foreign Affairs and are to be restructured and reorganised to improve efficiency and effectiveness in executing the Government's foreign policy.

Investing in the Development of Barbuda

Construction of the Artisanal Fisheries complex in Barbuda is nearing completion. This facility, which is generously funded by a \$30 million grant from the Government of Japan, is expected to be handed over to the people of Barbuda by the end of June 2011. The new complex will provide many opportunities to the people of Barbuda to maximize the potential of fisheries on the island. In particular, we anticipate that Barbudan lobster will be able to directly access the European market.

Another project in Barbuda is the Community Centre, which is being built with funding from the Peoples Republic of China. This should be completed in mid 2011. Work on the Codrington Airport will be completed in early 2011. The work on the airport includes resurfacing and lengthening the runway and installing a new lighting system to accommodate night flights. When completed, it is expected that the Codrington Airport will meet Federal Aviation Administration standards.

The Government has allocated some of the resources budgeted for road works to continue to improve the road network in Barbuda. Also, we expect to recommence work on the Justice Complex which, once completed, should help improve the living and working conditions of law enforcement personnel working in Barbuda.

Finally, the people of Barbuda will continue to benefit from a number of social programmes including the Senior Citizens Utility Subsidy programme and the Peoples' Benefit Programme, which are funded by PDV Caribe. Madam Speaker, this Government agency has also continued to subsidise the transportation of LPG to Barbuda in an effort to keep the cost of the product down. Also, PDV Caribe has partnered with the Government to fund the very important airport repair and expansion project in Barbuda.

Energy

The work of the Energy Desk and the National Energy Task Force over the past several months is expected to result in a draft National Energy Policy (NEP). Once completed, the draft NEP will be presented to Cabinet for consideration and approval. In 2011 the Energy Desk will complete a series of energy audits in a number of Government departments. This is part of the Government's ultimate objective to reduce energy consumption in the public sector.

Also in 2011, significant legal, regulatory and institutional initiatives will be pursued in support of our energy policy. Particular focus will be on advancing the wind farm project and developing and promoting solar and waste-to-energy projects.

Information and Communication Technology (ICT)

2011 will see the continuation of the Government's efforts to empower our people through information technology. We will continue to present opportunities for our citizens and residents to take advantage of information technology through the Community Access and Empowerment Centres, by providing laptops to students and teachers, and by enhancing computer labs in our schools. Particular emphasis will be placed on commencing a programme to provide access to high-speed internet in schools and in selected communities.

A critical aspect of the Digital Agenda is to move Government's operations onto an electronic platform. We will expedite implementation of the Government Wide Area Network. This network is essential to the operations of the Government's Integrated Financial Management Information System and to ensuring effective public financial management.

Finally, the plans to rationalise and restructure the Government Information System (GIS) to deliver better communication and information dissemination services will be advanced in 2011.

Expenditure in the Ministry of Health, Social Transformation and Consumer Affairs

An allocation of \$96,738,856 has been made in Budget 2011 for this Ministry

As we strive to maintain a healthy nation, the Ministry of Health, Social Transformation and Consumer Affairs will focus on its core and essential services. It will ensure that the scarce resources assigned to the ministry are carefully managed in order to provide the required services.

The 2011 objectives of this Ministry include:

- i. Disease prevention and control of communicable and non-communicable diseases with emphasis on health education, surveillance, immunization and treatment;
- ii. Improving the National Disaster Plan;
- iii. Improving services to the elderly and most vulnerable in the society through the Fiennes Institute and Social Welfare Division;
- iv. Legislative review and formulation of a comprehensive health care policy; and
- v. Improving the protection of consumers in Antigua and Barbuda.

As the Ministry works to develop an appropriate health care policy, it will pay particular attention to the results of the Global School Health Survey. A number of policy initiatives aimed at improving the standard of the management of health care in Antigua and Barbuda will also be undertaken. Environmental health will continue to be a focus of the Ministry as well as efforts to help persons most at risk of contracting HIV and AIDS.

In respect of its responsibilities in the area of social transformation, the focus will be on improving the National Disaster Plan and enhancing services to the elderly and most vulnerable in the society. The ministry will also work to improve its emergency response capabilities by boosting the Emergency Medical Technicians service.

In the area of consumer affairs, the Ministry would like to expand the level of protection for consumers by collaborating with similar agencies and technical and professional organizations locally, regionally and internationally. This should be facilitated by the enactment of Caricom Consumer Protection legislation. Madam Speaker, the Prices and Consumer Affairs Division is a critical agency in the Government that interfaces with the public. Despite the resource challenges, the management and staff of this Division have still managed to provide invaluable assistance to consumers across the country.

Madam Speaker, I wish to take this opportunity to express my gratitude to Mrs. Hildred Simpson, Director of the Prices and Consumer Affairs Division and Chairperson of the Government's Inter-ministerial Consumer Protection Task Force. Mrs. Simpson and her staff have demonstrated an ability to deliver significant output with the little resources they have been given. They epitomize the kind of commitment and dedication that we hope to infuse in the entire public service. In light of this, they can expect that with an improvement in Government's

cash flow, additional resources will be made available so the Division can effectively execute its mandate of protecting the rights of consumers.

The Ministry hopes to repair a number of clinics in Cobbs Cross, Bethesda, Cedar Grove, Bendals and John Hughes to improve primary health care and help reduce the traffic of persons seeking primary care at the Mount St. John Medical Center. Also, Madam Speaker, resources will be made available to the Mount St. John Medical Center to acquire critical capital equipment. This equipment will improve service delivery and allow the institution to explore avenues for generating revenue through activities such as elective surgeries. Finally, Madam Speaker, the Ministry of Health will collaborate with the Ministry of Tourism to develop and implement a strategy to make health tourism a viable venture for Antigua and Barbuda.

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

An allocation of \$19,771,375 has been made in Budget 2011 for this Ministry.

I wish to focus on some of the strategic areas that will be critical to the operations of this Ministry in 2011.

In recent times there has been a global trend of increasing food prices. Last year the Ministry sprang into action to develop a National Food Production Plan. This Plan has included targeting eight million pounds of selected crops, namely onions and carrots and developing a National Farm System to facilitate the entry of young persons into the agricultural sector. This system will allow us to assist 1500 home based producers and to expand chilled storage capacity by 350,000 in 2011. The plan also envisions the Ministry, in collaboration with the Agricultural Development Corporation (ADC), building a 12,500 square foot pack house at ADC.

Improved extension services will be an important component of the national farm system, so in this area the Ministry will focus on training in agri-business technology.

Antigua and Barbuda is prone to hurricane, flood and drought. These have a serious negative impact on the Agri-sector. The incidence of invasive species such as the Giant African Snail also presents considerable risk to the sector. The activities in 2011 to mitigate these risks will involve monitoring and eradicating the Giant African Snail, undertaking studies through FAO and the Israeli Government to design better drainage, mini dams and roads in the agricultural district, promoting the use of improved technology such as drip irrigation and encouraging the use of improved varieties of seed for heat and disease resistance.

Providing affordable housing for Antiguan and Barbudans continues to be the aim of the ministry. Through collaboration with the Central Housing and Planning Authority we have been able to launch two housing projects namely, the North Sound Residential Community and the Foleys housing development. The department will press forward with the construction in the North Sound project while at the same time continue the sale of houses in the Foleys Development.

Expenditure in the Ministry of Tourism, Civil Aviation and Culture

An allocation of \$49,514,635 is made in Budget 2011 for this Ministry.

It is estimated that tourism related economic activity contributes significantly Antigua and Barbuda's gross domestic product. From this vantage point, Tourism is Antigua and Barbuda's bread and butter, and easily the sector in which we enjoy the greatest competitive advantage. The Ministry of Tourism, Civil Aviation and Culture, along with the Antigua and Barbuda Tourism Authority, has a critical role to play in ensuring that our tourism product remains first class and attractive and that our profile is promoted and sustained in our major source markets.

One of the important aspects in which our destination can differentiate itself is through service excellence. In the first quarter of 2011 the Ministry of Tourism will launch the **Antigua and Barbuda Tourism Service Excellence Programme** under the theme "*Live it, Give it, Celebrate it*". Through this programme, we shall promote and portray our culture, our heritage and our values as proud facets of our way of life, which we invite visitors to share and experience. More recently, a series of short public service announcements advocate positive interactions with our visitors as a way to add value to our tourism product. The Ministry of Tourism will continue to work with community groups and tourism partners on the country's beautification campaign and signage programme. We will also move aggressively to reduce visitor harassment, thereby making our beaches and other areas frequented by our guests, places of relaxation and leisure. The Ministry will strengthen its beach safety programme in 2011, and in this regard will construct life guard facilities at Fort James and Ffryes Beach as a matter of priority.

