



GOVERNMENT OF ANTIGUA AND BARBUDA BUDGET PRESENTATION 2007

Introduction:

Madam Speaker:

It gives me great pleasure to present this year's Budget from our new and ultra-modern Parliament Complex. This new home of the Legislature of our beloved Antigua and Barbuda is not only modern in architectural design but also includes facilities that will allow us, through our Digital Agenda, to incorporate cutting edge technology into our governance structures.

I intend, Madam Speaker, with your gracious consent, to make full use of this technology in my presentation.

Madam Speaker, the Government wishes to express its appreciation to the Fares Hadeed Group of Companies for the excellent partnership arrangements which have led to the erection of this national edifice.

The Sunshine Government, in keeping with its commitment to presenting the National Budget before the commencement of the fiscal year in which the policies

will be implemented, is pleased once again to present Budget 2007 on this the 30th day of November 2006.

Madam Speaker, in Budget 2005, we laid the Foundation for a Fresh Start and in Budget 2006, we Geared up for Growth.

These two carefully designed Budgets provided the blue prints from which the United Progressive Party Administration began the long and difficult task of reconstructing the economy of Antigua and Barbuda. In so doing, we introduced policies and programmes to improve macroeconomic performance, enhance accountability and transparency, promote private sector development and boost economic growth.

We steadfastly pursued these objectives through the implementation of fiscal, institutional and legislative reforms and by introducing policies to encourage private sector development.

These, Madam Speaker, are the PILLARS upon which fiscal improvements and economic expansion have been achieved under this UPP Administration.

These, Madam Speaker, are the fundamentals behind Budget 2007.

These, Madam Speaker, are our **“Pillars of Progress”**.

During the course of my presentation, the pleasure will be mine to share with our citizens and residents the great news of the many strides this Government has made towards achieving its stated objectives.

I will demonstrate, Madam Speaker, not with inept theories and baseless conjecture but with simple factual evidence that this Sunshine Government has truly placed Antigua and Barbuda on a path to sustainable economic growth and development.

Madam Speaker, gone are the days when a budget is presented without the citizens first receiving a comprehensive account of the Government's activities in the previous fiscal cycle. This Government is dedicated to engendering accountability, transparency and good governance.

These are not buzz words or rhetorical reflections but represent the principle by which we conduct the business of this nation.

In fact, Madam Speaker, we enshrined these doctrines in legislation with the enactment of the Prevention of Corruption Act, the Freedom of Information Act, and the Integrity in Public Life Act. This trilogy of legislation holds us to higher standards and empowers the citizens to demand the best from their Government.

Madam Speaker:

Our Silver Jubilee Independence Celebrations were a resounding success and we now look forward to the coming year with great anticipation. Indeed, Madam Speaker, 2007 will be a flagship year for Antigua and Barbuda as we prepare to celebrate the 50th Anniversary of Carnival, the 40th Annual Sailing Week, and the hosting of Cricket World Cup 2007.

The people of this nation can expect that the unprecedented high levels of economic performance in 2006 will carry forward into 2007.

This Government, emboldened by these successes to date, will accelerate its Agenda for Change based on the pillars of fiscal reform, institutional strengthening and capacity building, legislative reform, and private sector development.

Madam Speaker, the improvements in economic performance and financial management that I am about to reveal would not have been possible without the hard work and dedication of the staff of the Ministry of Finance and the Economy, particularly the Budget Team.

I wish, on behalf of the Government, to thank these officers for their steadfastness in the face of multiple challenges as we collectively pursued a path of macroeconomic transformation in Antigua and Barbuda.

The key members of my Budget Team include:

- Senator the Honourable Lenworth Johnson – Parliamentary Secretary in the Ministry of Finance and the Economy;
- Mr. Whitfield Harris Jr. – Financial Secretary;
- Mr. Dean Evanson – Deputy Financial Secretary;
- Mr. David Matthias – Budget Director;
- Mrs. Carolyn Charles-Tonge – Deputy Budget Director;
- Ms. Rasona Davis – Coordinator of Economic Policy and Planning; and
- Mr. Geoffrey Joseph – Senior Economic and Financial Analyst

Madam Speaker, our progress was also made possible with the generous support of a number of regional and international agencies including the Eastern Caribbean Central Bank (ECCB) and the Caribbean Regional Technical Assistance Centre (CARTAC).

The Sunshine Government is very proud of its achievements, and we are equally confident that, by the end of my presentation of Budget 2007, despite the best efforts of our staunch critics, the people of Antigua and Barbuda will also be satisfied that their overwhelming confidence in the United Progressive Party Administration, demonstrated on March 23rd 2004, was indeed well placed.

World Economic Trends:

Despite high energy prices along with the resultant inflationary pressures, and rising interest rates, the global economy is expected to log solid growth for 2006 and 2007.

World economic output is projected to grow by 5.1% in 2006 and 4.9% in 2007. This strong performance should reflect increased economic performance mainly in the Peoples' Republic of China, the United Kingdom, Japan and the Euro area. According to the IMF's World Economic Outlook for September 2006, the Peoples Republic of China will continue to grow rapidly. A 10% growth rate is projected for 2006 and 2007 while inflation is expected to remain relatively low at 1.5% in 2006.

For the Euro area, economic growth is projected at 2.4% in 2006 as the countries continue to experience investment-driven economic expansion. However, the persistence of a number of structural challenges along with the risk of tighter monetary policies in order to combat inflation could lead to a decline in the growth rate to 2% in 2007.

Madam Speaker:

Given that Antigua and Barbuda is a highly open small economy, positive developments in the global economy, particularly in the economies of our main trading partners, should result in improvements in domestic economic activity. Specifically, strong performance in the United Kingdom and the United States should positively impact our tourism industry.

In this regard, the United Kingdom is slated to grow at a rate of 2.7% in 2006 due to increased private consumption. This level of growth is also expected in 2007 and should augur well for a continued expansion in tourism in Antigua and Barbuda.

Economic output in the United States is expected to grow at a moderate rate of 3.5% in 2006 despite the interest rate increases earlier in the year and the cooling of a previously robust housing market. A rate of growth of 2.9% is projected for 2007 as the housing market continues to slow down.

High demand for non-oil commodities also led to record high prices in 2006. This was an especially positive development for the developing countries that export these commodities as they are expected to experience strong growth in 2006.

However, this rise in prices is not expected to persist so that the high growth rates of 2006 may begin to taper in 2007.

Overall growth in the volume of world trade is projected at about 9% for 2006 but may decline to around 7.5% in 2007.

Madam Speaker:

Trade liberalization and globalization remain critical issues, particularly for developing countries. However, the apparent standstill in respect of the Doha Development Agenda and the seemingly deadlocked FTAA negotiations continue to retard the global integration process.

Despite these setbacks, Antigua and Barbuda still wishes to see the creation of a hemispheric trade arrangement and the conclusion of the Doha negotiations in a manner that takes into account the special circumstances of developing countries in general, and small island developing states in particular.

Madam Speaker:

Whatever the outcome in respect of these major trade liberalization and globalization initiatives, special provisions that address the vulnerability and development challenges of countries such as Antigua and Barbuda and the rest of the Caribbean region must form an integral part of the FTAA and the WTO arrangements.

Antigua and Barbuda is therefore committed to the negotiations process and will continue to work with its regional partners and other vulnerable developing countries to ensure our interests are best served in the international arena.

As the current chair of the Caribbean Forum of the African, Caribbean and Pacific States (CARIFORUM), the Government of Antigua and Barbuda continues to be an active participant in the negotiations leading to the Economic Partnership Agreement (EPA) between the ACP and the European Union (EU).

Antigua and Barbuda was the architect of the region's first attempt to articulate elements of a Development Chapter within the EPA. We are now seeking to maintain this leadership role and will strongly advocate that the EPA effectively addresses the core development issues that are of importance to Antigua and Barbuda and our counterparts.

Moreover, we continue to work with other CARIFORUM member states to arrive at an acceptable draft of the Caribbean Regional Indicative Programme and Strategy for consideration of all stakeholders. Once completed, the Caribbean region should receive approximately 132 million Euros from the EU in support of a variety of projects and programmes.

Regional Economic Overview:

On the regional scene, Madam Speaker, real GDP growth for the CARICOM region is projected to be at around 6% for 2006 and should be between 4 and 5% for 2007 following a slow down in the level of investment after the significant increases for Cricket World Cup 2007 preparations.

Trinidad & Tobago is expected to register very high growth rates with projections for 12.5% growth in 2006 and about 6.9% for 2007. The strong performance in the twin island republic is led mainly from activities in the area of natural gas production and processing.

For Jamaica, economic output is expected to grow at a rate of 2.8% for 2006 and increase by 3% in 2007, due to expansion in the agriculture and tourism sectors. However, shortages in cement supplies may result in a decline in activity in the construction sector for 2006.

Real GDP growth rates for Barbados are projected at 4.2% for 2006 and 4.9% for 2007. Once again the primary impetus to growth has been investments in the construction sector for Cricket World Cup 2007 related projects as well as other private and public sector initiatives. Also, strong performance in the tourism and manufacturing sectors should contribute to increased economic output in 2006.

Madam Speaker:

Economic prospects for the Eastern Caribbean Currency Union (ECCU) remain strong and it is expected that for 2006, real GDP in the ECCU region will grow at a rate of about 7%. This is more than 1 percentage point higher than economic growth in 2005.

The main drivers of growth in the ECCU area will be increased construction activity, growth in tourism and agriculture and an expansion in the wholesale and retail trade sector.

In 2007, growth in real economic output is projected at about 6.5% reflecting a slow down in investment from the record levels of 2006. The tourism sector, however, is expected to experience significant growth, particularly due to Cricket World Cup 2007.

Also, Madam Speaker, it is expected that construction activity will remain high, though not as impressive as in 2006, with the implementation of a number of public and private sector projects in 2007.

While projections for the coming year look very optimistic there still remain a number of challenges that confront the sub-region – namely, issues such as debt, large fiscal deficits, escalating oil prices, rising international interest rates, and managing the opportunities to be created by the Cricket World Cup event.

Madam Speaker, it is critical that the ECCU member countries adopt the appropriate policies and pursue effective structural reform initiatives in order to maintain strong economic growth and to precipitate sustainable macroeconomic outcomes.

Regional Integration

Madam Speaker:

The Government of Antigua and Barbuda remains committed to the regional integration process and is determined to work towards the successful operationalization of the CARICOM Single Market (CSM). In this regard, Antigua and Barbuda and the other member states of the Organization of Eastern Caribbean States (OECS) declared their CSM readiness in July 2006.

While we fully intend to adopt the appropriate measures for the full implementation of the CSM, the Government of Antigua and Barbuda will continue to push for the establishment of special measures and programmes that will deliver tangible benefits to Antigua and Barbuda and the other less developed countries (LDC's) of the Caribbean grouping.

The completion of all arrangements relating to the Regional Development Fund (RDF) is, in our minds, paramount to securing the interests of the LDC's and ensuring the promotion of sustainable development in Antigua and Barbuda and the rest of the OECS.

In order to ensure that the private sector is well positioned to thrive under the CSM arrangement, we will in conjunction with the USAID's Caribbean Open Trade Support (COTS) expedite the development of a trade policy framework.

A critical component of this programme will be the creation of the enabling pro-enterprise environment to assist the private sector to take advantage of the open and liberalized trade environment of the CSM.

Madam Speaker:

At the sub-regional level, the OECS member states are working towards deepening integration through the establishment of an OECS Economic Union. This decision was cemented at the 43rd meeting of the OECS Authority and against the backdrop of the 25th anniversary celebration of the signing of the Treaty of Basseterre through which the OECS was created.

On 21st June 2006, Prime Minister Spencer along with the other OECS Heads of Government signed a Declaration of Intent to establish an OECS Economic Union by 1st July 2007.

This further strengthening of the OECS integration movement will build on the successes of 25 years of close cooperation and will further enhance economic and social policy coordination and harmonization among the member states.

We are convinced that closer cooperation among the OECS countries will only serve to advance the integration initiatives at the CARICOM level and, more importantly, reinforce the OECS countries' ability to benefit from the CSM and

other CARICOM arrangements. As such, the Government of Antigua and Barbuda reaffirms its commitment to the establishment of an OECS Economic Union and stands ready to undertake the necessary action to make this incredible vision a reality.

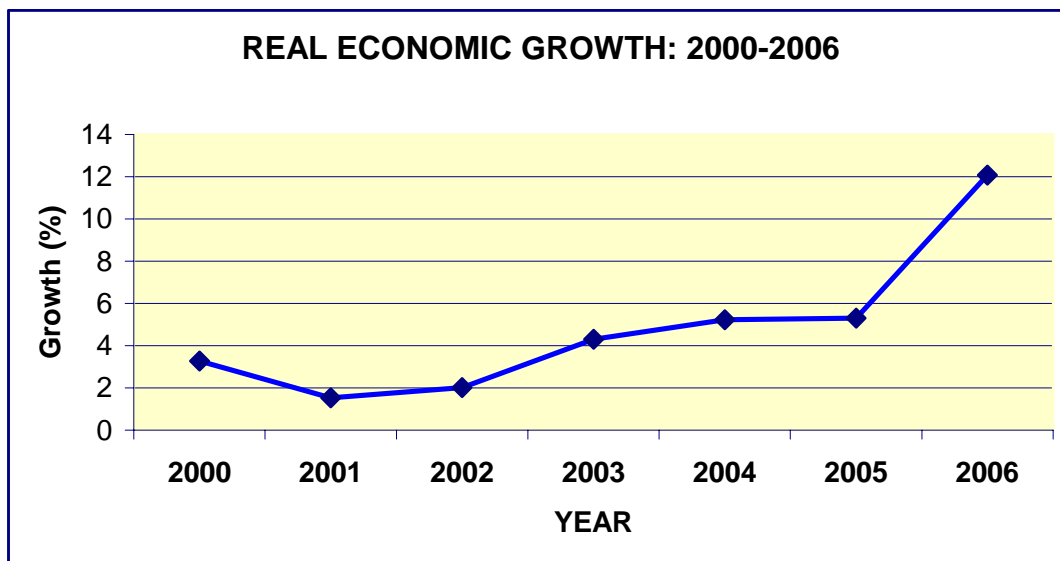
National Economy:

Madam Speaker:

In September 2006, the International Monetary Fund (IMF), following its annual Article IV Consultations, announced its conservative estimate of 8% real economic growth for Antigua and Barbuda for 2006.