The Ministry of Tourism will collaborate even more closely in 2011 with the Antigua and Barbuda Hospitality Training Institute and will encourage all tourism service providers to enroll in the Service Ambassador Programme. It is the Ministry's intention to make this training mandatory in 2012. The Government of Antigua and Barbuda will continue to make training in hospitality and tourism a priority and will support this through continued assistance through the Board of Education.

With regard to airlift, Madam Speaker, there is encouraging news of an increased number of seats coming out of our major source markets. British Airways and Virgin Atlantic have allocated greater seating capacity in response to positive trends in the number of tourists travelling from the United Kingdom. Condor out of Germany and Blue Panorama out of Italy have resumed their weekly winter service. Airlift out of the United States has also been reinforced with the resumption of flights by Caribbean Airlines out of JFK in New York. Other airlines providing services out of the US are Delta, originating from JFK and Atlanta, Continental from New Jersey and American Airlines out of Miami. The Canadian market is being serviced by Air Canada and Air-Transat, out of both Toronto and Montreal. Discussions are underway with GOL out of Brazil, Jet Blue from the USA and West Jet from Canada to further increase airlift to our destination.

Expenditure in the Ministry of National Security and Labour

An allocation of \$76,746,922 has been made in Budget 2011 for this Ministry.

Madam Speaker, the departments of Labour, Immigration and Passport, and Citizenship, along with the Royal Antigua and Barbuda Police Force, Her Majesty's Prison and the Antigua and Barbuda Defence Force, fall under the auspices of the Ministry of National Security and Labour. This Ministry has been particularly vigorous during this period of economic uncertainty. Industrial relations matters have severely tested the resource capacity of the Labour Department. The anticipated challenges in respect of crime have resulted in increased levels of vigilance by the Police and the ABDF. The ever present threat of security breaches at our borders has prompted the Immigration Department to mobilize itself to fulfill its role as an integral part of the security apparatus of Antigua and Barbuda.

The strategic responses to these challenges have been multidimensional: training opportunities are provided to staff from all departments in various areas of specialization; public education programmes such as the interactive "Labour Matters", are being produced; conferences such as the Health and Safety Conference, held in April 2010 are being hosted; and certain critical units, such as the One Stop Employment Centre, are being reorganized so as to make them more effective in discharging their functions. The outcomes of these initiatives have been positive: difficult industrial relations matters are being managed and resolved; citizens who are seeking employment have a higher frequency of placement; increased collaboration between the Labour Department and the Social Security Board, the Medical Benefits Scheme and the Board of Education is resulting in higher compliance rates; public awareness of critical industrial relations

issues is heightened; and in respect of law and order, the number of crimes committed has fallen for the third consecutive year.

Particular commendation must go to the Royal Antigua and Barbuda Police Force, which as a unit continues to upgrade its skills through a continuous programme of training in areas such as strategic leadership, drug interdiction, criminal investigations and crime scene investigations, amongst others. The skills upgrade has been reinforced by the allocation of additional crime fighting resources. We enhanced the capacity of the K9 Unit by purchasing three dogs to ensure the unit effectively executes its very important mandate. These dogs are already in operation and have been successful in detecting quantities of drugs in a number of locations.

The Police and Defence forces have and will continue to engage in joint crime prevention and crime solving exercises. Commendably, four of the five murders committed this year have been solved.

The ABDF continues to effectively execute its security functions through strong collaboration with the Police Force and by continuous upgrading of officers' skills. Their professionalism has been recognized and rewarded with an offer to host the extra-regional land and maritime exercises, known as Tradewinds, in 2011. This exercise tests the capacity of the ABDF and other participating units, to handle narco trafficking and terrorist threats. We congratulate the ABDF on this achievement.

With respect to Her Majesty's Prison, Madam Speaker, the management and staff, as well as the inmates, must be complimented for maintaining a healthy and stimulating environment. It is reported that there has not been any outbreak of disease in 2010 and this feat speaks to the laudable hygiene standards being observed and enforced at the prison. Also worthy of praise and recognition is the graduation of 10 inmates from a Life Skills Programme, which is currently facilitated by the Directorate of Gender Affairs.

The resources allocated in Budget 2011 will allow this Ministry to build on its achievements in 2010 to ensure further improvements in labour relations and to maintain public order and safety.

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

An allocation of \$77,087,302 is made in Budget 2011 to implement the programmes and activities of this Ministry.

Recognizing that education is key to social transformation, the Ministry continues to use its limited resources to ensure that education at all levels is improved and strengthened for all Antiguan and Barbudans. The Ministry will continue to inspect early childhood facilities, and only those that meet the basic criteria for operation will be licensed to conduct business. The thrust towards full Universal Secondary Education in 2013 will continue in 2011, and in the area of tertiary education the Antigua State College and Antigua and Barbuda Institute of Continuing Education (ABICE) will continue to provide both academic and professional programmes, while preparing students for direct entry into the work force.

Teachers in the public school system will be trained in the evening as well as in the daytime at no extra cost to them. The Government will continue the teacher training program started in 2010 in Barbuda, so that the teachers at the Holy Trinity primary school and the Sir Mc Chesney George Secondary School would not be at a disadvantage simply because the main teacher training facility is based on Antigua. Through the assistance of a grant from UNESCO, the government will seek to train teachers in Information Communication Technology, so that teaching becomes more creative and dynamic. With this approach to education, children will be empowered to become responsible for their own learning.

In the area of Local Government, the department intends to promote a better understanding of democracy, proper management and good governance.

The sports department intends to continue to recognize the performance of our national athletes through a clearly defined mechanism. The system will recognize the performance of athletes at various levels as individuals, and team sports at the national, regional and international levels.

Sports tourism initiatives, including the Gillian Brazier Basketball Tournament, the Rockersville/GraysGreen Basketball Tournament, the Cricket Fest International Masters Cricket Competition and the Carib Monster Caribbean Surf Ski Tournament have had some success in 2010. The department will continue to pursue these initiatives in 2011.

The Directorate of Gender Affairs continues to work towards eradicating persistent gender inequalities in all forms, through targeted interventions in key human rights and social justice areas. This thrust will continue in 2011.

The Department of Youth Affairs recognizes our youth as vital to the development of Antigua and Barbuda. During this fiscal year the department will continue to work with various stakeholders to foster the environment for our young people to acquire the skills and abilities

required to navigate life. The department will continue to support our youth as they excel and help them to become productive members of society.

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

An allocation of \$108,805,605 has been made in Budget 2011 for this Ministry. In addition to funding the core programmes and activities of the Ministry, this allocation also includes the amounts required to cover payments such as utilities for the entire public sector, the Government's contribution to statutory corporations, and payments for land acquired by the Government.

The Ministry's focus in 2011 will continue to be implementing the Fiscal Consolidation Programme and accessing support and financing for the NEST Plan. We have made significant progress to date and will continue to dedicate the human and other resources of the Ministry to executing the policies outlined in the Fiscal Consolidation Programme. The Customs and Excise Division, Inland Revenue and Treasury departments continue to pursue various reform and institutional strengthening initiatives. These agencies perform an integral role in fiscal consolidation and will be provided with approximately \$7 million, \$7.6 million and \$23 million respectively.

Another important activity to be undertaken by the Ministry is implementing the elements of the Government's Public Financial Management (PFM) Action Plan. The PFM Action Plan will address a number of weaknesses identified in the Public Expenditure and Financial Accountability (PEFA) assessment undertaken in July 2010. The reforms, institutional strengthening and legislative activities that are to be undertaken over the coming months will focus on:

- i. Budget formulation, execution and management
- ii. Strengthening the public sector investment programme process
- iii. Increasing the capacity of the Audit Department
- iv. Drafting and enacting new Audit legislation
- v. Improving the completeness and timeliness of financial statements
- vi. Increasing publication of fiscal and debt reports

Madam Speaker, much of the reform and institutional improvements realised in 2010 have been a direct result of technical assistance from CARTAC. This institution has proven to be extremely responsive, with access to a team of highly skilled and experienced consultants. CARTAC has provided invaluable support to Antigua and Barbuda over the years and we look forward to continuing this very productive relationship.

The Treasury Department is the frontline of the Government's battle with cash flow constraints. With expenditure demands outpacing the inflow of revenue, the officers at the Treasury Department face a daily barrage of requests for payment. Management of this situation is no easy task and as such, I wish to thank the Accountant General, Dr. Cleopatra Gittens, and all other staff at the Treasury Department for their valiant efforts under very demanding circumstances.

The Ministry of Finance also comprises many other agencies and units that are essential to executing its mandate. The resources budgeted for the ministry will be used to ensure the implementation of the programmes of the Public Sector Transformation Unit, Establishment Department, Trade, Industry and Commerce, the Standards Bureau, Training Division and the Post Office.

Expenditure in the Ministry of Works and Transport and Capital Expenditure

The Budgetary allocation for this Ministry amounts to \$63,438,257 during 2011.

The Ministry of Works and Transport has had a challenging year carrying out its social mandate, particularly in respect of maintaining the country's road network during 2010. Given the budgetary constraints and limited resources that prevailed, the Ministry has focussed on reviewing the work that was carried out over the past three years as well as working along with other ministries to carry out their capital works.

Unfortunately, the situation will remain challenging during 2011 given the financial realities that we continue to confront in Antigua and Barbuda. The budgeted amount will be aptly utilised and stretched to continue the maintenance programme. The bulk of the allocated resources will necessarily be channelled to repairing and maintaining the road network across Antigua and Barbuda. Additionally the Ministry will continue to carry out capital work in the Ministry of Education and complete the retrofitting of the new Inland Revenue building.

Most noteworthy of the capital works to be carried out is the construction of two bridges: one in Bendals and another at Burma/Pigotts.

The upgrade of the obsolete traffic light system throughout the country is an ongoing project that the Ministry intends to continue. It is expected that the project of replacing all the old lights will be completed by the middle of 2011.

During 2010 the Ministry of Works and Transportation was one of the ministries that benefitted from a World Bank-funded functional review. The focus in 2011 will be on finalising a work plan to implement the recommendations to restructure and improve the Ministry's operations.

Other Budgetary Allocations:

Expenditure for Democracy and Governance

The Budget 2011 allocation for the Governor General's Office is \$978,816 .

For the Legislature, the allocation is \$2,116,328.

The allocation for the Cabinet Office is \$2,951,513.

Expenditure for the Justice System

The allocation for The Judiciary is \$2,858,105.

For the Office of the Attorney General and Ministry of Legal Affairs, an allocation of \$12,169,903 is made available to allow the Government to continue the implementation of its legislative agenda in 2011.

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

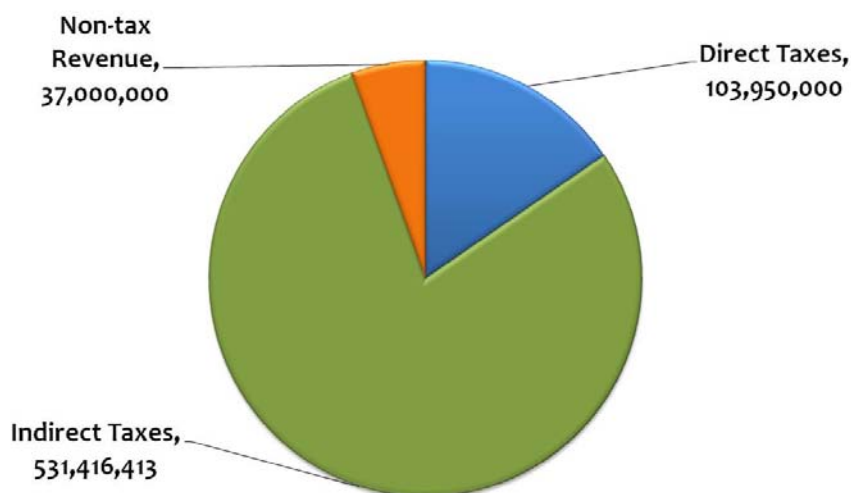
- The 2011 Budgetary allocation for the Services Commissions is \$651,316.
- The provision for the Audit Department is \$1,205,816.
- For Pensions and Gratuities, we have allocated \$68,933,468

- The provision for Charges on the Account of the Public Debt is \$188,251,360.
- The 2011 provision for the Electoral Commission is \$3,426,175 and \$434,806 has been allocated for the Office of the Ombudsman.

RECURRENT REVENUE

Recurrent Revenue for Fiscal Year 2011 is budgeted at \$674,737,786. 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 \$635,366,413. Non-tax revenue makes up the remaining 6 percent of recurrent revenue and is budgeted at \$37 million.

Chart 18: Distribution of Recurrent Revenue



Direct Taxes

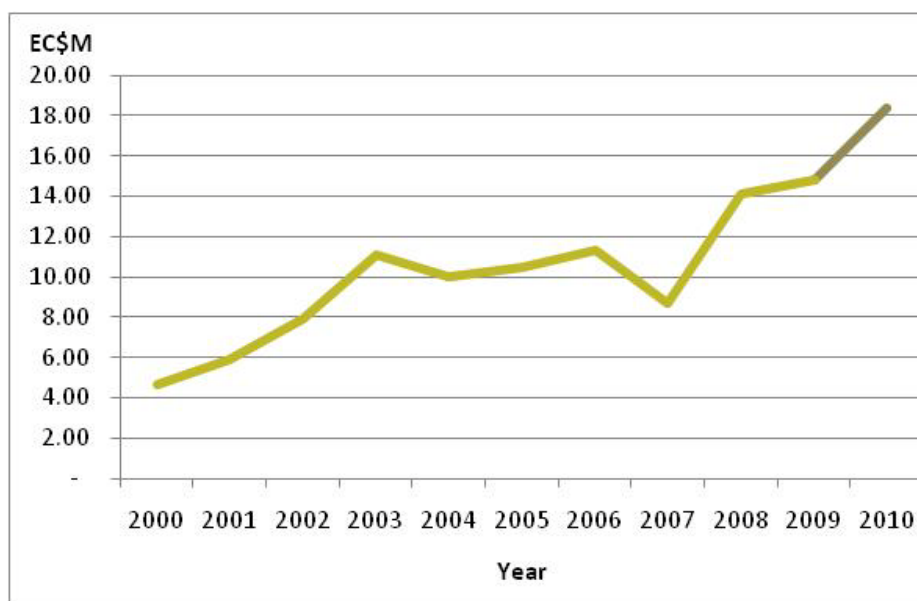
Madam Speaker:

In 2011 direct taxes are projected to yield \$103,950,000. Of this total, \$84,090,000 represents revenue from taxes on income while \$19,860,000 represents revenue from taxes on property.

The main sources of the projected revenue from taxes on income will be the corporate income tax and the personal income tax. The corporate income tax is expected to yield \$49 million in 2011 while the personal income tax is projected to generate \$35 million.

About 99 percent of revenue from taxes on property is generated by the property tax, which is expected to amount to \$19,800,000 in 2011. The reforms undertaken by this Government over the past few years have helped to significantly improve the yield from the property tax. Chart 19 below tracks the revenue generated by the property tax from 2000 to 2010.

Chart 19: Property Tax (EC\$M)



The steady growth in property tax revenue between 2007 and 2010 reflects the change in the base of assessment from replacement cost to market value. This growth is also indicative of the Government's efforts to improve compliance and widen the tax net. The introduction of the new property tax act in 2006 allowed us to bring over 20,000 additional properties onto the property tax register. Additionally, using the market value instead of the replacement cost as the base for assessment has made the property tax more equitable. With the market value as the base for assessment, the homeowner's tax liability will be determined by factors such as location and "curb appeal" so that property owners in higher income areas will face a higher tax liability than property owners in lower income areas.

The Inland Revenue Department was able to boost compliance with respect to the property tax by assigning officers to five zones. The Property Valuation Department arranged with the Antigua Public Utilities Authority to distribute property tax citations along with utilities bills. We have started to yield the benefits of this collaboration and look forward to its increased effectiveness in 2011. I wish to take this opportunity to thank Mr. Lesroy Samuel, Chief Valuation Officer, Mr. Walter Christopher, Property Tax Administrator and all the staff of the Property Valuation Department for their hard work and dedication to improving productivity. In addition, I wish to commend the management of the APUA for its involvement in this initiative. This collaboration between the APUA and the Property Valuation Department is a clear example of how Government agencies can work together to execute a critical mandate.

Finally, Madam Speaker, I wish to remind corporation and property tax payers of the provisions in the legislation that allow them to challenge a tax assessment or to seek relief from payment of the tax. The Income Tax Appeal Board allows individuals and companies to challenge their assessed income tax liability while the Valuation Appeal Board allows property owners to contest their property valuation. Further, there is a Property Tax relief Committee which has the power to grant relief from payment of the property tax for up to a year, in respect of owner-occupied property. These provisions are tangible indicators of this Government's commitment to ensuring a fair and equitable approach to tax administration.

Indirect Taxes

Indirect taxes are budgeted to yield revenue of \$531,416,413, which is about 84 percent of tax revenue. Of this, taxes on domestic production and consumption are expected to yield \$257,368,159, while taxes on international trade and transactions are projected to yield \$274,048,254.

A total of \$210,000,000 or 40 percent of the revenue from indirect taxes will be generated from the Antigua and Barbuda Sales Tax (ABST). This is an expected increase of about 15 percent above the yield projected for 2010. The improved performance in the ABST for 2010 will be driven by an uptick in economic activity in 2011 and by the intensified reforms in Customs and Inland Revenue. We will maintain the Tax Compliance Certificate (TCC) which must be presented by all large and frequent importers to the Comptroller of Customs in order to clear their goods. The intent of the TCC is to ensure that these importers are either current with all taxes payable at the Inland Revenue Department or have made some arrangement with the Commissioner of Inland Revenue to clear any tax arrears.