On the other hand, the Eastern Caribbean Central Bank (ECCB) projects that the Antigua and Barbuda economy will experience **real economic growth of about 12 percent.**

Madam Speaker, it should be noted that the average rate of growth of GDP between 2004 and 2006 stands at approximately 7.5% per annum while, for the period 2000 to 2003, real GDP grew at an average annual rate of about 3%.



Madam Speaker:

This unprecedented level of real economic growth is expected to be driven by significant expansion in the construction sector and a rebound of the tourism sector.

The anticipated double digit growth is supported by the half year economic report of the ECCB which indicates that for the period January to June 2006, the GDP index for Antigua and Barbuda increased by 11.23%.

Madam Speaker:

This surpassed the performance in all of the other ECCU countries and was **six percentage points higher than the ECCU average.**

Construction

Madam Speaker:

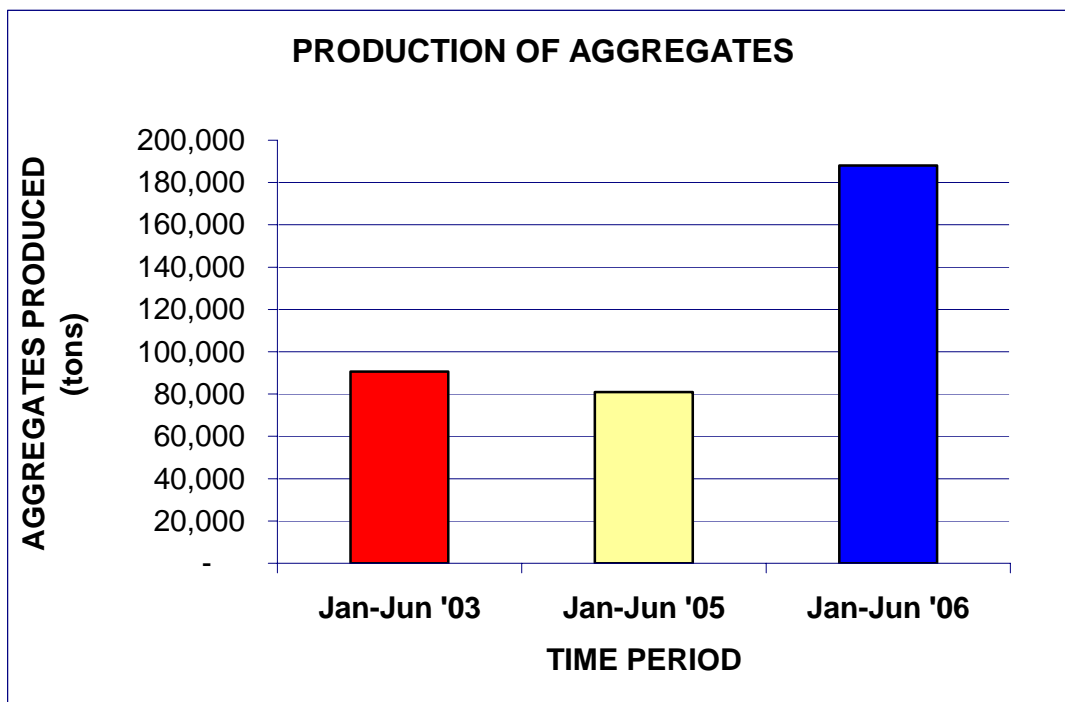
The construction sector is set to be the main driver of economic growth reflecting the considerable number of private and public sector projects being undertaken in preparation for Cricket World Cup 2007.

Specific projects that have been undertaken in 2006 include the construction of the Sir Vivian Richards Stadium, the construction of the new Transport Board Headquarters, the development of the Sunrise Community Hub, the commencement of a number of housing developments, the refurbishment of a number of hotels and the construction of several new tourist accommodation properties.

As a result of these various projects, Madam Speaker, the growth in construction for 2006 is estimated at 35% thereby increasing the sector's contribution to GDP by over three percentage points to 18.97 percent.

This tremendous performance in the construction sector is supported by a 45% expansion of the mining and quarrying sector.

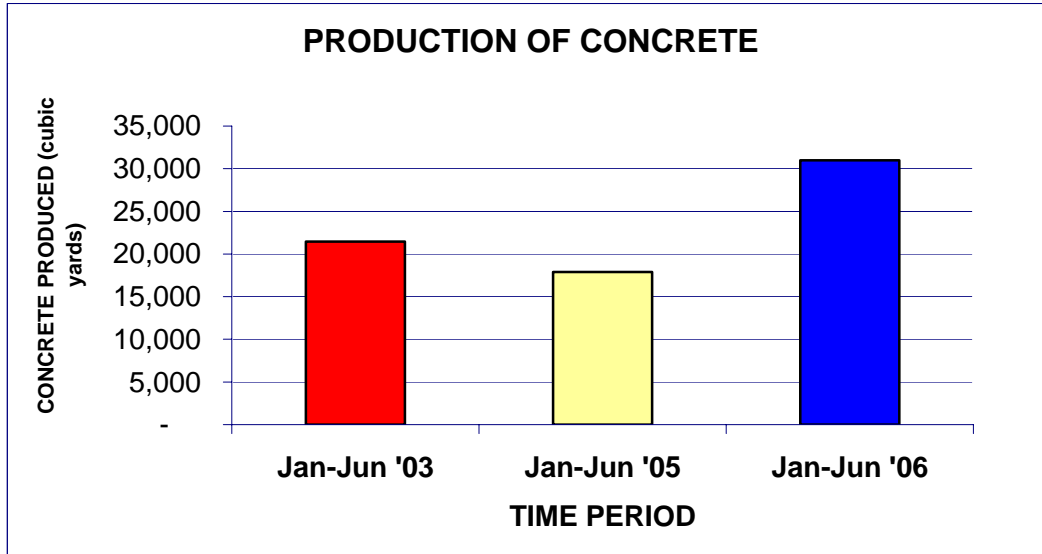
In fact, the production of aggregates increased by over 132% from 81,000 tons for the first half of 2005 to 188,000 tons for the first half of 2006. Further, the output of aggregates for the period ending June 2006 was 107% higher than the 90,655 tons produced over the same period in 2003.



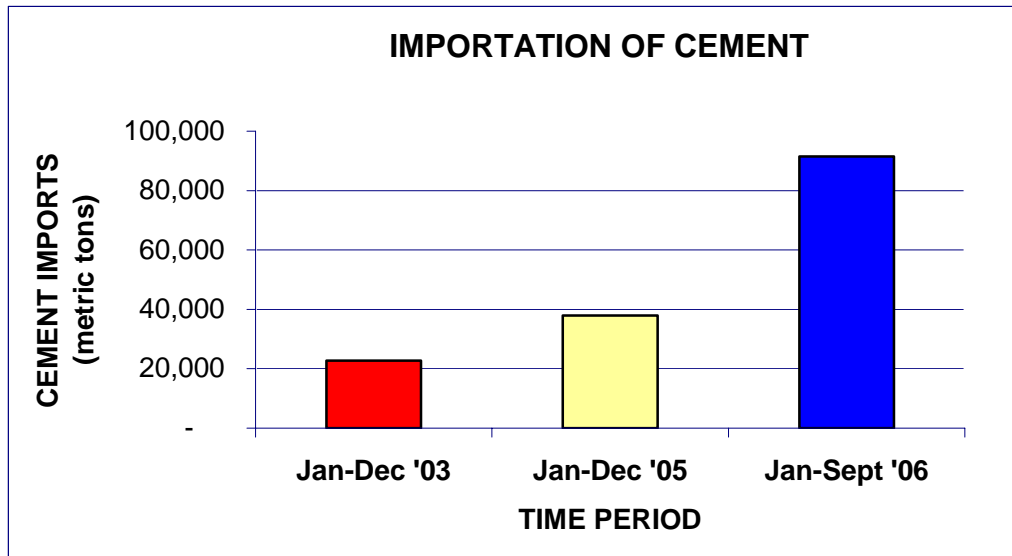
Madam Speaker:

Growth in the production of concrete was also significant in 2006. For the first half of the year, 31,000 cubic yards of concrete was produced. This was 73%

greater than the 17,900 cubic yards produced for the first half of 2005 and 44% higher than the 21,463 cubic yards produced for the first half of 2003.



In addition to the significant increase in the production of aggregates, there has been substantial growth in cement imports. For the period January to September 2006, cement imports amounted to 91,479 metric tons. This represents a 141% increase over the 37,928 metric tons imported for the whole of 2005 and an increase of over 300% above the 22,760 metric tons imported in 2003.



This considerable increase in demand for cement is also indicative of the boom in the construction sector.

However, there remains the challenge, at times, of a shortage in the product which reflects an upsurge in the demand for cement on the global front. This high international demand continues to place upward pressures on the international price and hence the local price of cement. Given the importance of this product in determining the cost of construction, this Government will continue to work with the cement providers to ensure that the prices remain stable and competitive.

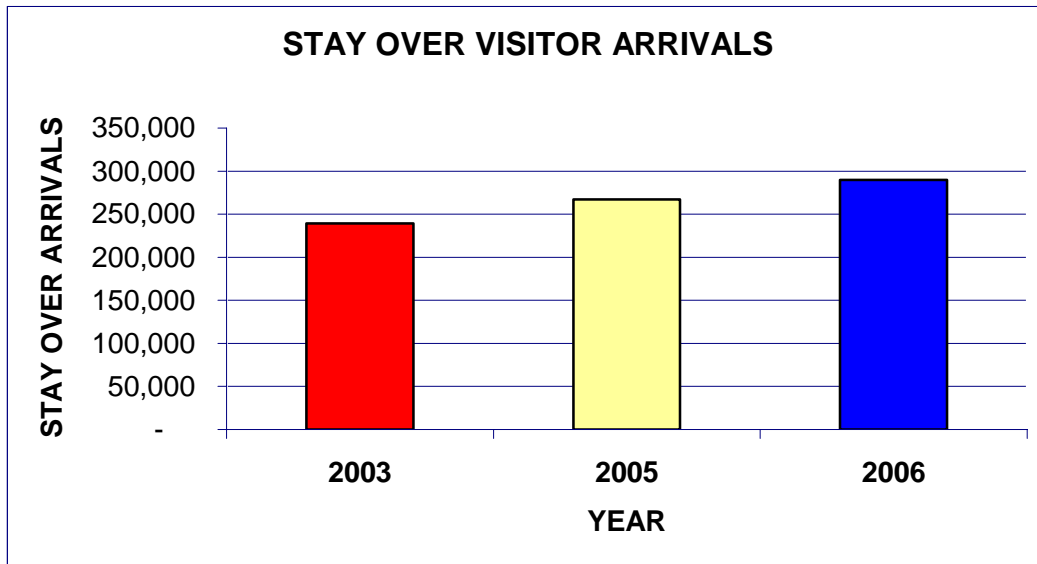
Tourism: The Beach is Just the Beginning

Madam Speaker:

The tourism sector, which is the mainstay of the Antigua and Barbuda economy is also expected to perform well in 2006 with total visitor arrivals amounting to

747,342. Of this, stay over arrivals should amount to 289,807, which represents an 8.5% increase over 2005 where stay over arrivals amounted to 267,110.

Also, stay over arrivals in 2006 were 21% higher than the 239,185 recorded in 2003.



Madam Speaker:

Cruise passenger arrivals in 2006 will amount to 457,535, which is a slight decline compared to the 466,851 registered in 2005. This decline was driven mainly by

the increased competition in the cruise sector, which has diverted a number of vessels from the region to North American ports. However, cruise passenger arrivals in 2006 were 19% higher than the 383,834 cruise passenger visitors in 2003.



Further, total visitor expenditure for 2006 is projected at \$919.8 million which represents a nearly 2% increase over the \$904.5 million in 2005 and is about 14% higher than the \$809.5 million recorded in 2003.



Strong performance with respect to stay over arrivals was a result of increased marketing efforts by the Ministry of Tourism. Through these efforts, we were able to increase the number of stay over arrivals from the United States, Germany and other European countries as a result of the new weekly flights by Delta Airlines and Condor Airlines.

A boost in performance in the sector is expected with the commencement of Excel Airways flights out of the United Kingdom to Antigua in December 2006.

Despite the increased competition in the cruise sector, we have managed to add two new ships for the 2006/2007 tourist season. In October the Holiday Dream made its inaugural visit to our shores while in November the Crown Princess made its first call to Antigua.

Growth in Other Sectors

Madam Speaker:

The robust performance in the two main economic sectors in 2006 has had positive spillover effects on the other sectors of the economy.

In particular, the wholesale and retail trade sector is expected to grow by 15%, agriculture by 6.5%, manufacturing by 3%, banking and insurance by 7.5%, communications by 6% and the transport sector by 14.3%. This is clearly an indication of a vibrant and thriving Antigua and Barbuda economy.

While these sectors are growing, the Government's contribution to economic output is steadily declining. This is, no doubt, Madam Speaker, good news as this Government continues to focus on providing the enabling environment for economic growth while allowing the private sector to serve as the engine of growth.

The rate of growth in the Government sector is projected to decline from 3% in 2005 to 2% in 2006. The sector's contribution to GDP has declined steadily since 2003 from about 17% to 14.9%.

Madam Speaker, we are encouraged by this development and will continue our efforts to reduce the size of Government thereby allowing the private sector to play a more pivotal role as the main driver of economic growth.

Financial Services Sector:

Madam Speaker:

The Financial Services sector remains a viable option for economic diversification and the creation of employment in Antigua and Barbuda. There are several types of financial services companies operating in Antigua and Barbuda and providing employment for over 1,000 persons. These companies include banks, insurance companies, International Business Corporations (IBCs) and gaming companies.

In July 2006, we strengthened the regulations governing the operations and types of institutions that can function within our jurisdiction.

Since the enactment of the new regulations, the Financial Services Regulatory Commission (FSRC) has received US\$7.2 million in statutory deposits from the companies operating in the offshore banking and financial sector.

The FSRC will also seek to amend the legislation governing the operations of IBCs, particularly international insurance businesses in order to further develop the sector. In addition, new legislation will be enacted to allow the FSRC to regulate and supervise both domestic and international insurance companies to maintain international best practices.

Madam Speaker:

Over the course of the coming year, the Government will pursue further diversification initiatives and seek to increase the number and types of international businesses that provide high quality financial services.

The regulatory regime will be enhanced shortly to allow for the introduction of new financial services products to include:

- Foundations;
- Limited Liability Companies;
- Limited Liability Partnerships;
- Segregated Accounts; and
- Mutual Funds

Internet Gaming:

Madam Speaker:

The Gaming industry proved to be one of the most viable services within the Financial Services sector. However, the United States ban on internet gaming has, over the past few years, had a negative impact on growth within the industry. Consequently, we have seen a reduction in the number of gaming companies from 47 at the end of 2004 to 38 in 2006.

Despite Antigua and Barbuda's success in challenging the United States' ban at the level of the World Trade Organization (WTO), the United States continues to be non-compliant with the WTO ruling.

In fact, the United States further restricted access by passing the "Unlawful Internet Gaming Enforcement Act, 2006" (UIGE, Act 2006) into law on October 13, 2006. This new law is appended to the "The Port Safety Act, 2006" the purpose of which is to increase protection of American ports from threats of terrorism and is a measure to further crack down on Internet gaming.

Madam Speaker:

The recent arrest of UK online gaming executives and the impact of the UIGE Act 2006 were felt by all industry stakeholders. Our publicly traded operators that relied on the US gaming market saw their share prices lose value by up to 85%. This amounted to a total estimated loss of £6 billion in share value.

Most, if not all of our publicly listed companies have disposed of the US-portion of their operations and moved to private entities in other countries. Given the reduction in revenue to and the exit from the lucrative US gaming market by several of our large gaming operators, the overall impact on employment in this sector is likely to be significant, at least in the short run.

Madam Speaker:

The Government, however, remains committed to the internet gaming sector. Despite the challenges, the sector generated \$6.3 million in revenue from licenses and fees up to September 2006. This sector has, in fact, contributed to about 90% of the FSRC's revenue from license fees.

In addition, the sector plays a significant role in providing employment for our young people and remains an excellent example of how a developing nation can create a niche market that would provide significant socio-economic benefits.

Civil Aviation Sector:

Madam Speaker:

Air transportation in the Caribbean has not only been important in facilitating intra-regional travel but has also been essential in enhancing tourism in the region. LIAT, the Caribbean Airline, has been the foremost carrier in the region for many years and continues to play a pivotal role in intra-regional travel and promoting tourism development.

While the air transportation business may be a more viable business proposition in larger economies, it has proven necessary for the Governments of this region to play an active role in ensuring the continued viability of regional air travel services.

Madam Speaker:

As a major shareholder in LIAT, the Government of Antigua and Barbuda has invested heavily in the airline to facilitate its continued operation. Since March 2004, this Government has made equity investments in LIAT totaling almost \$30 million.

This investment by Antigua and Barbuda along with the injection of funds by other government shareholders was essential for the continued survival of the airline.

In addition to facilitating travel, LIAT makes significant contributions to the Antigua and Barbuda economy by providing direct and indirect employment for many citizens. Presently, Madam Speaker, the airline employs 457 persons and pays approximately \$45.5 million in wages and salaries annually.

Madam Speaker:

While this Government is committed to ensuring that LIAT continues to contribute to employment in Antigua and Barbuda, we recognize the need to establish a more sustainable and financially viable approach to the provision of consistent and quality civil aviation services.

In this regard, the future development of LIAT is presently being examined within the context of a possible merger with its principal rival, Caribbean Star. While discussions are still ongoing, the intention is to form a single airline utilizing the rationalized assets of both companies.

The company would be jointly owned by the principal present shareholders of LIAT and Caribbean Star with the intention of securing additional third party private sector investment into the airline at the earliest opportunity.

A series of working groups covering all aspects of airline operations, and comprising management officials of both companies, have been set up. It is expected that these groups will shortly prepare a Draft Action Plan, which will serve as the working document for the merger.

The intention of the merger is to put into place a financially viable airline operation capable of meeting the challenges of competition and liberalization, providing high

quality tourism and other air transport needs at an economic rate, and eliminating the need for government financial support to airline services in the Eastern Caribbean.

The move comes against the ongoing transformation of air services in the wider Caribbean.

Utility Services Sector:

Madam Speaker:

This Government remains committed to ensuring the provision of high quality, dependable public utilities services to the people of Antigua and Barbuda.

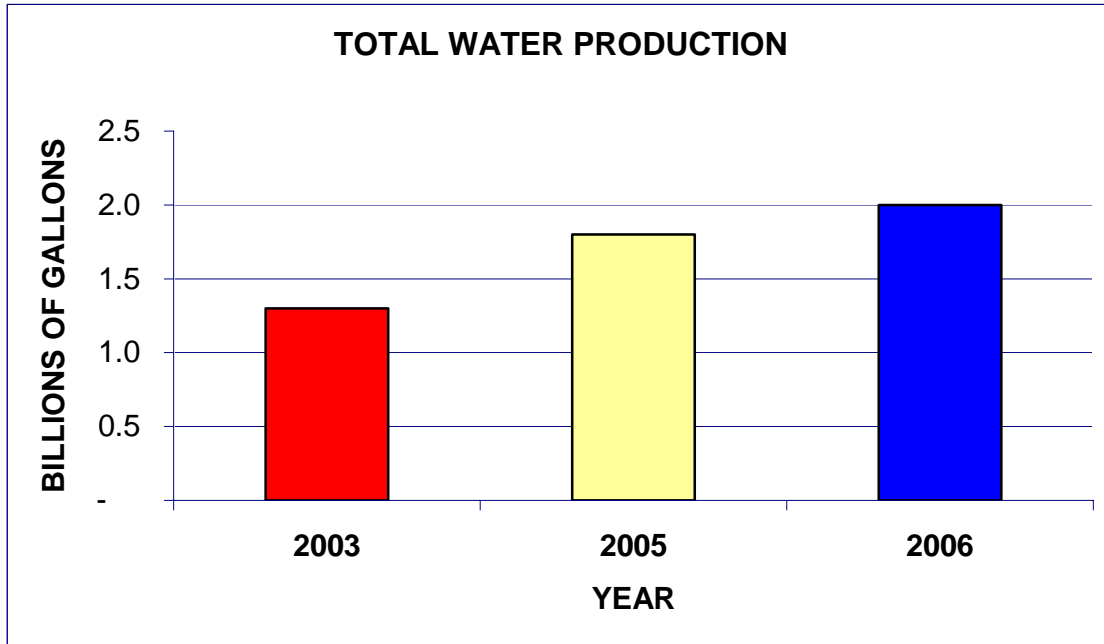
The Antigua Public Utilities Authority (APUA) has worked diligently to improve operations and to ensure minimal interruptions in the provision of water and electricity services to the general public. In particular, Madam Speaker, steps have been taken to enhance water and electricity production to meet the growing demand for these services.

In order to enhance water output, the production capacity of the Enerserve desalination facility will be expanded by 1.4 million gallons per day by the end of December 2006. This should increase output to about 3.5 million gallons per day by the end of the year.

In addition, water production capacity will be further enhanced with the installation of reverse osmosis plants in a number of locations.

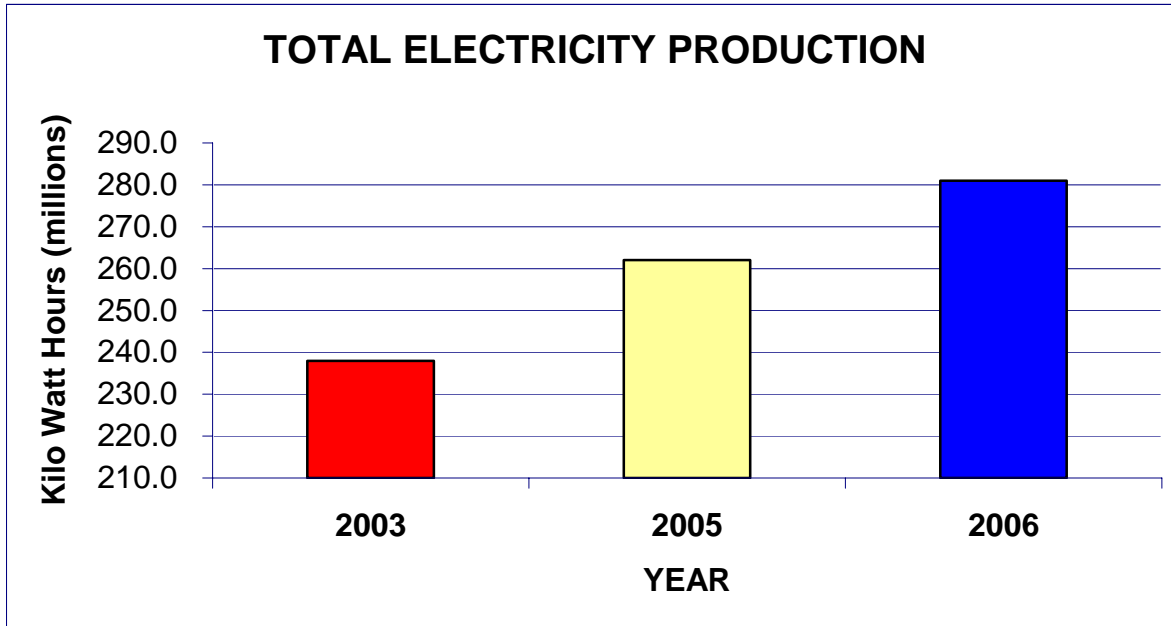
With the installation of these plants, water production should increase by a further 1.5 million gallons per day. Also, Madam Speaker, particular focus will be placed on increasing well development, construction of storage facilities and the replacement of water mains in St. John's commencing in 2007.

With the increased production capacity, it is expected that, by the end of 2006, total output would amount to about 2.0 billion gallons. This represents an 11% increase over the 1.8 billion gallons produced in 2005 and a more than 50% increase over the 1.3 billion gallons produced in 2003.



Madam Speaker:

With respect to electricity, production capacity was increased with the expansion of the Antigua Power Company facility from 12 megawatts (Mw) to 27Mw and the commissioning of a temporary power facility with an output of 10Mw. The result has been a 7% increase in electricity output from 262 million kilo watt hours (KwHrs) in 2005 to 281 million KwHrs in 2006. Further, total electricity output in 2006 was over 20% higher than the 238 million KwHrs produced in 2003.



Madam Speaker:

In 2007, we will undertake joint venture projects to increase electricity output by up to an additional 50.9Mw. Our efforts in 2007 are expected to lead to even higher levels of water and electricity output to meet the increasing demands of household and commercial consumers. We are well positioned to effectively provide reliable services and stand ready to tackle any challenges that may arise.

Improvements in Human Development:

Madam Speaker:

I now turn to the issue of human development in Antigua and Barbuda.

Economic and social development experts agree that the Gross Domestic Product gives an overall picture of the wealth of a nation and growth in GDP provides an indication of increases in that wealth.

However, these indicators are not necessarily sufficient guides to the level of human development and ultimately the quality of life within a nation. Indeed, one could ask whether the positive economic performance in Antigua and Barbuda has translated to an improvement in the peoples' economic and social welfare.

Well, according to the United Nations Human Development Report for 2006, the answer, Madame Speaker, is a resounding yes!

Antigua and Barbuda is now ranked 59th out of 177 developed and developing countries in terms of human development. This represents an increase over our previous ranking in 2005. The United Nations Human Development Report also ranks countries into categories of high, medium and low human development.

Madam Speaker, I am extremely pleased to report to this Honourable House that, according to the United Nations Human Development Report, Antigua and Barbuda, in 2006, has been elevated from the category of medium human development to the enviable category of HIGH HUMAN DEVELOPMENT.

Yes, Madam Speaker, under the leadership of Prime Minister Baldwin Spencer and his UPP Administration, Antiguan and Barbudans are assured an improvement in conditions that promote human development.

Madame Speaker:

It is indeed a truism that this UPP Administration has ensured that citizens of Antigua and Barbuda can live longer and healthier lives, that they have access to and are taking advantage of education opportunities, and enjoy a respectable standard of living.

Oil Prices and Inflation:

Madam Speaker:

High oil prices remained a significant challenge in Antigua and Barbuda and the rest of the ECCU region. However, this Government's policies, including the decompounding of the consumption tax and the reduction of the customs service tax on basic food and other items, have kept the inflationary pressures of high oil prices in check.

While fuel costs, particularly in respect of gasoline, diesel and LPG, continued to rise for the most part in 2006, we have sought to keep the prices to the consumer unchanged.

Madam Speaker:

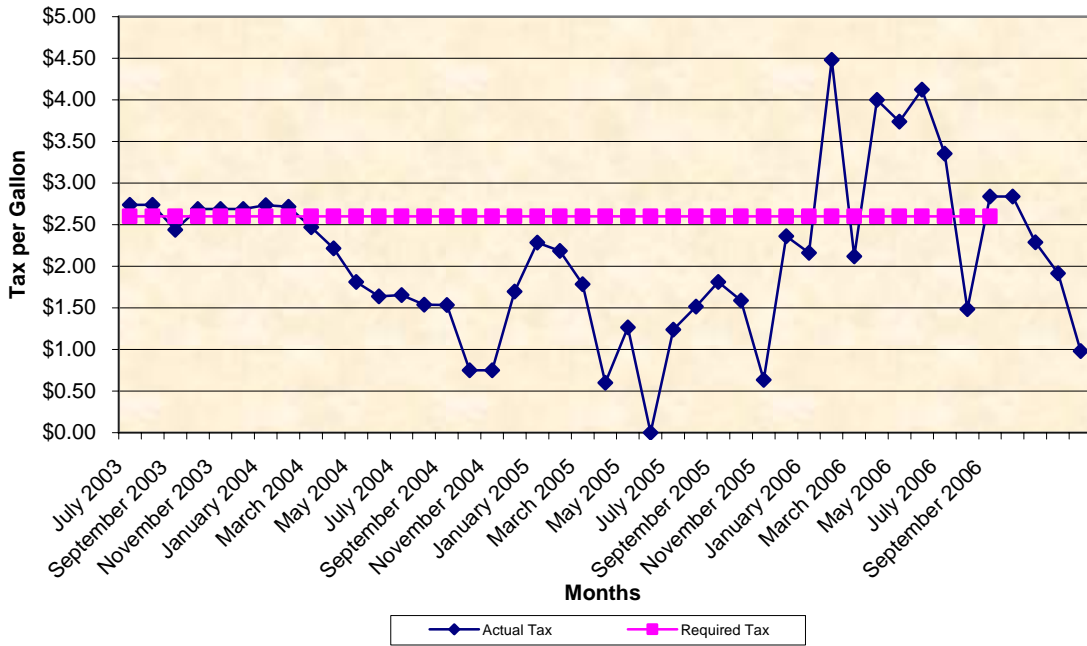
The Government will, however, seek to implement a pricing mechanism that will facilitate the pass-through of the international prices of petroleum products. In essence, we will ensure that whether international prices are rising or falling, this will be reflected in the price of the product on the local market. Such an approach will be in keeping with the ECCB Monetary Council decision taken earlier this year.