As indicated earlier, the IRD identified the 226 largest tax payers in Antigua and Barbuda that are registered to collect and submit ABST and PAYE revenue. This group of taxpayers contribute 82 percent of the revenue yield. The filing rate has improved steadily since June 2010. As at November 30, 2010 the filing rate has improved to the 85 percent minimum target that was established as our objective in the Fiscal Consolidation Programme. Further, as at December 10 2010, we have collected \$14.3 million in back taxes. Though this is a positive development, we fully intend to intensify activity to ensure that this level of compliance is maintained and, ultimately, improved.

All ABST funds collected by businesses are trust funds that must be remitted to the Government in accordance with the ABST act and regulations. Use of these funds for any reason is illegal and the Government will take action to ensure that businesses act in accordance with the law. In this regard, we will execute the garnishment provision contained in the Inland Revenue Administration (Amendment) Act of 2000. This provision will allow the Government to seize any revenue held in trust by those who fail to remit the funds as stipulated by law. This garnishment provision will only be applied in the case of ABST revenue and the Personal Income Tax where deductions are made by the employer. Madam Speaker, this is by no means an effort to infringe on the right of property but is solely intended to protect the rights of those taxpayers who pay the ABST or from whose income Personal Income tax deductions are made.

The zero-rated basket in Antigua and Barbuda remains the largest in the region and includes:

- | | |
|--|----------------------------|
| ▪ 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 |

In addition, we have maintained the provision that zero-rates the construction of residential property – thereby demonstrating that it is possible to pursue a disciplined fiscal path and offer some measure of assistance.

Taxes on international trade and transactions are also a source of indirect tax revenue. These taxes include the import duty, the Revenue Recovery Charge, the Passenger Facility Charge and the Consumption tax. As indicated before, revenue from taxes on international trade and transactions is estimated to amount to about \$274 million in 2011.

Revenue from the import duty is budgeted to amount to \$95 million in 2011 while the Revenue Recovery Charge is projected to yield \$80,031,415. The anticipated improvement in the yield from these revenue sources will be a result of enhanced economic performance in 2011 compared to 2010. Also, as the reform initiatives within the Customs and Excise Department begin to have an even greater effect, these taxes should generate higher levels of revenue.

All duty and tax concessions that are provided by law or Government's agreement with various segments of the public sector will be granted in accordance with the relevant legislation or agreement. Therefore, persons eligible for concessions by way of legislation such as the Antigua Barbuda Investment Authority Act and the Small Business Development Act; fishermen; farmers and specific categories of civil servants, will continue to receive such concessions. We have started to prepare an inventory of and guidelines for groups or individuals who are eligible for duty and tax concessions.

The Passenger Facility Charge (PFC) is payable by each airline carrier in respect of each passenger arriving in Antigua and Barbuda. Revenue generated by this charge is intended for

improving, upgrading, and maintaining the airport. The PFC is projected to yield \$25 million in 2011 and will be used to help finance conclusion of the airside works and the proposed new terminal building at the airport.

The consumption tax, which is applied to fuel only, is projected to yield \$36.5 million in 2011. This level of revenue will be possible by maintaining the pass through mechanism for fuel. Under this mechanism changes in the international price of oil will be passed on to the consumer through the consumption tax. This means that when the price of oil increases the price of diesel and gasoline will increase and when the price of oil declines the price of fuel at the pump will also decline. The intent is to ensure that we collect the estimated revenue from the consumption tax. We will, however, continue to identify ways to provide relief and support to those segments of society that may be most adversely affected by a change in price of fuel. Our cooperation and dialogue with the Bus and Taxi associations will be maintained so that appropriate action can be taken to keep the price of public transportation in check.

Several weeks ago, there was a persistent and baseless claim that the price of LPG would be increased. Despite our indications to the contrary, certain factions within our society continued to misinform the public. Who knows, Madam Speaker, perhaps this was an attempt to manufacture some basis upon which to base a **“purple, pink, or some other march”**. Whatever the motives, I want to take this opportunity to again reiterate that the Government has no intention at this time to increase the price of LPG. What we will do is continue to provide the subsidy to those most in need by way of the Peoples Benefit Programme, which is administered by the Government-owned PDV Caribe Antigua Ltd.

Another source of recurrent revenue is non-tax revenue. Non-tax revenue, which includes dividends from the Eastern Caribbean Central Bank and the West Indies Oil Company, income from postal services, revenue from leases and surplus funds from merchant shipping, is projected to yield \$37 million in 2011.

Not long after presenting the 2010 budget, this Administration faced a period in which my esteemed colleagues across the floor sought to reject the people's mandate and challenge the legitimacy of the Baldwin Spencer government. Madam Speaker, their act of desperation, which was no doubt spurred by what can only be described as a sense of entitlement and tendency towards self aggrandisement, has clearly failed. However, this caused some delay in executing a number of initiatives that I announced in my first budget as Minister of Finance.

I indicated in Budget 2010 that we would move to establish a Revenue Court to expeditiously address issues of tax delinquency. The Ministries of Finance and Legal Affairs have already begun the process in this regard and are currently reviewing the structure and operations of similar institutions in the region. The next step will be to prepare and submit a proposal for the operations and structure of the Revenue Court for the consideration and approval of Cabinet. Also, Madam Speaker, I stated that where a business has received tax incentives and concessions and is found to be regularly delinquent in filing tax returns, the Government will suspend the incentives and concessions until the business becomes compliant. We are still very much committed to this policy as it is our view that any business or individual that receives significant tax incentives and concessions must demonstrate that these incentives have indeed been used in accordance with the terms under which they were granted. As such, in early 2011, we will expedite the process of introducing the arrangements needed to give effect to this policy.

Before I move on Madam Speaker, I wish to thank those businesses and taxpayers that continue to comply with the tax laws of Antigua and Barbuda. To those who practice non-compliance, the strengthened Customs and Inland Revenue departments will use the power conveyed upon them by law to stamp out such practices. If the Government is to deliver quality services to the population and invest in activities that will encourage sustainable growth, it must be able to generate and collect adequate revenues from its taxation system. Currently, the tax to GDP ratio in Antigua and Barbuda is 20 percent, well below the regional average of 26 percent. Also Madam Speaker, our tax ratio remains well below the tax to GDP ratio in Barbados where it is about 30 percent. This is even before the implementation of the recently announced tax adjustments. We consider the structure of the tax system, as presented in the Fiscal Consolidation Programme, to be sufficient to deliver tax revenue equivalent to at least 25 percent of GDP. It is not our intention to introduce any measures outside of what was proposed in the FCP and presented in the 2010 Budget Statement one year ago.

Finally Madam Speaker, I wish to thank the former Comptroller of Customs, Mr. Cortwright Ambrose; acting Comptroller of Customs, Mr. Philmore Williams; Commissioner of Inland Revenue, Ms. Hyacinth Bailey; Acting Commissioner of Inland Revenue, Mr. Ralph Warner; Deputy Commissioner, Mr. Everton Gonsalves; Revenue Reform Manager, Mr. Everett Christian; and all other management and staff of the Customs and Excise Division and Inland Revenue Department for their hard work and dedication over what has been an especially challenging year. Our success in meeting the benchmarks to trigger disbursements under the Policy Based Loan and the Stand-By Arrangement would not have been possible without the contribution and commitment of these officers.

REVIEW OF DOLLAR BARREL PROGRAMME

Madam Speaker:

In Budget 2010 I indicated that one of the prevailing recommendations of the pre-budget Live and Direct consultations was that we review the dollar barrel programme. This initiative was launched by the UPP Administration in 2004 and was intended to benefit families whose relatives overseas sent barrels of food, clothing, toiletries and other items at Christmas time. Over 23,000 dollar barrels valued at about \$8 million were cleared from 2004 to 2009. Unfortunately, this programme has been subject to abuse and has had an unintended negative impact on domestic retailers during the Christmas season. These were among the reasons that the Government decided to suspend the Dollar Barrel and review the programme.

Starting January 2011 a committee comprising various public and private sector stakeholders will conduct the review. This committee will, among other things, undertake a cost-benefit analysis of the Dollar Barrel programme; assess the feasibility of developing a replacement initiative that involves domestic retailers; and suggest more effective mechanisms for administering the programme if it is to be retained. The report of the Committee will be presented to key stakeholders for review and feedback before it is submitted to Cabinet for consideration.

While the Dollar Barrel has been suspended, the UPP Administration, mindful of our ‘people first’ mandate, initiated a one-off Christmas barrel programme. This will run from December 1st to 31st and will apply to clothing, toiletries and food. A \$10 handling fee as well as the 10 percent Revenue Recovery Charge will apply to the Christmas barrel. Any barrel containing items other than clothing, food and toiletries will not be eligible for treatment as a Christmas barrel. There will be zero tolerance for fraudulent behaviour in respect of this initiative.