Over the past few months we have seen the international price per barrel fall below US\$70 and this has led to local pressures to have the prices at the pump reduced. It should be noted however, that when the prices were significantly higher at almost US\$80 per barrel, the Government absorbed these higher prices at a tremendous cost.

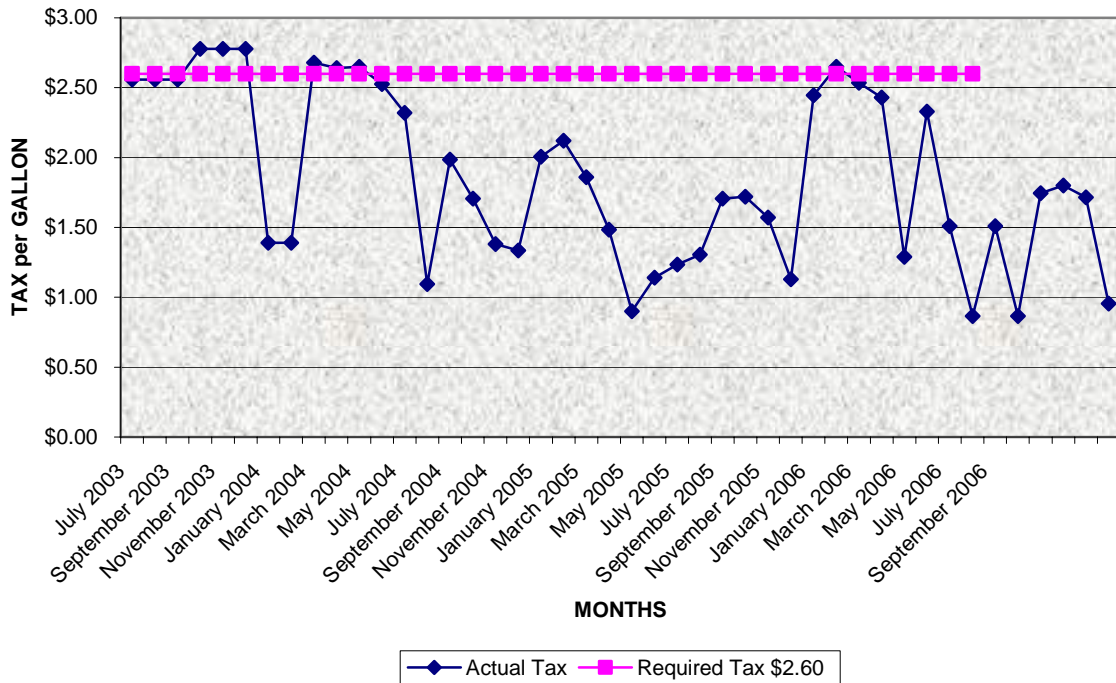
Essentially, in order to keep the prices at the pump unchanged, we reduced the consumption tax on the product in an effort to absorb the higher costs.

What this has meant is that consumption tax revenue was well below the required level of \$2.60 per gallon for both gasoline and diesel for the period March 2004 to September 2006.

CONSUMPTION TAX ON GASOLINE - JULY 3003 TO SEPTEMBER 2006



CONSUMPTION TAX ON DIESEL - JULY 2003 TO SEPTEMBER 2006



Overall, since March 2004 the Government forfeited \$18.1 million in revenue in order to cushion the general public from the increasing cost of gasoline and diesel.

Over the past few months, we have seen some fall off in the price per barrel of crude oil. However we have not been able to recoup the revenue lost over the past two years.

Further, Madam Speaker, the international price of fuel is still volatile and the threat of high spikes remains a reality, particularly given the possibility of a reduction in supply by a number of oil producing nations.

Despite these challenges in respect of higher oil prices, the inflation rate for 2006 is expected to remain low at about 2.5%. Further, for the first half of 2006, the average inflation rate for the ECCU region was about 1.0%.

On the other hand, Madam Speaker, the inflation rate in Antigua and Barbuda for the same period was 0.3% which was significantly lower than the regional average. The lower rate of increase in prices in Antigua and Barbuda compared to its regional counterparts is borne out in the prices of food items.

Madam Speaker:

Over the past several months, the Government has been extremely challenged by requests for increases in wages and salaries. The increases sought ranged from 10% to 40% and would significantly increase the wage bill.

A sound wage policy would dictate that any increases should be influenced by movements in the cost of living represented by the inflation rate. As such, any increase in wages and salaries should, at best, be in line with the inflation rate which is expected to be 2.5%.

With respect to food, the most heavily weighted item in the CPI basket, the average ECCU price increase was 1.2% for the period January to June 2006. However, for Antigua and Barbuda the increase in food prices was 0.8% for the same period.

In terms of the other items in the basket, including clothing, transportation and communication, and accommodation, increases have been significantly less than 1% since January 2006.

To further illustrate the point that there has been no whirlwind increase in the cost of living here in Antigua and Barbuda, I will compare the prices of some basic food items as recorded in October 2006 with their prices in October 2005.

I will go one step further, Madam Speaker, and demonstrate that, in Antigua and Barbuda, prices of basic food items are generally lower than in a number of the other ECCU countries. The data for this comparison comes from the Commodity Price Matrix that is compiled by the ECCB for all ECCU countries.

This Commodity Price Matrix tracks the prices of a number of products in a shopping basket that is standardized across the ECCU member states. The shopping basket includes milk, flour, chicken, rice, sugar, cooking gas and electricity services, among others.

Madam Speaker:

Between October 2005 and October 2006, the following price movements were recorded in Antigua and Barbuda in respect of a number of these items:

- The price of a 5 pound bag of Purity White Flour fell by \$2.05 from \$7.13 in October 2005 to \$5.08 in October 2006;
- The price of a 2 kilogram bag of Three Jewels Rice fell by 57 cents from \$7.11 in October 2005 to \$6.54 in October 2006;
- A pound of loose white sugar was 91 cents in October 2005 and increased by 34 cents to \$1.25 in October 2006;
- The price of a 12.3-ounce box of Kellogg's Cornflakes fell by 6 cents from \$9.78 in October 2005 to \$9.72 in October 2006;
- A 1000-gram bag of Breeze laundry detergent was \$7.70 in October 2005 and increased by 72 cents to \$8.42 in October 2006;
- The price of a 5-pound box of Tyson Whole Chicken legs fell by \$7.31 from \$22.30 in October 2005 to \$14.99 in October 2006.

Madam Speaker:

These figures clearly do not show an unbridled increase in prices. For those items where the prices have increased by a few cents, this is a reflection of imported inflation and certainly not a result of any added taxation.

Indeed, all of these items are free of the consumption tax and face a reduced customs service tax of 5%. On the other hand, these items face various taxes within the other ECCU countries that have translated into higher prices.

For example, in October 2006:

- ◆ The price of a 14-ounce can of Carnation Milk was \$2.85 in Anguilla compared to \$2.50 in Antigua and Barbuda;
- ◆ For a 5-pound bag of purity white flour, the price was \$6.95 in St. Kitts/Nevis, \$5.60 in Grenada but, in Antigua and Barbuda the price was \$5.08;
- ◆ A 5-pound bag of Three Jewels Rice retailed at \$8.62 in Dominica while in Antigua and Barbuda the price was \$6.54;
- ◆ The price of a pound of loose white sugar on the local market was \$1.25 while in St. Kitts/Nevis and Grenada the prices were \$1.50 and \$1.56 respectively;
- ◆ The price of a 12.3-ounce box of Kellogg's Cornflakes was \$24.50 in Dominica compared to \$9.72 in Antigua and Barbuda;

- ◆ A 1000-gram bag of Breeze laundry detergent retailed at \$9.31 in Dominica and \$9.50 in St. Kitts/Nevis compared to \$8.42 in Antigua and Barbuda; and
- ◆ A 5-pound box of Tyson chicken legs was \$18.45 in St. Lucia and \$18.95 in St. Kitts/Nevis while on the local market the price of the same product was \$14.99.

Madam Speaker:

In nearly all cases, the prices of these products in Antigua and Barbuda were well below the average price across the ECCU region. This, I am convinced, should better put into perspective any discussion about the cost of living in Antigua and Barbuda.

Moreover, these figures further drive home the point that the level of taxation in Antigua and Barbuda is the lowest in the ECCU region. In fact, while the average tax to GDP ratio in the other ECCU countries is 24% and higher, tax to GDP stands at approximately 19% in Antigua and Barbuda.

Madam Speaker:

What this tells us is that we have the highest per capita GDP, the lowest level of taxation, and a cost of living that is in line with and in some cases lower than the cost of living in our ECCU counterparts.

In fact, what we have found is that between October 2005 and October 2006, the total cost of the items in this shopping basket declined from \$383.40 to \$376.16. The cost of the basket in Antigua and Barbuda is, in fact, among the lowest in the ECCU region.

Madam Speaker, permit me to put this matter to rest once and for all. On November 20th 2006, we went to a number of Supermarkets, assessed the prices of these same items and found the following:

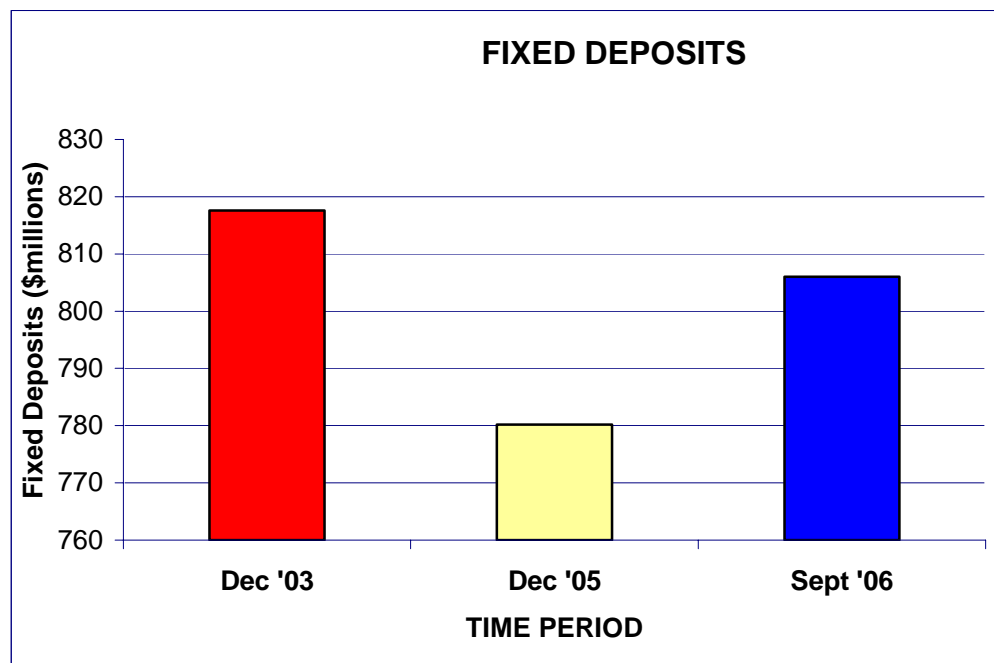
- The price of a 5 pound bag of Purity White Flour was \$5.08 – the same as in October 2006;
- The price of a 2 kilogram bag of Three Jewels Rice was \$6.54 – the same as in October 2006;
- A pound of loose white sugar was 94 cents – **31 cents lower than in October 2006;**
- The price of a 12.3-ounce box of Kellogg’s Cornflakes was \$9.72 – the same as in October 2006;
- A 1000-gram bag of Breeze laundry detergent was \$8.17 – **25 cents less than in October 2006;**
- The price of a 5-pound box of Tyson Whole Chicken legs, which fell from \$22.30 in October 2005 to \$14.99 in October 2006, was **even lower in November at \$12.60.**

Savings and Credit Performance:

Madam Speaker:

The impressive economic performance for 2006 is reinforced by an expansion in the level of savings and other deposits and an upsurge in credit for the acquisition of property, for consumer durables and for commercial purposes.

At the end of December 2003, fixed (time) deposits amounted to \$817.6 million while for 2005 this amounted to \$780.2 million. By the end of September 2006, fixed deposits increased by 3.3% over 2005 to \$806 million.



It should be noted that, over the past two years, as liquidity in the banking sector was at a record high, the interest rates on fixed deposits had fallen compared to interest rates in previous years.

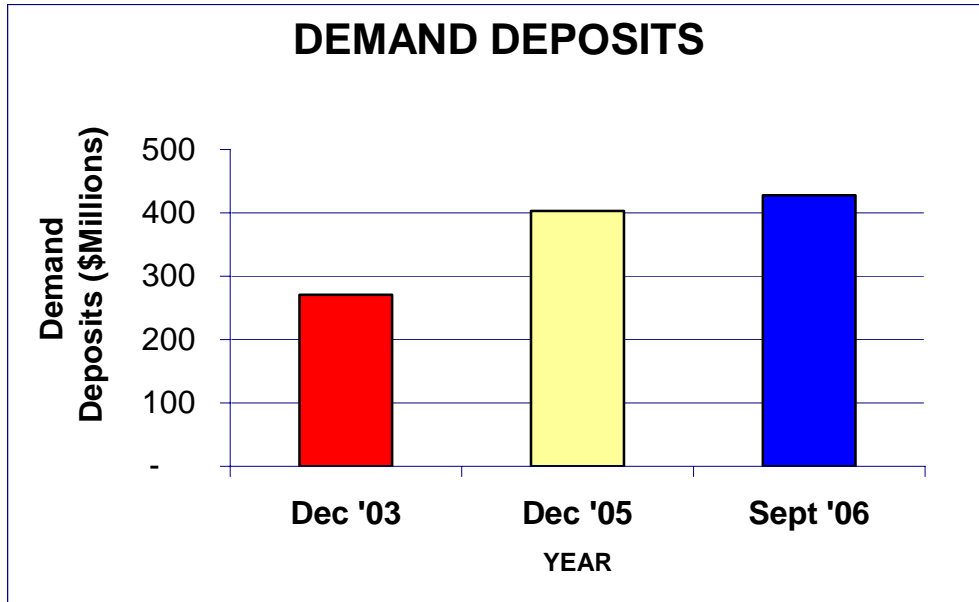
In fact, the interest rates offered on fixed deposits in 2003 were as high as 9.25% and are now significantly lower at between 4.5 and 5.5%. While bank rates for fixed deposits have fallen, we have noted a marked increase in fixed deposit instruments offered by insurance companies with interest rates that are more competitive than those offered by banks.