VEHICLE USE AND MANAGEMENT POLICY

Madam Speaker:

The issue of Government vehicles has been a matter of concern and the topic of many discussions with a wide range of stakeholders. Vehicles are among the most visible Government assets as they are used daily by public officers. As taxpayers, none of us is pleased when we see a government vehicle misused or involved in activities that are not legitimate Government

business. Of course, the cost to the public purse is more than the purchase price of the vehicle. Tax dollars must also be spent on repairing, insuring, maintaining and providing fuel for these vehicles. This Government has therefore taken steps to address the many concerns in respect of the use and management of Government vehicles.

One of the first steps was to reduce the weekly allocation of fuel for non-essential vehicles from ten to five gallons. Madam Speaker, this was implemented in 2009 and is applied to all vehicles except ambulances, police and other vehicles that provide essential services. Exceptions were made to ensure that there were no adverse consequences for the Government's operations. As a result, there has been a fifty percent reduction in the amount spent on fuel between 2009 and 2010.

I announced in Budget 2010 that we would develop a plan to reduce the fleet of Government vehicles. I wish to advise this Honourable House that we have commenced the first phase of the Government's vehicle disposal policy. This involves the sale of vehicles to officers who have opted for exclusive possession of Government vehicles in substitution for their travelling allowances. We have already issued offer letters to several staff and the Transport Board continues to request valuations of vehicles to facilitate sale to the respective officers.

The terms under which the vehicles are to be sold include an interest free advance to be repaid in five years by way of deductions from the officer's salary. Valuations are carried out by the Government workshop and an independent mechanic and are based on the tax free purchase price. As such, the Government has decided to sell the vehicles free of taxes to the officers. However, should the officer sell the vehicle in under five years, he will be liable for all taxes as determined by the Customs and Excise Department.

Madam Speaker, we have already begun selling vehicles and expect to have sold more than a dozen by January. Should an officer decide not to purchase the vehicle, the option will be opened to other public servants and then the general public.

In addition to reducing its fleet of vehicles, the Government will finalise a comprehensive Management and Usage Policy for all public sector vehicles. The management aspect of this policy will include rationalizing and standardizing the type and size of vehicles that would make up the Government's fleet; establishing the terms and conditions under which they would be procured and maintained; and specifying the conditions and procedures for their disposal. This policy will also detail the procedures and standards for using public sector vehicles. It will stipulate the responsibilities of and penalties applicable to drivers. The policy will also provide

instructions on matters such as carrying passengers, reporting accidents, caring for and securing Government vehicles, and training and retraining drivers. In addition to ensuring efficient and effective use of our scarce resources, the Management and Usage Policy will focus on operating Government vehicles in an environmentally friendly and socially responsible way.

Our citizens and residents have a right to be concerned when they see Government vehicles or any other public asset being used improperly. As taxpayers, they have a vested interest in seeing that proper care is exercised in handling Government vehicles. To this end, we will intensify our efforts to strengthen existing processes for managing vehicles and accelerate preparation of the Management and Usage Policy. Also, Madam Speaker, we will consider establishing a hotline or dedicated email to which citizens and residents can submit reports on instances of abuse of Government vehicles.

UTILITIES POLICY

Madam Speaker:

Another recommendation coming out of the Live and Direct pre-budget consultations last year was that Parliamentarians pay for utilities. We have developed a utilities policy that applies to parliamentarians and public officials.

In relation to public officials, we have revamped the policy of offering “free” or Government-paid utilities as a part of the remuneration package of new employees. We have established a monthly cap on the dollar value of electricity and telephone services that would be covered by the Government. In the case of water services, there will be a cap on the number of gallons of water consumed per month. Any amount in excess of the approved monthly dollar value or volume would be for the account of the officer. This Utilities Policy is subject to the provisions of existing collective bargaining agreements and contracts.

Madam Speaker:

We have established an arrangement to better manage the utilities benefit provided to parliamentarians. The components of the arrangement include the following:

- (1) The utilities benefit would apply for a single residence of the Parliamentarian who is currently serving in Parliament or who has served for at least two full terms;

(2) Upon the death of the Parliamentarian, his/her spouse will continue to receive the benefit as long as the spouse continues to live in the residence. The benefit will no longer be applicable when the Parliamentarian's spouse dies or remarries;

(3) The Parliamentarian may have the benefit transferred from one residence to another.

There will also be a cap on the utilities used by the Parliamentarians and any usage above the cap will be for the account of the Parliamentarian.

There may be some who hold the opinion that when this Administration holds consultations they are just "talk shops" and nothing would be done. I submit Madam Speaker that time and again this Government has responded to recommendations and feedback from consultations and has taken action. The removal of the stamp duty on the discharge of charge for residential property and personal income tax deductions for mortgage interest, health insurance premiums and university tuition are examples of the Sunshine Government's response to proposals presented at its consultations. This utilities policy is just another indication of our commitment to listening to and putting the needs of People First.

DEBT MANAGEMENT AND DEFICIT FINANCING

Antigua and Barbuda's Public Sector Debt Position

Madam Speaker, the financial crisis had a devastating impact on the public sector's debt position, reversing the impressive gains that had been achieved between 2005 and 2008 when a comprehensive strategy was first rolled out to begin dealing with an onerous debt burden and the high level of arrears.

By the end of 2009 Antigua and Barbuda's public sector debt stood at approximately 111 percent of Gross Domestic Product, a 23-percentage point deterioration from where that ratio stood at the third quarter of 2008. The massive decline in Government revenues compounded the deterioration of our fiscal position, wiping out previous efforts to deal with the level of debt arrears. In fact, by the end of 2009, the level of arrears, that is debts that were no longer being serviced, more than doubled to over 56 percent of the debt stock or 53 percent of GDP. While the government received financial support from Venezuela, it was not sufficient to address the financing gap for 2009. It should be noted that even after the budget support was taken into account, there remained a primary deficit of \$312.5 million. Clearly, this was not a sustainable situation.

I wish to further reiterate that our debt can only become sustainable if we manage our deficit and reduce the amount of financing required on an annual basis to run Government. At the end of 2009 the IMF reported that we had a debt stock of \$3.5 billion, accounting for the amount required to close our financing gap of over \$300 million. As we continue to promote transparency in reporting on government activities let me again state clearly that amounts owed to PDV Caribe and for the Sunshine Hub or Car Park as it is commonly known, are not included as part of the Public Sector Debt figures and do not enter into the equation on the discussion about financing the fiscal gap. We continue to recognise the risks in our existing debt portfolio and will make every effort to manage these risks.

Recognising the risks that the public sector's formidable debt position posed for the country's economic and fiscal sustainability, the Government acted decisively to implement a comprehensive strategy to address the high level of arrears and complement the fiscal consolidation programme designed to stabilise public finances. The overall objective of this ongoing strategy is to place the public sector debt on a downward trend over the medium term, by eliminating arrears and normalising relations with all our creditors. This is imperative to restoring fiscal sustainability, reviving private sector investment and improving the country's credit profile. Over the long term, the Government's objective is to reach the overall debt targets set forth by the ECCB for all ECCU members by 2020 – a debt to GDP ratio of 60 percent and a maximum interest burden, which is defined as interest due on debt to Government revenues, of 15 percent.

Debt Management Strategy

Madam Speaker, as we were preparing the 2010 Budget last year, the realities facing Antigua and Barbuda became increasingly clear. Simply stated, the public sector's debt was not sustainable. Our debt service obligations vastly exceeded our payment capacity. As a percentage of Government revenues, contractual interest, which is interest payable on performing debt, was projected to absorb almost 14 percent of revenues by the end of 2009. If principal payments coming due were also included, more than 22 percent of revenues would have been incurred. But this was not the entire picture. The most difficult challenge confronting the Government was that these ratios did not take into account any amortisation or any interest payable in respect of the outstanding level of arrears. If we had been forced to pay late interest on the debt arrears, our overall debt service would have required almost half of all projected fiscal revenues or approximately \$300 million.

A comprehensive debt strategy was urgently required to deal with this complex situation. With the level of the public sector indebtedness well above the economy's size, any potential solution would require sacrifices from all parties. Let me be clear: for the Government, the debt strategy meant redesigning how the public sector contracted, managed and serviced its liabilities going forward. Not only did we need to rationalise how the public sector borrowed, we also focused on designing and implementing new debt procedures and creating a new debt management culture in the country.

To facilitate the debt restructuring process, a major reconciliation exercise was undertaken to fully understand what was owed and to whom. Creditors were classified into different categories on the basis of similarity of interests, and discussions pursued with each category. Over the course of the past four months, much progress has been made and a number of agreements have been concluded, which I will detail shortly.

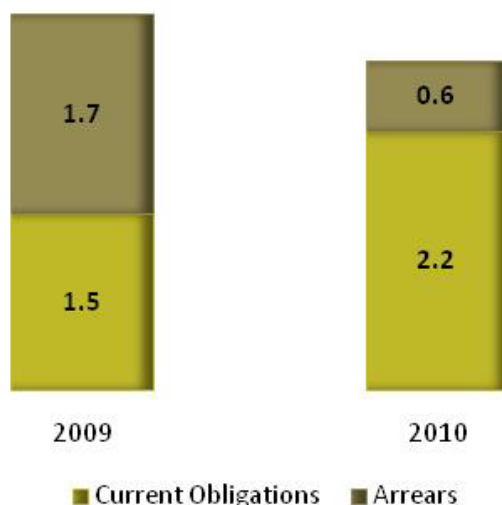
Before I do so however, let me hasten to mention that the Government's intention is to ensure that each agreement is honoured and that the credibility and credit standing of Antigua and Barbuda is restored. Furthermore it is our intention in early 2011, with technical assistance from donors and other agencies, to develop a public-sector wide borrowing strategy as well as to institute new guidelines to manage the issuing of government guarantees. These policies are intended to strengthen debt management and to emulate international best practices.

Progress of Debt Restructuring

Now that we are approaching the end of 2010, the opportunity presents itself to evaluate where we are and what has been accomplished with the implementation of the debt strategy. Let us first look at the overall level of the public sector debt. On an absolute level, we started the year with a debt stock of \$3.2 billion. We are ending the year with a debt stock of \$2.8 billion, a decrease of almost \$500 million and the equivalent of 94 percent of GDP. This figure cannot be taken lightly at a time when economic activity is expected to have decelerated further in 2010. Furthermore, the overall stock of debt is likely to fall further as we are in the process of finalising a number of additional agreements.

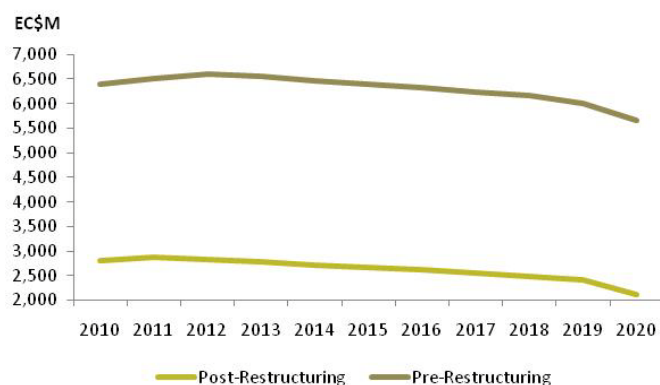
In terms of the level of arrears, Madam Speaker, I am pleased to report that as of now, almost \$1 billion has been normalised. This means that the level of arrears in the debt stock has declined from 56 percent to 20 percent (See Chart 20). Furthermore, we are expecting the percentage of debt in arrears to decline to below 13 percent of total debt shortly. Our goal nonetheless continues to be the elimination of all arrears and ensuring that everyone is paid going forward.

Chart 20 - Evolution of Public Sector Debt during 2010



Finally, in terms of our debt sustainability ratios, I am also pleased to report that even with the normalisation of these arrears, our debt service commitments have begun to improve, not deteriorate. Our interest burden, that is the interest paid as a percentage of revenues, was close to 12 percent in 2010. For 2011, we are expecting this ratio to increase slightly to 13 percent -- but keep in mind that this incorporates almost EC\$1 billion in arrears that have been regularised. As such, we will continue pushing ahead with the debt strategy to ensure that we strengthen and consolidate our achievements.

Chart 21- Debt Trajectory before and after ‘interventions’



Implementation of the Debt Strategy

Madam Speaker, let me now briefly describe how we achieved these results by discussing the agreements that have been concluded with both domestic and external creditors.

Our domestic creditors have been an important focus of the strategy, given the implications for economic activity in the country as well as the well-being of every Antiguan and Barbudan.

Domestic Contractors and Suppliers

First and foremost, we have worked hard to begin reducing arrears owed to domestic contractors and suppliers. At the end of 2009 we estimated the amount owed to these creditors totalled \$283 million. Extraordinary efforts have been made to develop innovative ways to compensate these creditors through cash payments, tax offsets and asset swaps. As a result, we now estimate the amount outstanding to domestic contractors and suppliers to be below \$184 million. Of the \$99 million reduction in the arrears owed to domestic contractors and suppliers, \$85 million represents cash payments and tax offsets while the remaining \$14 million was settled through asset swaps.

Statutory Bodies

Madam Speaker the Government also placed enormous attention on dealing with the outstanding situation with our statutory bodies, primarily Social Security and Medical Benefits, given their importance to the country's social safety net. We have worked actively with each board in developing innovative solutions to normalise arrears dating back to 1979 and to strengthen these institutions' financial viability and their ability to meet their social mandates.

In September and October of 2010 the government signed agreements with the Medical Benefits Board and the Social Security Board in respect of arrears owed from 1979 to 2009. These agreements will be brought before this Honourable House for ratification. In short, these agreements seek to regularise arrears totalling almost \$800 million. Approximately 52 percent of the amounts owed are to be regularised by providing assets that can generate capital infusions over the short-term, while the balance will be repaid over the long-term on the basis of the Government's payment capacity. Let me reiterate that this long term bond represents all government employer and employee contributions and that no contributions have been written off.

In keeping with these agreements, I can confirm that the government is moving to complete payments on all contributions to these institutions for 2010, including contributions in respect of the Board of Education.

Domestic financial institutions

Madam Speaker, we have also initiated discussions with our domestic financial institutions to formulate a plan to consolidate and reschedule all outstanding liabilities. The Government's goal is to develop plans that will allow payments to be made in full and on time on the basis of our payment capacity.

These discussions have already resulted in a number of agreements in principle with most of the creditor financial institutions to consolidate all loans into one new instrument. In some cases we have also agreed to review these agreements as our payment capacity improves.

Regional Government Securities Market (RGSM)

Madam Speaker in June 2010 the Government successfully completed the Treasury-bill programme that was launched and issued on the Regional Government Securities Market in 2006. The purpose of this programme was to diversify our financing sources and to rehabilitate Antigua and Barbuda's credibility domestically, regionally, and internationally.

We are grateful to the many institutions and private individuals who supported this programme. We are also proud to report that every investor in these instruments was repaid the interest and principal due to them upon maturity. This, Madam Speaker, is no small feat and is an honourable achievement for all Antiguan and Barbudans. In addition to the Treasury bills, this Administration issued \$100 million by way of a \$30 million five year bond and a US\$26 million seven year bond. Madam Speaker, as was the case with our Treasury bills, we have made every payment on these bonds when payments were due and have repaid \$32.4 million of the \$100 million that was raised.

The Government intends to formulate a plan to tap this efficient source of funding once again. We expect to issue new securities on the RGSM in the upcoming year and will keep the public informed as we seek to raise new financing from this market. The funds raised on the RGSM will be used to settle arrears and long outstanding debts such as the "short term" securities that were issued by our predecessors in the 1980s and never repaid. The resources raised through the new bills and bond programme will also be used to refinance more expensive liabilities.

Let me now turn to our external debt, Madam Speaker.

Multilateral Creditors

At the time of our engagement with the IMF, arrears had accumulated on loans from the European Community, the European Investment Bank and the OPEC Fund for International Development (OFID), dating as far back as the 1980s. Let me make it clear Madam Speaker, all of these loans were contracted before March 2004. Our negotiations with these creditors commenced in March 2010 as we sought to normalise relations with these creditors. I am pleased to report that we are close to completing the process. We have normalised relations with the European Community and European Investment Bank and we are close to finalising an agreement with OFID. It is important to normalise relations with these creditors, as they lend on extremely concessional terms for vital infrastructure and economic projects. Having lost access to these sources of financing in the past, the public sector was forced to resort to expensive financing for strategic projects.

Paris Club

Madam Speaker:

A landmark agreement was reached with our Paris Club creditors in September to normalize relations and all arrears. Pursuant to the agreement, the Government of Antigua and Barbuda will be completely current with France, the Netherlands, Japan, the United States and the United Kingdom on US\$133 million or \$360 million of outstanding debt, some of which has been in default since 1967. This is an important step, not only in opening up new sources of financing for the Government and people of Antigua and Barbuda, but also in strengthening foreign relations.

Madam Speaker in respect of the agreement that was reached, I would like to highlight that it provides for our debts to be consolidated and repaid over 14 years with 6 and half years of grace – which means that no rescheduled principal payments need to be made until 2017. Furthermore, all contractual principal and interest payments due up to 2013 are to be consolidated as well. The Agreement provides the ability to swap up to \$18 million per creditor for government projects. And last but not least, a goodwill clause has been agreed upon, to allow us to return to the Paris Club if there are unforeseen challenges with the current repayment profile.