Essentially, the lower levels of fixed deposits held with the banks should not be viewed as a reduction in the level of long term savings. These lower bank rates and increased competition from other financial institutions along with the availability of other more lucrative investment options have all contributed to individuals moving away from the traditional approach to saving and income generation.

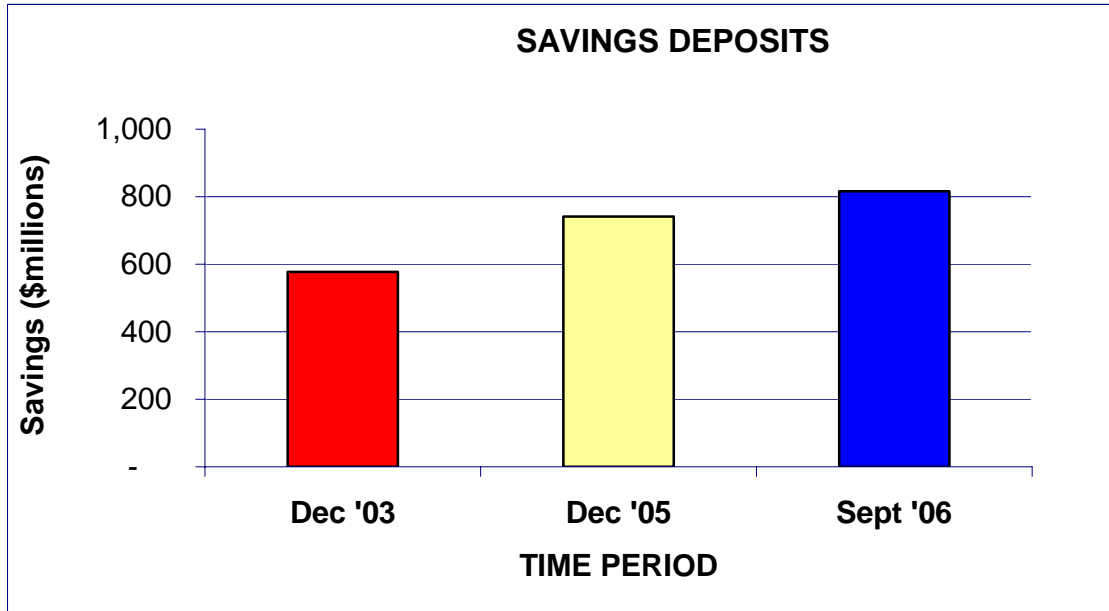
Madam Speaker:

The level of demand deposits, which essentially refers to non-interest bearing account balances from which withdrawals can be made upon demand, also increased significantly.

By the end of September 2006, demand deposits amounted to \$427.7 million and were 6% higher than the \$403.2 million recorded in 2005. Further, demand deposits in 2006 were 58% higher than the \$270.7 million recorded in 2003.

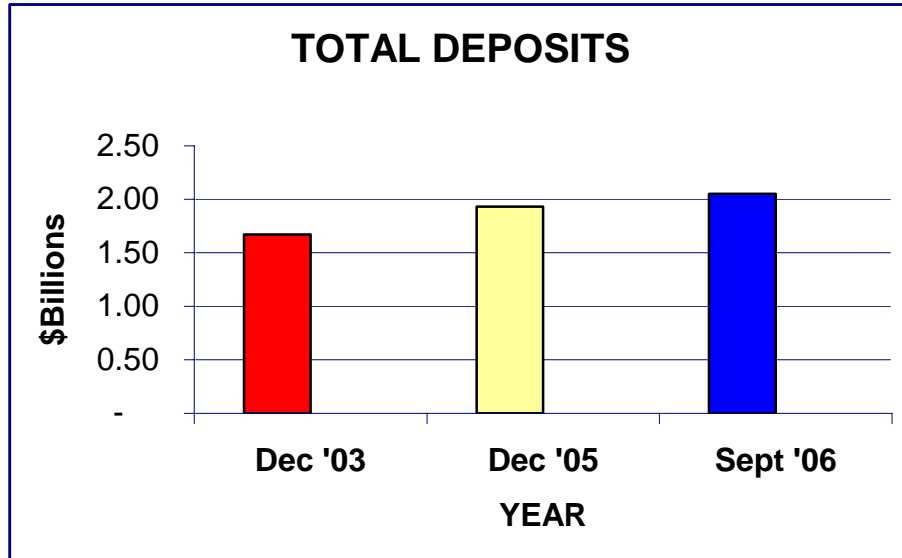


In terms of savings deposits, Madam Speaker, the ECCB Monetary Survey shows an increase of about 10% from \$741.7 million at the end of December 2005 to \$815.7 million at the end of September 2006. Further, savings deposits at the end of September 2006 were 41% higher than the \$577.1 million recorded in 2003.



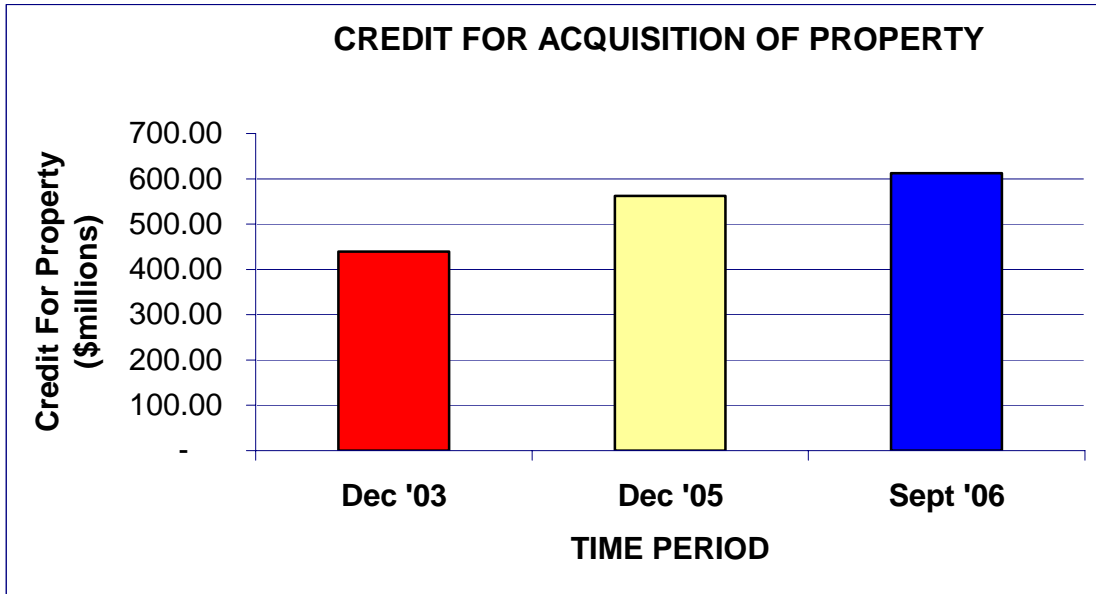
Madam Speaker:

This information clearly flies in the face of the now defunct refrain that the Government's fiscal reform efforts, particularly the re-introduction of the Personal Income Tax, would lead to a reduction in the level of saving or massive dissaving. In fact, Madam Speaker, what we have seen overall is a steady increase in total deposits. In 2003, total deposits amounted to \$1.67 billion. By 2005 this had increased to \$1.93 billion and, as at September 2006, total deposits amounted to \$2.05 billion and were 23% higher than in 2003.



Madam Speaker:

Turning now to credit performance, there was a significant increase in credit to households for the acquisition, construction and renovation of property. At the end of September 2006, credit for the acquisition of property amounted to \$612.7 million, which was 9% higher than the \$562.3 million recorded in 2005. In addition, credit for the acquisition of property in 2006 was 39% higher than the \$439.6 million recorded in 2003.

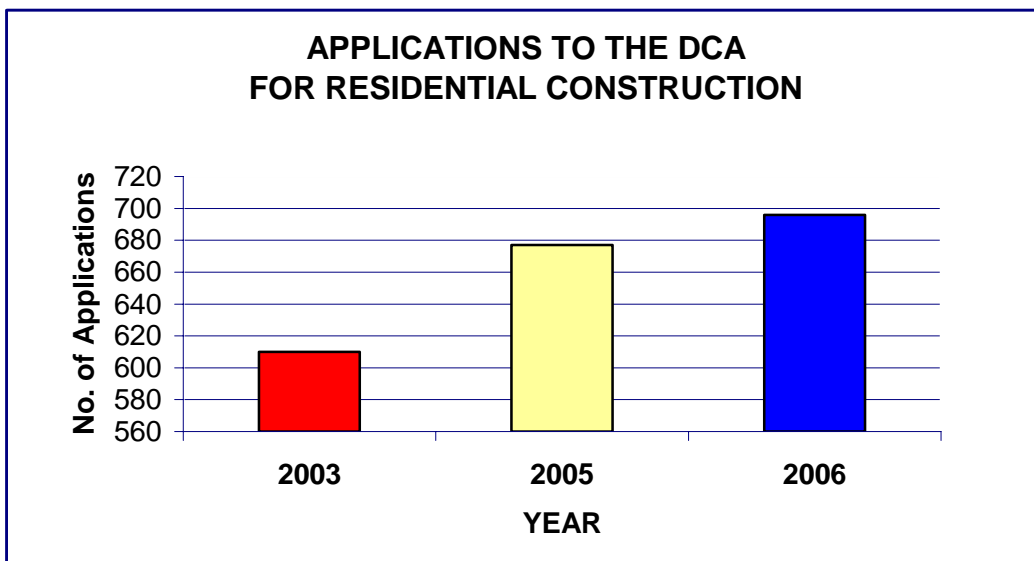


Again, Madam Speaker, instead of massive foreclosures on mortgages, we see an increase in credit to Antiguans and Barbudans who are seeking to own their own homes.

Madam Speaker:

This increase in credit for the acquisition of property is supported by growth in the number of applications to the Development Control Authority (DCA) for residential construction.

In 2003, a total of 610 applications were made to the DCA for residential construction. In 2005, applications amounted to 677 while in 2006 a total of 696 applications were made between January and July. At this rate, it is expected that by the end of 2006, there will be over 1,000 applications submitted to the DCA for residential construction.

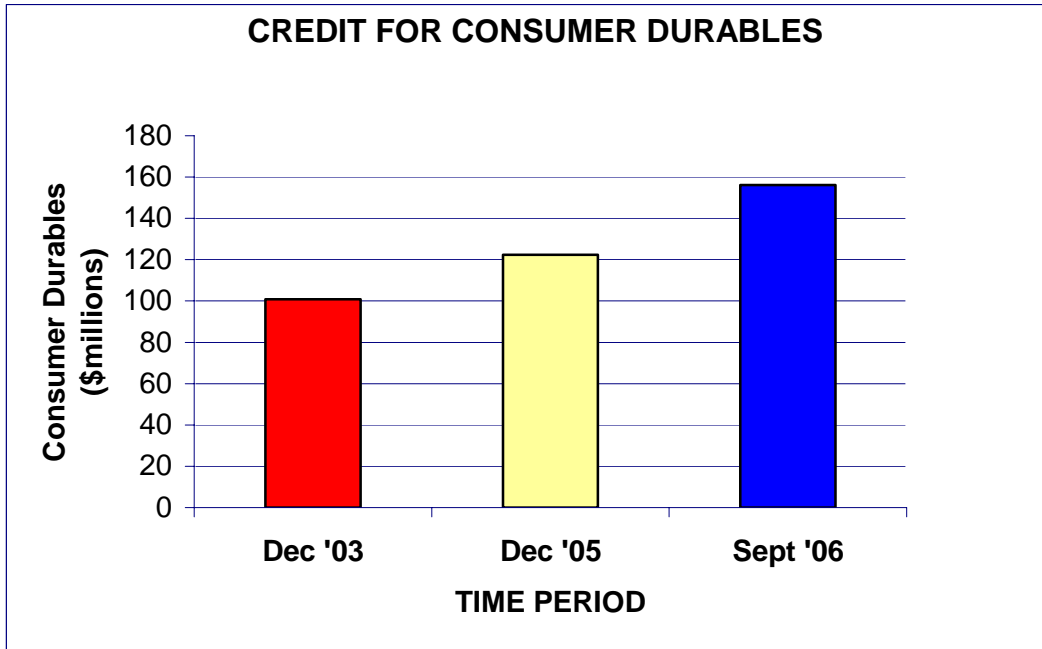


Also, Madam Speaker, as a result of our policy to reduce the Corporate Income Tax to 27.5% for any bank offering mortgage interest rates of 8% or less, we have seen a marked decline in the average interest rate on mortgages with a number of banks offering a residential mortgage rate of 8%.

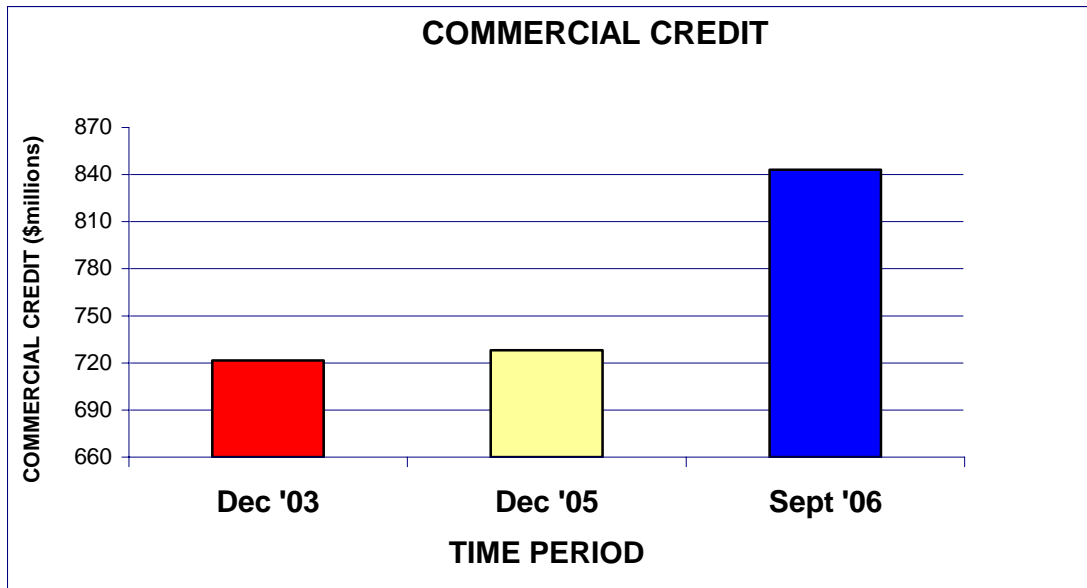
Madam Speaker:

Economists typically assess expenditure on consumer durables as a key indicator of the strength of the economy. Rising consumer expenditure not only demonstrates consumer confidence but also is a reliable gauge of the health of an economy.