We have already started bilateral negotiations with Brazil, France, the United Kingdom, and the United States, and expect to start discussions with the other countries in the first quarter of 2011. During these negotiations we will ask each creditor to go beyond what was agreed to in Paris. Madam Speaker, in this respect I am pleased to report that on Thursday I received word from the Minister of State in charge of the UK's Department For International Development (DFID) confirming that DFID would indeed go beyond the agreement reached in Paris by providing full debt forgiveness on the outstanding amount owed by Antigua and Barbuda. This means that our debt burden will be officially reduced by approximately \$10 million with immediate effect. On behalf of the people and Government of Antigua and Barbuda, I would like to thank profusely the people and Government of the UK as well as DFID for their continued support and assistance during these difficult and trying times. I would particularly like to extend my sincere appreciation to the staff of the DFID office in Barbados for all their significant assistance. Their gesture does not go unnoticed and indeed goes a long way in supporting our efforts to place our fiscal and debt positions on sustainable footings.

Other Bilateral Creditors

Madam Speaker I am also pleased to report that the Government of Venezuela has continued to support Antigua and Barbuda by providing a new loan on extremely concessionary terms for important social projects.

The reduction in the debt stock and interest burden will help move Antigua and Barbuda towards debt sustainability. Our accomplishments over the past year are due to the exceptional work of the Debt Manager, Mrs. Nadia Spencer Henry and the staff of the Debt Unit. In addition, our debt advisors, Newstate Partners, have proven to be true partners and friends of Antigua and Barbuda. I wish to express our sincere appreciation to the members of the Antigua and Barbuda team at Newstate Partners, in particular, Rafael Molina, Derrill Allatt and Ted Perkins.

Financing the Fiscal Deficit

Madam Speaker, the overall deficit for 2011 is projected at \$52.8 million. In order to finance this deficit and to cover principal payments of \$95.1 million to domestic and external creditors, the government requires new financing. We expect disbursements of \$171 million, which represent \$144 million from the IMF Stand-By Arrangement and \$27 million from the CDB Policy Based Loan. This will be used to finance \$95.1 million in principal payments and the overall deficit of \$52.8 million. The remaining \$23.1 million will be used to pay down arrears.

Finally, Madam Speaker, I wish to take this opportunity to remind this Honourable House of the repayment terms of the IMF Stand By Arrangement and the CDB Policy Based Loan. For the

IMF the repayment terms are:

- Total of 8 years to repay;
- A grace period of 3 years where only interest is paid;
- Repayment of principal in 5 years commencing in 2013;
- The interest as of June 7th 2010 was 1.25 percent ;
- When principal repayments begin the interest rate will be based on the weighted average of the interest rate for the preceding three month period;
- Payments will be made quarterly in February, May, August, and November each year.

For the CDB the repayment terms are:

- Total of 18 years to repay;
- A grace period of 3 years where only interest is paid;
- Repayment of principal in 15 years commencing in 2013;
- The interest rate is 4.8 percent;
- Payments will be made quarterly in March, June, September, and December each year.

SOCIAL PROGRAMMES RELIEF MEASURES

As I indicated earlier, the Leader of the Opposition and his cohorts have, over the past 18 months, uttered some truly astonishing statements and made some downright absurd claims about the impact our IMF-assisted Fiscal Consolidation Programme would have on the people of Antigua and Barbuda. I am sure you recall, Madam Speaker, that the Leader of the Opposition suggested that Antigua and Barbuda's engagement with the IMF would lead to 'economic havoc and irremediable social ills'; the same outcomes that he pointed out Guyana and Jamaica faced after their involvement with the Fund.

Those opposed to our engagement with the IMF also stated that the Government would be forced to do away with its social programmes and would have no choice but to abide by the IMF's directive to lay off thousands of public sector employees. Perhaps one of their most fantastic declarations was that the EC dollar would automatically devalue if Antigua and Barbuda entered any arrangement with the IMF! Madam Speaker, the fact that such a claim was made by individuals who served as Antigua and Barbuda's representatives to the Board and Council of the Central Bank should have been quite shocking. However, we have observed over the years that there is no road the ALP will not travel when desperation takes hold.

We were treated to the many facets and manifestations of this desperation over the past several months. Of particular note were disjointed and illogical Sunday broadcasts and belligerent and boorish "talk shows" that were unsuccessfully packaged as intellectual discourse. The more focused and resolute we were, the more frantic, outrageous and offensive their attacks became. But, Madam Speaker, this was like water off a blue duck's back. This Administration will not be dissuaded from pursuing a path of discipline and implementing strategies and policies that will ultimately lead to sustainable growth and secure the welfare of our people. Madam Speaker, like our beloved Sir Viv, we will despatch every googlie looped and every bouncer hurled at us. We will do this, Madam Speaker, for the benefit of our people and out of an unshakable love for Antigua and Barbuda.

If the assertions made by our critics were to be believed, the UPP had forsaken its People First philosophy. Madam Speaker, let there be no doubt, the UPP will always be the People First Government. Every programme we implement, every relationship we foster, every position we take is intended to benefit every man, woman and child in this country. This is why, Madam Speaker, the NEST Plan focuses on fiscal discipline and securing social safety nets. This is the plan that forms the basis for the funding and other assistance we have received from the IMF, CDB, World Bank, DFID, EU and other institutions. Our Fund-assisted Fiscal Consolidation Programme has not resulted in the irredeemable social ills that the Leader of the Opposition told us would accompany Antigua and Barbuda's engagement with the IMF. This is because we have sought to balance macroeconomic prudence with activities that support social welfare.

In my Budget Statement last year, I advised this Honourable House that the social programmes implemented by the Sunshine Government would continue in 2010. I wish to take a few moments, Madam Speaker, to provide an update on these programmes that have brought relief to many of our citizens and residents.

School Uniform Grant and National School Meals Programmes:

The School Uniform Grant and the National School Meals Programmes are still very much in operation. These programmes benefited hundreds of families in 2010 and will continue to do so in 2011. In 2008, the 21,156 children were issued 60,692 uniform vouchers. The number of children increased by 42 percent to 30,056 in 2009 and 70,449 uniform vouchers were issued. In 2010 the number of children receiving uniforms increased by a further 17 percent to 35,203 and a total of 80,206 uniform vouchers were issued. Between 2008 and 2010 more than 200,000 uniforms vouchers were provided to primary and secondary school children in Antigua and Barbuda.

Madam Speaker:

The National School Meals Programme provides a hot, nutritious meal to children in the 18 participating schools. Schools involved in the programme are:

- Cedar Grove Primary
- Five Islands Primary
- Freetown Primary
- Freemans Village Primary
- Golden Grove Junior/Secondary
- Green Bay Junior/Secondary
- Jennings Primary
- J.T. Ambrose Junior/Secondary
- New Field Primary
- New Winthropes Primary
- Pares Primary
- Parham Primary
- Pigotts Primary
- Liberta Primary
- Sea View Farm Primary
- T.N. Kirnon Junior/Secondary
- Villa Junior/Secondary
- Willikies

In 2008 we served 272,993 meals. The number of meals served increased to 283,962 in 2009 and 315,488 up to November 2010. Over this three year period, about 90,000 meals have been provided to children in these schools. The Sunshine Government has spent about \$23 million on the school uniform and national school meals programmed between 2008 and 2010. Madam Speaker, this level of investment in the lives of our children can be expected to facilitate improvements in the stock of human capital in Antigua and Barbuda. Such investment in human capital will ultimately help to transform the economy and social environment.

While we commit to continue providing the benefits of these programmes to the many families who rely on them, we also intend to keep them under constant review to ensure they are efficiently and effectively operated. We are intent on seeing that all who need these programmes get access to them. At the same time, we will not tolerate abuse or fraud and will take all steps necessary to eliminate such abuse.

I wish to assure the children in our schools and their parents, who have for the past few years depended on the support provided through these programmes, that their Sunshine Government has no plans to eliminate the school uniform and school meals programmes.

Support through the Board of Guardians and other Programmes

One way to determine if a society is maturing is to assess whether it has arrangements in place to meet the needs of its most vulnerable citizens. To the UPP Administration, People First means that we will not be satisfied if our sound macroeconomic indicators and high per capita income are not translated into support and services to those who, for whatever reason, cannot fend for themselves. Madam Speaker, if our per capita income doubles and we do not provide for the neediest groups within our country, we would have failed. We would not be putting people first. Indeed, we believe that the condition of the heart of a nation is not reflected in the size of its buildings or the number of luxury cars on its roads but rather is evident in the way it treats the elderly, the wayward child, the sick and the disabled.

The Board of Guardians provides support to the most vulnerable in society. Its clients include the elderly, mentally challenged, visually impaired, and other groups of individuals who receive stipends every fortnight to help cover the costs of their basic necessities. Since we revamped this programme in 2005 and increased the stipends by up to 100 percent, the programme has assisted more than five hundred persons. The Board of Guardians also provides support to households

and families by way of the Home Improvement Grant, which is a \$2,500 grant to assist with essential home repairs. A funeral grant is provided to families who need financial support to cover the costs of final arrangements for loved ones.

The Government, through other departments in the Ministry of Social Transformation, provides assistance to many other groups. Madam Speaker, this Government offers special and dedicated care to more than 100 elderly, disabled and shut-in individuals through the Government Residential Assistance and Care programme for the Elderly and Eligible (GRACE). Other interventions include support to over 130 foster children and parents, financial assistance to fire victims and counselling and probation services that target the youth.

Finally Madam Speaker, this Government introduced a Vagrancy Feeding Programme in 2007 which provides meals to transients within the city. On average, this programme feeds 85 persons on a weekly basis. In 2011 we will review this programme, seek further corporate sponsorship and explore the feasibility of collaborating with other groups who provide a similar service.

Financing Education – National Student Loan Fund

Madam Speaker:

This year marked the third anniversary of the National Student Loan Fund (NSLF) – a programme introduced to provide financing to students who would otherwise find it difficult to access the resources needed to pursue their educational goals. Under the NSLF Antiguan and Barbudan students 18 years and older can access loans of up to \$50,000 at an interest rate of three percent. The loans can be repaid in ten years and students have the option of starting to repay the loans while studying, paying interest alone while studying, or deferring all payments until after their studies have been completed.

In 2008 we allocated \$2 million for this programme and provided loans to 64 students. By 2009, Madam Speaker, 124 students had received loans out of a \$4 million allocation for the programme. In 2010 the amount allocated to the NSLF was \$2 million and this was used to provide loans to over 90 students. The students who have received loans from the NSLF are studying at local, regional and international institutions and are pursuing undergraduate, graduate and postgraduate degrees in a wide range of subject matters. These include: early childhood education, pharmaceuticals, criminal justice, hospitality management, health service administration, counselling studies, psychology, information systems, management, economics, banking, and finance.

This is yet another social programme that was developed and implemented by the Sunshine Government that has, with a relatively small investment, yielded far-reaching and life changing results. We are very pleased that there are nearly 300 families across Antigua and Barbuda who have benefitted from this programme. Loan recipients have the opportunity to significantly transform their circumstances through education. I wish to also point out, Madam Speaker, that average compliance in respect of loan repayments has been greater than ninety percent. The students understand the importance of repaying their NSLF loans, since this will ensure that the Fund is replenished so that many other students will be able to access this essential means of education support.

Madam Speaker, while we are happy with the results of this programme to date, we want to ensure that it is as efficient as possible and delivers the intended service in the most cost effective manner. In this regard, the NSLF administration and procedures will be reviewed in 2011 to improve our ability to meet the objective of the programme. For the avoidance of doubt, Madam Speaker, there will not be any suspension or delay of this programme in 2011. We intend for this review to be completed and recommendations considered and, where applicable, adopted, so that the application and loan approval process can commence on time.

Finally, Madam Speaker, the Government's cash flow constraints in 2010 had an unfortunate effect on the pace of loan disbursements in 2010. We regret any inconvenience caused to students as a result of these delays and are happy to report that these issues have been resolved.

Other Relief Measures

Madam Speaker, this Government has introduced and improved many relief measures that have benefitted persons all across Antigua and Barbuda. Included in the list of relief measures are:

- (1) Zero-rated residential construction;
- (2) The Senior Citizens Utility Subsidy Programme and the People's Benefit Programme, which provide benefits to pensioners, persons with disabilities and the disadvantaged. These are implemented through PDV Caribe Antigua Ltd.;
- (3) \$150,000 owner occupied residential allowance for the property tax;
- (4) A fifty percent reduction in pensioners' property tax liability;
- (5) Personal income tax deductions in respect of:
 - interest paid on residential mortgages;

- contributions paid into approved pension schemes;
 - health insurance premiums; and tuition payments on behalf of children pursuing university studies;
- (6) Reduction of the stamp duty on mortgages from \$6 per thousand to \$4 per thousand;
- (7) Reduction of the mortgage interest rate by reducing the corporate income tax payable by banks offering 8 percent or less. A further reduction is provided in the legislation for banks that offer a mortgage rate of 7 percent;
- (8) Reducing the combined stamp duty on the transfer of property valued at \$500,000 or less from a parent or grandparent to a child or grandchild from 10 percent to 2 percent;
- (9) Removing the stamp duty on the discharge of charge for residential property, which means that once a person has paid his residential mortgage in full, he will no longer have to pay stamp duty in order to retrieve his land certificate.

These are just some of the support and relief measures that this Administration has implemented and continues to maintain. **This is People First in action!**

We are nearing completion of an arrangement for unemployment benefits to be provided in Antigua and Barbuda. This initiative will form part of the overall social security reform and is intended to be a long term unemployment insurance programme through which persons who have lost their jobs can receive unemployment benefits for a period to be specified. We expect to present the details of this plan to the public in early 2011.

Finally Madam Speaker, the World Bank has provided assistance to Antigua and Barbuda to undertake a Social Safety Net Assessment (SSNA). This SSNA will identify opportunities to review and strengthen existing social safety net programmes and pinpoint any gaps in the network of social programmes. We have been engaged in talks with the World Bank over the past several months about how the Bank can support Antigua and Barbuda's Social Transformation Plan. The Bank has expressed a keen interest in working with the Government and we anticipate that we will be able to develop and implement a system of support that will enhance the wellbeing of many of our citizens and residents. I wish on behalf of the Government to thank the Caribbean Country Director – Yvonne Tsikata – and her team for their commitment to Antigua and Barbuda. We are positive that through their interventions, the people of Antigua and Barbuda will reap the benefits of an engagement with the World Bank.

You see Madam Speaker, there has been no devaluation, no exodus of persons from the public sector and no cancellation of social programmes. Instead, our fiscal consolidation programme and the NEST Plan have elicited strong support from our regional and international development partners. We have received financial support and a great deal of technical assistance which can be expected to continue in 2011. The discipline we demonstrated in articulating and implementing a set of difficult but necessary fiscal policies has directly resulted in a \$30 million grant from the European Union. On behalf of the Government and People of Antigua and Barbuda, I wish to thank the EU Commission and all the EU officials who made this grant possible. We are truly grateful for this assistance and look forward to further cooperation with the EU in 2011. This grant should be disbursed before the end of the year and will be used to further strengthen our social safety nets and help improve the welfare of our citizens and residents.

CONCLUSION

Madam Speaker, the last fiscal year has been one of challenge and of reward. I say challenge because the journey of fiscal consolidation has not been an easy one, and every citizen and resident, in one way or another, has been affected. But as members of households, of clubs, of the business community, of non-governmental organizations and the like, most of us would be familiar with, and would have confronted the practical, pragmatic decisions that have to be made during a difficult financial cycle when, for what ever reason, what is spent exceeds what is earned.

At some moment, Madam Speaker - sometimes sooner, sometimes later - we all come to the realization that such a mismatch between what we earn and what we spend is beyond sustainability. There would eventually be a point in time when savings would be exhausted; when assets could no longer be sold; when the capacity to borrow would be curtailed severely, if not eliminated altogether. At such a time, we – as individuals, as club members, as employees, as employers – will have to reflect on our situation and ask ourselves: “How do we go forward?”. Madam Speaker, Antigua and Barbuda has stood before the mirror, gazed candidly at its reflection and asked that very question.

And our Country has answered, Madam Speaker! She has answered by opting to pursue a path of prudence. Therein lies the reward for the past year; for embarking upon a course of fiscal consolidation, we can be assured that the light shining at the end of the tunnel is not that of an oncoming express train, but rather, the light of day.

Hence, Madam Speaker, the trek ahead should become increasingly easier: our sight would be clearer; our gait more assured; and our decision making more confident – as we approach the daylight. But inasmuch as challenges remain, we should press forward, for, in the words of the English novelist, Samuel Butler, “The necessity of the times, more than ever, calls for our utmost circumspection, deliberation, fortitude and perseverance”.

Madam Speaker, we should be in no doubt that the NEST Plan, imbued with the wisdom which flows naturally from the consultative process, provides a robust and dynamic framework for moving forward, as Antigua and Barbuda tackles the thorny issues of economic growth and development. She has watched the Plan unfold over the past twelve months, sometimes with the evident discomfort that comes with adjustment, but always with the satisfaction of having that knowledge etched firmly in her heart and in her soul, that she is on the right track. This knowledge in turn gives her the drive and determination to press on to the end of the tunnel, when, in the day light, she can rest a little, but with the fullest appreciation for the many lessons learnt on the journey. And, through the words of poet Liz Munro, **Madam Speaker, Antigua and Barbuda declares:**

**“Only I can hold myself back:
If I stray off this positive track.
But there is a new me, different to the me of old;
I have started a journey...
I follow and watch my journey unfold;
For I am going somewhere I have never been,
And my mind is unlocking things previously unseen.
From negative entrapment, I am breaking free,
Now is the time for discovering the true and inner me!”**

God bless Antigua and Barbuda.

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