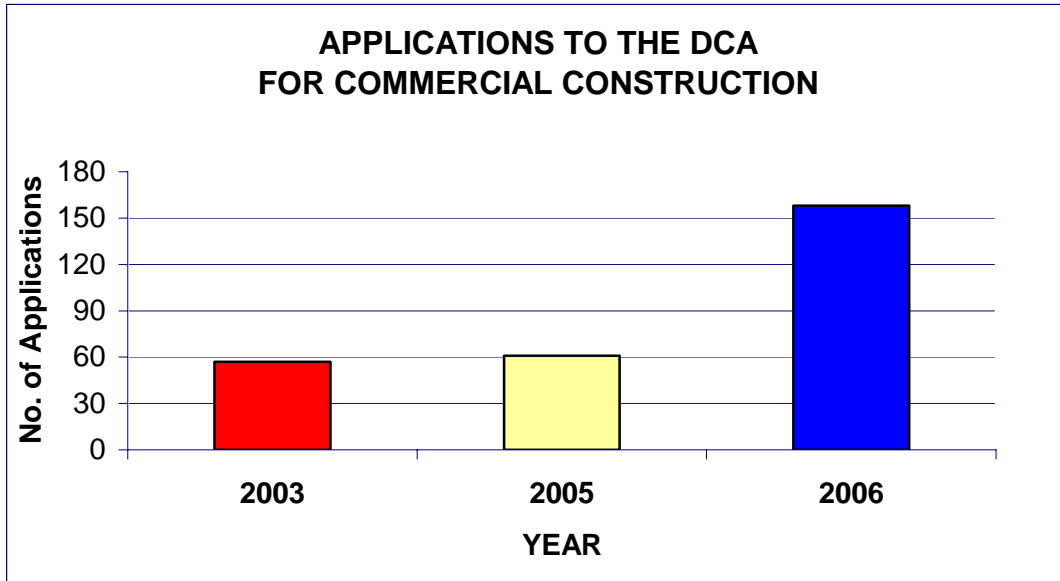
With this in mind, the nearly 27.5% increase in credit for consumer durables recorded by the ECCB in its Monetary Survey is indeed indicative of a healthy and thriving Antigua and Barbuda economy. The figures reveal that at the end of 2005, credit for consumer durables amounted to \$122.4 million while by the end of September 2006, this had increased to \$156.1 million. Also, credit for consumer durables was 55% higher in 2006 than the \$100.8 million recorded in 2003.



The positive developments with respect to credit are not limited to households. Indeed it is critical that for sustainable growth, there must be increased credit for commercial activity. I am pleased to report, Madam Speaker, that credit for business activity increased by 15% from \$728.1 million at the end of December 2005 to \$843.1 million at the end of September 2006. Further, in 2006 credit for business activity was 17% higher than the \$721.1 million recorded in 2003.



Further, Madam Speaker, we have seen an incredible increase in the number of applications to the DCA for commercial construction which corroborates the major boost in the level of investment for property development. In 2003, there were 57 applications for commercial construction while in 2005 there were 61 applications. Between January and October 2006, there were 158 applications submitted to the DCA for commercial construction.



Success at Facilitating Business:

Madam Speaker:

While the discredited soothsayers across the floor may be flabbergasted by the impressive expansion in private sector activity, we, however, are by no means surprised. We have always been confident that our efforts to promote private sector activity through sound fiscal, institutional and legislative reform initiatives would reap substantial rewards.

It was, Madam Speaker, simply a matter of sowing good seeds and awaiting a bountiful harvest.

Madam Speaker:

If the strong economic performance for 2006 is not a sufficient indicator of the positive impact of our policies and the success of our efforts to focus on facilitating business activity, then perhaps the World Bank's Doing Business 2007 Report can assist in silencing our detractors.

The Doing Business 2007 Report assessed the business climate in 175 developed and developing countries. Madam Speaker, I am pleased to inform this Honourable House that Antigua and Barbuda ranked 33rd out of the 175 countries. In fact, apart from St. Lucia, Antigua and Barbuda was the highest ranking Caribbean nation.

This is certainly an accomplishment of which all Antiguan and Barbudans should be proud. We are surely encouraged by this outstanding performance and will continue to emphasize private sector friendly policies to ensure that Antigua and Barbuda moves up in the ranking.

Economic Cooperation with the United States Agency for International Development:

Madam speaker:

In September 2005, the Governments of Antigua and Barbuda and the United States signed a Memorandum of Understanding (MOU) establishing a bilateral economic cooperation agreement. This cooperation agreement, which is being administered by the United States Agency for International Development (USAID) Caribbean Open Trade Support (COTS), provides technical and financial support to Antigua and Barbuda for activities that promote economic growth and competitiveness.

To date, Madam Speaker, the USAID through the COTS has expended about US\$2 million on a variety of initiatives at both the private and public sector levels.

Specifically, the COTS project provided technical assistance for legislative drafting with particular emphasis on the development of legislation that would enhance Antigua and Barbuda's capacity to fully comply with the WTO and CSME processes. This initiative, which will continue in 2007, also sought to advance the reform agenda that would strengthen competitiveness within the local business environment.

Madam Speaker:

The project also collaborated with local business organizations to facilitate the establishment of an Umbrella Business Forum (UBF). This alliance should provide the basis for individual associations to jointly represent their interests on critical economic and trade issues to the Government and at the regional level.

Over the past year, the COTS has also provided support and technical assistance on matters such as:

- strengthening capacity of the Statistics Division;
- creating a comprehensive tax guide;
- developing a national trade policy framework;
- streamlining arrangements for a company registration process;
- facilitating Antigua and Barbuda's participation in the World Bank's Doing Business survey; and
- promoting disaster risk reduction.

In addition, Madam Speaker, the project assisted in public awareness initiatives aimed at improving private sector understanding of business opportunities through regional and international integration.

The Government of Antigua and Barbuda is very grateful for the assistance provided under the aegis of this economic cooperation agreement and anticipates an intensification of activities in 2007 that will benefit both private and public sector entities.

Social and Economic Cooperation with the Republic of Cuba:

Madam Speaker:

The Government of Antigua and Barbuda established diplomatic relations with the Republic of Cuba in 1994. Since then, both nations have sought to capitalize on a mutually beneficial relationship which has grown exponentially in recent years. Antigua and Barbuda and Cuba share many common historical bonds, which have been consolidated through a number of joint cooperation initiatives.

Cuba, to date, has been the main source of scholarship opportunities to Antigua and Barbuda, thus, aiding in the Government's desire to provide universal access to education. The nation has been the recipient of more than three hundred scholarships in the past eight (8) years since the Cuban Scholarship Programme began in 1998 with more than half that number being awarded in the past three (3) academic years.

Madam Speaker:

Our students are currently enrolled in various universities and institutions of higher learning in a wide range of disciplines throughout Cuba including medicine, various fields of engineering, accounting, economics, information technology and telecommunications, sports and education.

Recently the Government has embarked upon a series of initiatives aimed at addressing social and economic issues in view of national development and as such

has fortified collaborative efforts with Cuba. A number of areas of cooperation have been identified to which the Cuban government and people have pledged their support and solidarity.

Madam Speaker:

Education is a most vital area for long term national benefit. In this regard, the Cuban government has agreed to increase the number of scholarships annually from fifty (50) in 2005 to a record number of seventy-six (76) in 2006. At present, there are more than 250 Antiguan and Barbudan students in Cuba. Apart from education there are a number of other areas of cooperation from which Antigua and Barbuda stands to benefit in its drive toward national development.

Some of these include:

- Medicine – There are 33 Cuban doctors and technicians working at the Holberton Hospital and 50 Antiguan and Barbudan students studying medicine in Cuba. The Eye-care programme has provided an extraordinary service to over 13,500 citizens of this country up to June of this year. Nearly 800 of these traveled to Cuba for specialist eye care services.
- Public Works – a number of initiatives such as road works, and energy saving initiatives have been implemented.
- Sports
- Culture

- Agriculture
- Fisheries
- Civil Aviation
- Social Transformation

It is evident, Madam Speaker, that our relationship with the Republic of Cuba is quite dynamic and extensive and is one that we would hope to maintain and develop even further as the Government seeks to empower and elevate the status of each citizen of Antigua and Barbuda.

Social and Economic Cooperation with the Bolivarian Republic of Venezuela:

Madam Speaker:

The Government of Antigua and Barbuda has, since 1982, enjoyed diplomatic relations with the Government and people of the Bolivarian Republic of Venezuela. Over the past few years, we have seen this relationship intensify and blossom further with increased cooperation on social and economic matters.

This cooperation between our two nations has allowed for the exchange of ideas and for collaboration on issues that are critical to the further development of our peoples. A major component of the economic and social cooperation initiative between our two nations is the Petro Caribe Energy Cooperation Agreement which was signed in 2005.

In 2006, we worked closely with officials from Venezuela to establish the mechanisms that would allow for the implementation of this energy cooperation agreement. As a result of this arrangement, Antigua and Barbuda will receive fuel from Venezuela at market prices and be able to finance a portion of the cost of this fuel through a concessionary loan, which is to be repaid over a period of up to 25 years.

We are currently finalizing internal mechanisms that would ensure that the loan is repaid without drawing on the Consolidated Fund. More importantly, the resources from the concessionary loan will be utilized to finance critical social programmes aimed at enhancing the welfare of the citizens of Antigua and Barbuda.

Madam Speaker:

The generosity of the Government of the Bolivarian Republic of Venezuela was further demonstrated with the provision of assistance in the areas of civil aviation and airport development. Venezuela has agreed to provide a US\$20 million loan to facilitate the further strengthening of LIAT and to help finance structural changes that would secure more viable and sustainable operations of the airline.

Further, as we prepare for the anticipated influx of visitors for Cricket World Cup 2007, it is essential that important upgrade work be undertaken at the V. C. Bird International Airport. In this regard, Madam Speaker, the Government of Venezuela has provided the Government of Antigua and Barbuda with a generous grant of US\$7.5 million or EC\$20.1 million for redevelopment works at the Airport.

These resources will be utilized to expand the arrivals and departure areas and will facilitate the upgrade of air conditioning and electrical facilities.

The support and generosity of the Government and people of Venezuela have proven invaluable to Antigua and Barbuda. We are indeed very grateful for the assistance received to date and anticipate the further enhancement of our relationship.

In fact, Madam Speaker, we are currently exploring other areas of cooperation, including the development of an affordable housing project, which would redound to the benefit of all citizens of Antigua and Barbuda and to which Venezuela has pledged to assist with a concessionary loan of US\$20 million.

Social and Economic Cooperation with the People's Republic of China:

Madam Speaker:

Antigua and Barbuda has enjoyed strong diplomatic relations with the People's Republic of China since 1983. For over two decades, the Government and people of Antigua and Barbuda have benefited from the generosity of the People's Republic of China in many areas, including social and infrastructural development, capacity building, and human resource development.

As a result of this long lasting friendship we have been able to make the necessary preparations to effectively host Cricket World Cup 2007. With the financial and human resource contributions received, we have been able to construct the Sir Vivian Richards Stadium and other critical ancillary structures. For this, Madam Speaker, we are entirely grateful.

Madam Speaker, the People's Republic of China, through its Exim Bank, has also supported our efforts to develop high quality health care facilities in Antigua and Barbuda. The resources received have moved us one step closer to realizing the completion of the Mount St. John Medical Centre which will provide affordable health care services to all Antiguans and Barbudans.

To assist the Government in its efforts to advance a number capital development projects, the Chinese Government has again displayed an extraordinary level of generosity by pledging \$6.5 million to the Government and people of this nation.

Madam Speaker, these resources will go a long way toward promoting further social and economic developments that will directly impact the lives of our citizens.

Antigua and Barbuda has also benefited from technical training in many areas relating to economic and social development. In particular, Madam Speaker, we have had the opportunity to cooperate with the People's Republic of China to further enhance defense services and to promote tourism development.

Madam Speaker:

Through the provision of twenty-five scholarships to young Antiguan and Barbudans, the Peoples Republic of China will be making an even greater investment in the future development of this nation.

Finally, the Government commends the People's Republic of China for its commitment to economic and social cooperation with Antigua and Barbuda. The implications of this close relationship between our two nations are far-reaching and have drawn our Government's and peoples closer together.

Madam Speaker:

On behalf of the Honourable Prime Minister, the Government and citizens of Antigua and Barbuda, I say thank you to the Government of the People's Republic of China. We anticipate that our relationship will continue to grow and transform as we approach the 25th anniversary of our diplomatic relations.

Report on Fiscal Performance – Foundations for Change and Growth:

Madam Speaker:

Since assuming office in March 2004, the United Progressive Party (UPP) Administration has worked tirelessly to correct a plethora of macroeconomic imbalances that were created by the former administration.

The issues with which we have had to grapple include significant fiscal deficits, unsustainable debt, weak or non-existent institutions to facilitate economic growth, and inadequate structural and economic policies.

We recognized that a comprehensive fiscal reform programme was required to correct these imbalances and to place the economy of Antigua and Barbuda on a more sustainable path towards growth and development.

In this regard, the UPP Administration articulated a reform programme that would improve the fiscal position, reduce the public debt, promote investment in social and physical capital, and encourage private sector development.

The specific measures and policies that formed part of this fiscal reform programme were intended to facilitate the achievement of a number of fiscal objectives and macroeconomic goals to include:

- A current account surplus equal to 4% of GDP within 5 years;
- An overall fiscal balance not exceeding -3% of GDP within 5 years;
- Disbursed outstanding debt not exceeding 60% of GDP within 10 years;
- Debt service to current revenue ratio of no more than 15% within 5 years;
- Full employment in the Antigua and Barbuda economy;
- Containing inflation rates to no more than 3% annually; and
- Sustaining real growth in annual output of no less than 5%.

Madam Speaker:

To lay the foundation that would ensure that Antigua and Barbuda was on the right path towards the attainment of these fiscal objectives and macroeconomic goals, we focused on:

- a. Improving revenue collection from existing revenue streams;
- b. Introducing new revenue measures;
- c. Removing inefficient, low-yielding revenue measures;
- d. Streamlining the public service;
- e. Enhancing efficiency and productivity in the public sector;
- f. Rationalizing government expenditure; and
- g. Ensuring the implementation of efficient expenditure management systems.

Madam Speaker:

We firmly believe that a critical role of Government is to facilitate private sector development. As such we concentrated on:

- a. establishing mechanisms to facilitate and promote investment;

- b. transforming Government departments to ensure improved services to business entities;
- c. pursuing programmes that would enhance competitiveness and overall economic performance;
- d. creating the appropriate legislative environment that would allow businesses and entrepreneurs to take advantage of Cricket World Cup 2007; and
- e. Implementing mechanisms that will facilitate the development of micro and small businesses.

Madam Speaker:

While this Government considered the improvement in fiscal and macroeconomic performance a priority, we remained committed to our motto of putting “People First”. As such, our strategy for righting the fiscal and economic wrongs was accompanied by specific measures that would bring relief and targeted support to the population.

Our fundamental belief was and remains that no responsible government should pursue a reform agenda that unduly burdens the populace. Indeed, the success of our reform efforts will be dependent on the ability of our people and businesses to adjust and adapt to the transformation process.

Madam Speaker:

For the two years and eight months that the UPP has held the fiscal and economic reins in Antigua and Barbuda, we have implemented an impressive array of fiscal and economic measures and policies, all of which were presented to the people of Antigua and Barbuda before implementation, through a process of national consultations. On the revenue side, we:

- Reintroduced the Personal Income Tax;
- Reduced the Corporate Income Tax from 35% to 30% with a further reduction to 27.5% for banks that offer residential mortgage rates of 8% or less and prime lending rates not higher than 10%.
- Removed the 2% tax on gross turn over;
- Eliminated the 3% tax on loans to non-citizens;
- Abolished several nuisance taxes including the Radio and TV License;

- Removed the 15% Entertainment tax on local promoters; and
- In-keeping with our ECCB obligations, removed the 1% Foreign Exchange Levy and the administrative requirement that the conversion of any sum greater than or equal to \$250,000 into a foreign currency must receive government approval.

To commence the rationalization and streamlining of public expenditure, we:

- i. Introduced a cap of \$100 million on concessions;
- ii. Transferred Government's international telephone service to the Cable and Wireless Corporate Plan;

- iii. Implemented a Cash Management and Expenditure Control System;
- iv. Introduced the Voluntary Separation and Early Retirement Programme (VSEP);

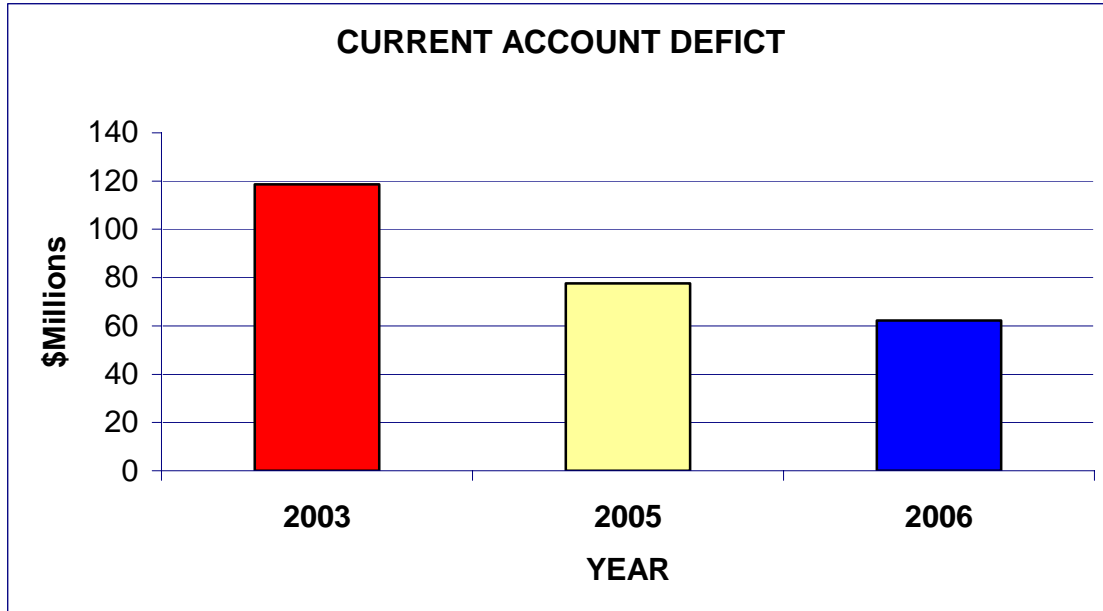
- v. Enhanced and implemented the Public Sector Investment Programme (PSIP); and
- vi. Introduced the electronic financial management system, FreeBalance.

Madam Speaker:

We are happy to report that the implementation of these various policies and measures has already begun to generate improvements in fiscal performance.

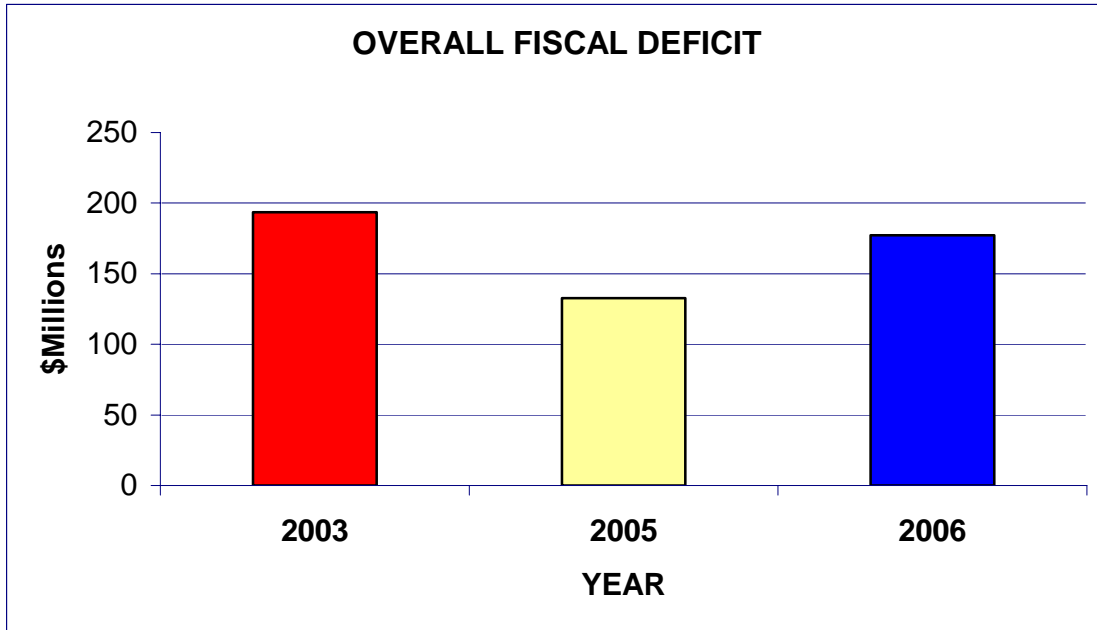
The current account balance, which is the difference between Government's recurrent revenue and recurrent expenditure, was in a deficit position of \$118.6 million or 5.8% of GDP in 2003.

As a result of our fiscal reform programme, we were able, in less than two years, to shrink this deficit by nearly 35% to \$77.6 million in 2005. The current account deficit in 2006 amounted to \$63.8 million which is 46% lower than the deficit of 2003.



Madam Speaker:

In terms of the overall fiscal balance, which is the difference between total revenue and total expenditure, there was a 31.5% decline in the deficit from \$193.5 million in 2003 to \$132.6 million in 2005.

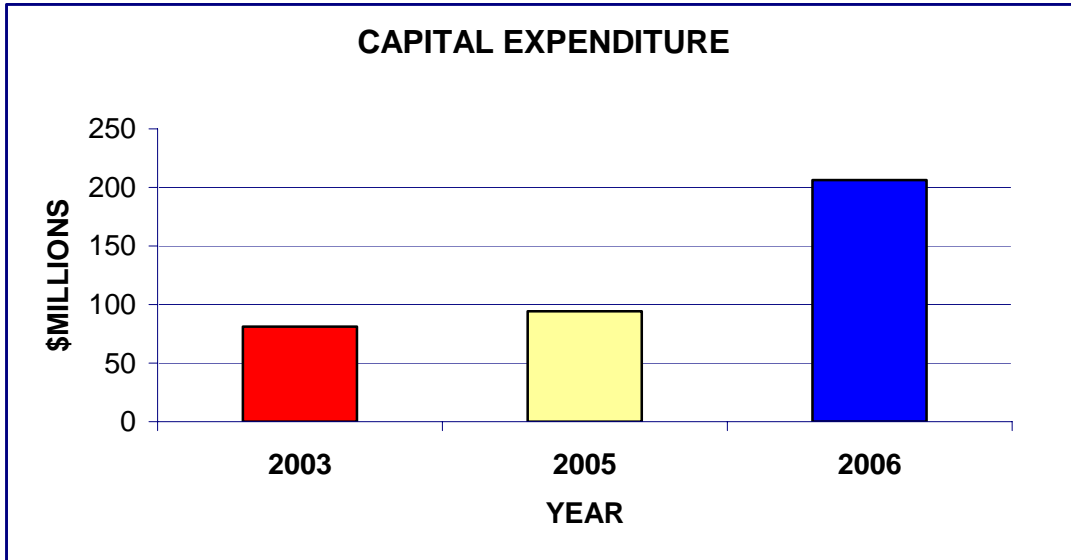


We however project, Madam Speaker, that by the end of 2006 the overall deficit is likely to be higher than in 2005 at \$178.5 million due to the significant level of capital expenditure on infrastructural and other development projects related to Cricket World Cup 2007.

Nevertheless, the overall deficit for 2006 would still remain below the level recorded in 2003.

Madam Speaker:

What makes this decline in the deficits even more profound is the fact that capital expenditure increased by 16% from \$81.2 million in 2003 to \$94.2 million in 2005. In 2006, capital expenditure was over 150% higher than in 2003 at \$206.3 million.



Madam Speaker:

This is just one of the many examples that I will present today to demonstrate that, with sound economic policies, it is possible to implement an effective reform programme without diminishing economic and social welfare.

Madam Speaker, these figures state the indisputable, undeniable and unimpeachable fact that this Government has more than risen to the task of righting decades of fiscal blunders.

The strong performance on the fiscal account should come as no surprise to the people of this nation. Every step of the way, we demonstrated our commitment to transparency and accountability by reporting on the work we have been doing over the past 2 years and 8 months.

In fact, in July of this year, we held a National Economic Symposium where we presented the facts and figures in respect of economic and fiscal performance. The Symposium was open to all Antiguan and Barbudans and participants were given the opportunity to engage Government officials and regional and international experts in discussions about the economic environment in Antigua and Barbuda.

Along with Government officials, the presenters and discussants at the Symposium included experts from the IMF, the World Bank, the CDB, the ECCB, and local private sector and trade union representatives.

Madam Speaker, we desperately sought to include the esteemed members of the Opposition in the Symposium in an effort to ultimately raise the quality of our Parliamentary debates on the economy; but, not surprisingly, they declined the opportunity to engage in open discussions with us, our regional and international counterparts and the public of Antigua and Barbuda.

Perhaps, Madam Speaker, their preferred medium of dialogue is one where they would not be obliged to rationally and intellectually discuss economic issues that confront this nation.

Our National Economic Symposium was hailed a success by regional and international agencies as well as our nationals. We take this opportunity, Madam Speaker, to thank the Governor of the ECCB, the Chairman of LIAT, CDB, USAID, IMF, the EU, CIDA, UNDP, other members of the donor community, our debt consultants, the Antigua and Barbuda Chamber of Commerce, the Antigua and Barbuda Employers' Federation, the Social Security Board, the Antigua and

Barbuda Development Bank, and all other participants for their valuable contributions and unwavering support.

We were encouraged by the feedback received following the Symposium and will continue to utilize such channels to disseminate information and encourage national dialogue on the economic transformation and future development of Antigua and Barbuda.

Expenditure in 2006:

Expenditure on the Police Force

Madam Speaker:

We spent \$2 million in 2006 to provide additional crime fighting equipment to the Royal Antigua and Barbuda Police Force. This has helped to enhance the capacity of this critical arm of the Government to effectively carry out its duties and responsibilities to the general public.

Madam Speaker, this Government also spent over \$5 million in 2006, to liquidate arrears owing to the State Insurance Corporation in respect of premiums for insurance coverage for police officers.

These monies were owing from as far back as 1998 and had the unfortunate result of delaying the payment of benefits to police officers and their families. In

addition, we settled outstanding arrears in the amount of \$1.2 million to the Police Credit Union which was accumulated over several years.

Expenditure on Health Care facilities

Madam Speaker:

With a concessionary loan of 7.8 million United States Dollars from the People's Republic of China, we have commenced work to complete the construction of the Mount St. John Medical Centre. In addition, we sought to enhance the effective operations of the Holberton Hospital in order to ensure that the Holberton Hospital could adequately function as the primary health care facility.

Refurbishment of Sporting Facilities

Madam Speaker:

In 2006, we undertook an extensive programme to refurbish several sporting facilities across the island. This programme was implemented at a cost of \$4.5 million and resulted in the commencement, and in some cases the completion, of works at the YMCA grounds, the Antigua Recreation Grounds, the Fort Road Basketball court, and the Johnson's Football Stadium.

Road Works

In 2006, this Government focused on construction and maintenance of roads. Madam Speaker, while we recognize that the enhancement of the road network in

Antigua and Barbuda is perhaps foremost in the minds of the general public, we have faced some challenges including a number of delays due to adverse weather conditions.

However, we were able to complete the work on the De Souza road and make substantial progress on the Sweetes main road. We also commenced substantial work in a number of areas including Mount Pleasant and Upper Gambles. Major road works have also been undertaken in the area surrounding the Sir Vivian Richards Cricket Stadium.

School Uniform Grant and National School Meals Programmes:

Madam Speaker:

The School Uniform Grant, which was started in 2004, was continued in 2006 with tremendous success. This year, we spent about \$3.5 million to provide school uniforms to primary and secondary schools students.

Since the inception of the School Uniform Grant Programme, the number of uniform grants distributed has increased steadily from 10,240 in 2004 to 12,589 in 2005. In 2006, over 17,000 uniform grants were provided to our primary and secondary school students.

Further, our dedication to ensuring that the children of this nation are provided every opportunity to excel was again demonstrated in 2006. To ensure that the

National School Meals Programme (NSMP) was launched in September of this year, this Government spent nearly \$300,000 to put in place the necessary facilities that would allow this programme to function effectively.

The NSMP is now operating in the Five Islands, Golden Grove, Villa, New Winthorpes, Sea View Farm, Freemansville, Pares, Newfield and Freetown primary schools where over 65,000 hot meals have been served to children attending these schools. Overall, about \$5 million will be spent in 2006 to implement this fantastic programme.

We believe, Madam Speaker, that this is a small price to pay for securing the future of our children.

Poverty Reduction and Social Programmes

Madam Speaker:

In 2006, the Government spent about \$10 million to finance a number of social programmes and measures aimed at poverty reduction.

With the assistance of the Caribbean Development Bank (CDB) and KAIRI consultants, the Government of Antigua and Barbuda commenced a Country Poverty assessment initiative. The first draft of the report of the Country Poverty Assessment, which will be completed by the KAIRI consultants and a National Assessment Team (NAT), should be finalized by the end of the year and will be disseminated for discussions with key stakeholders and social partners.

Once this exercise is completed, we will have reliable data on poverty and other social indicators that would be used to guide policy formulation and facilitate the process of assessing the effectiveness of social policies.

As a result of this Country Poverty Assessment we will be better able to identify priority social areas and address urgent deficiencies in social development programmes; measure the country's status with respect to the fulfillment of the Millennium Development Goals (MDGs); and facilitate the revision and upgrade of the Consumer Price Index (CPI) basket.

Madam Speaker:

This Government has, through the Citizen's Welfare home help programme, continued to care for the elderly in this nation by providing in-home care and assistance to those in need.

We have also introduced a Home Improvement Grant programme which offers financial assistance to the elderly and other vulnerable groups for home repairs.

The UPP Administration recognizes the importance of providing the appropriate support, counseling and probationary services to young people who may have gone astray. With this in mind, we have strengthened the operations of the Probation Unit to ensure that every opportunity for rehabilitation is provided to our youth.

To date, the Probation Unit has provided counseling and other services to over 100 young offenders and their parents. Through the work of this Unit, we anticipate a

reduction in the number of young persons in our prison and increased success in guiding young offenders back onto the right path.

Debt Management:

Madam Speaker:

In addition to our efforts to improve performance on the fiscal accounts, this Government commenced the critical task of reducing the public debt stock and restoring the credibility of Antigua and Barbuda as a debtor. This is by no means an easy undertaking given the long history of questionable debt acquisition and arrears accumulation by the previous administration.

The poor debt management policies of the past had led to a ballooning of the debt stock to nearly \$3 billion or over 140% of GDP by the end of 2003. This essentially meant a debt of about \$40,000 for every man, woman and child in Antigua and Barbuda.

The UPP Administration is adamant that this debt burden must be reduced and is committed to ensuring that Antigua and Barbuda will never again be viewed as a dishonourable debtor.

Madam Speaker:

We initiated our efforts to reduce the debt stock by undertaking bilateral negotiations with a number of creditors. As a result of these bilateral negotiations, we were able to secure over \$500 million in debt forgiveness in respect of a long outstanding loan from the Italian Government and a debt to DEVCON which dated back to the 1980s.

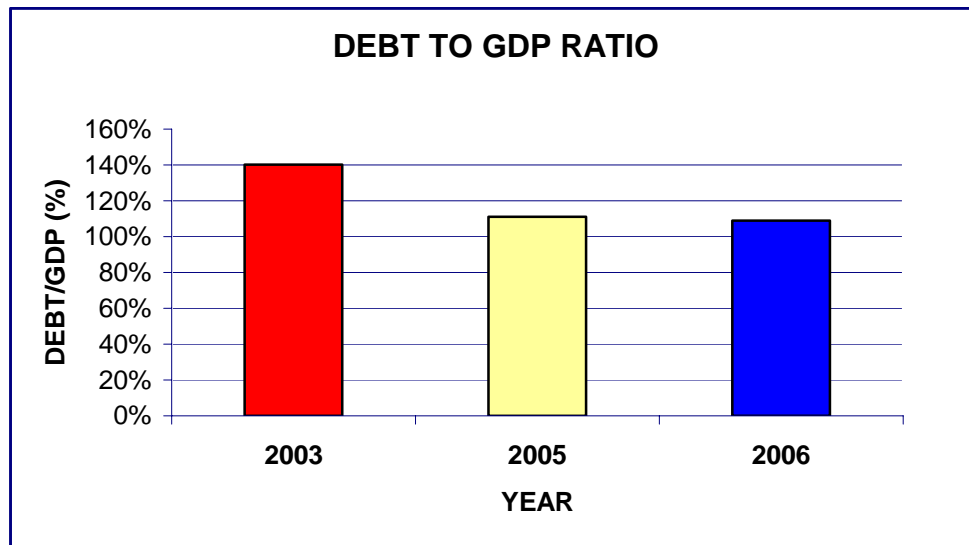
In addition to this bilateral approach to debt reduction, we also commenced our multilateral strategy for improved debt management in 2005.

This Debt Management Project, which was funded by the Canadian International Development Agency (CIDA), was launched in November 2005 and sought to develop a strategy that would further reduce the debt stock, improve the credit rating of Antigua and Barbuda and restore credibility and creditworthiness.

We were able to acquire the services of an international firm, Houlihan, Lokey Howard and Zukin (Europe) Ltd., to undertake a diagnostic assessment of the debt and to develop a debt management strategy that would ensure debt sustainability.

Madam Speaker:

Our efforts have been very successful to date with the public debt stock falling to 111% of GDP in 2005 and projected to fall to about 109% of GDP in 2006.



Despite this decline in the debt to GDP ratio, the debt service ratio, which is interest and principal obligations as a ratio of current revenue, remains high at about 30%.

We remain committed to reducing this ratio to no more than 15% and will therefore continue to pursue strategies to reduce the debt stock and enhance debt management.

Madam Speaker:

In February of this year, we officially launched a Treasury Bills and Bond programme in an effort to make use of a less costly source of resources to finance

essential government expenditure. Our stated intent was to generate resources to finance various infrastructural development projects, fund the Voluntary Separation and Early Retirement Programme, retire high cost debt, and commence the liquidation of outstanding arrears.

As a developing nation, it is imperative that we borrow in order to finance major capital and social projects. However, Madam Speaker, we are of the view that, to ensure debt sustainability, every effort must be made to access resources at competitive interest rates.

In this regard, we sought to join our ECCU counterparts by issuing securities on the Regional Government Securities Market (RGSM). This not only allowed us to raise funds at lower interest rates but also afforded a more transparent and inclusive approach to issuing Government paper.

Madam Speaker:

There were many who doubted our ability to successfully issue securities on the RGSM given the legacy of non-payment created by our predecessors. However, after an exhaustive road show across the Caribbean and into North America, our first issue of \$17 million in treasury bills, which took place in March 2006, was oversubscribed by \$23.5 million. Since then, we have issued eight other tranches of treasury bills all with tremendous success and all being oversubscribed.

In addition, Madam Speaker, we issued \$100 million in bonds in July and became the first ECCU country to issue a US dollar denominated security on the regional

platform. This Government was not only successful in raising the \$151 million we set out to raise, but we also pioneered the diversification of the types of securities that can be issued on the RGSM and listed on the Eastern Caribbean Securities Exchange.

Madam Speaker:

One of the main goals of this Treasury Bills and Bond programme was to reduce the Government's cost of borrowing and we were very effective in doing so. The treasury bills were issued on the RGSM at an average interest rate of 6.33%.

Compare this, Madam Speaker, with interest rates as high as 9.75% for treasury bills that were issued prior to March 2004 and incidentally, Madam Speaker, without the knowledge or involvement of the general public. **So much for transparency before March 2004.**

In terms of the bonds, we were able to issue the bonds at interest rates of 8% and 8.25%. These rates compare to a minimum interest rate of 9% on bonds issued before 2004. Further, the interest rates on the treasury bills and bonds issued on the RGSM were significantly lower than the interest rates charged on Central Government loans. Interest rates on loans on the Government's books ranged from 11% to as high as 15%.

Clearly, Madam Speaker, the interest rates of 6.33% for the treasury bills and 8% and 8.25% for the bonds represent a significant reduction in the cost of borrowing compared to the much higher interest rates on loans. By so significantly reducing the cost of borrowing, the Government has ensured considerable savings that will

help to reduce the overall debt service burden on the people of Antigua and Barbuda.

Madam Speaker:

The Treasury Bills and Bond Programme would not have been such a great success without the significant efforts of the ABI Bank. The management and staff of this indigenous institution demonstrated an exceptionally high level of expertise in working with the Government to develop this programme.

In particular, Mr. McAllister Abbott, Mr. Casroy James, Mr. Luis Franca, Ms. Natalie John, and Mrs. Heather Williams all worked tirelessly in collaboration with the Government to inform and mobilize potential investors. We wish to, once again, express our sincere gratitude to the ABI Bank and will continue to work with this institution to explore further avenues through which the debt stock can be reduced. In addition, we must commend the Antigua Commercial Bank for its critical role in facilitating investment in the Government's Treasury Bills and Bonds.

Finally, in 2006, this Government had the opportunity to strengthen its relationship with the banking community as we sought to undertake a number of crucial development projects.

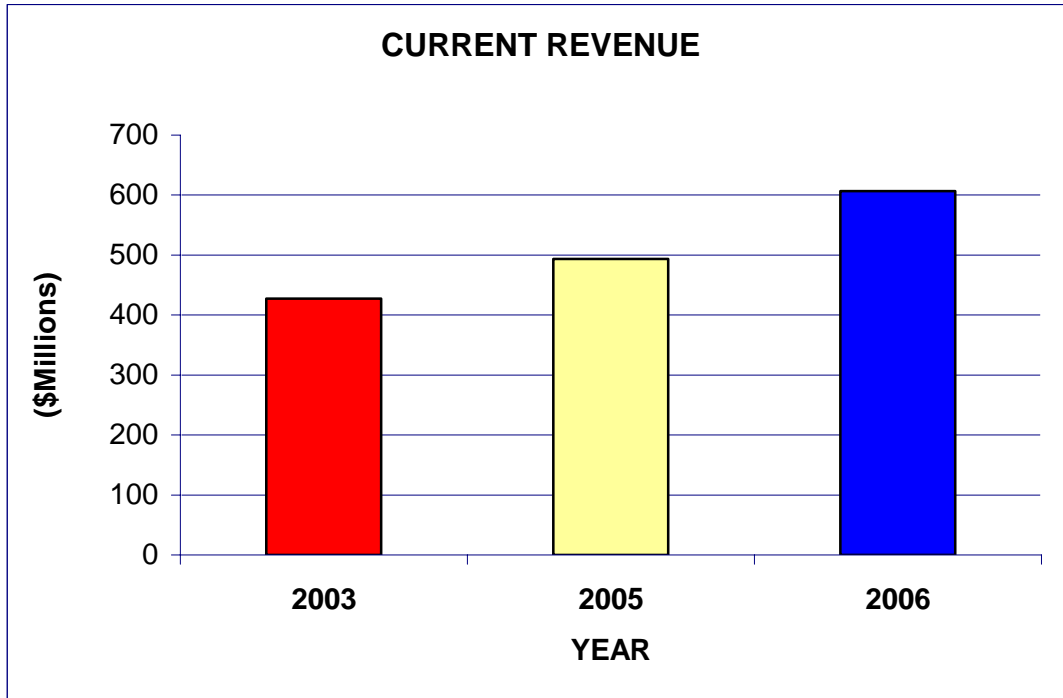
Madam Speaker, the UPP Administration is extremely appreciative of this support, especially from our indigenous banks, and anticipates the further enhancement of our strategic alliances with these very important financial institutions.

Revenue Performance:

Madam Speaker:

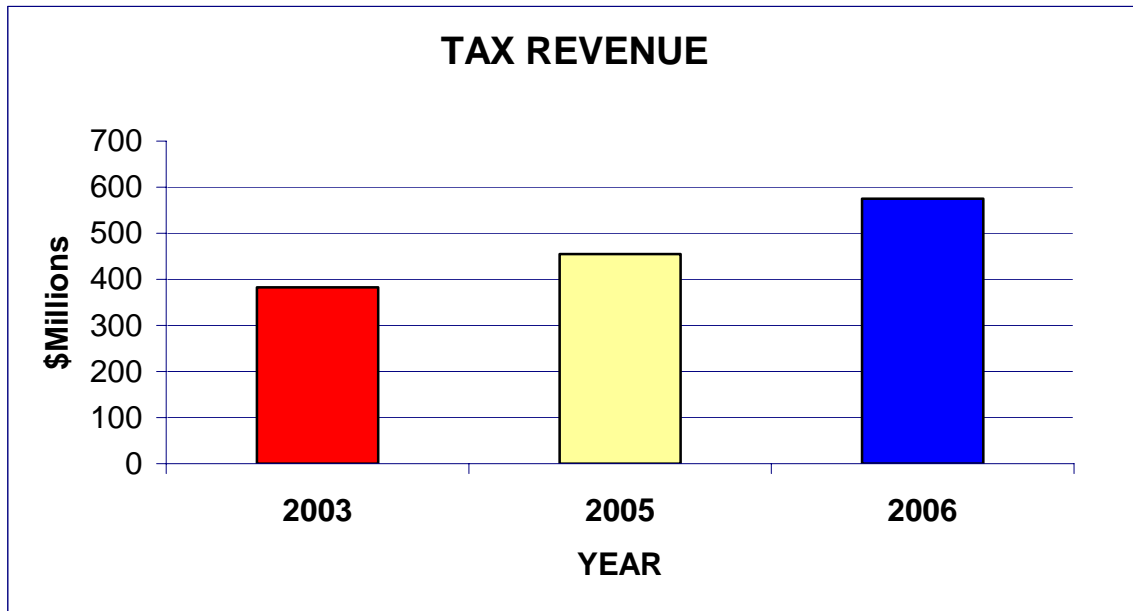
The various policies implemented by this Government in order to enhance revenue generation have had very positive results. For 2006, we have seen a continuation of this improvement in macroeconomic performance – an improvement that has been driven by remarkable revenue performance.

Indeed, since the UPP Administration was given its overwhelming mandate by the People of Antigua and Barbuda, there has been an undeniable upswing in the level of revenue generation. For 2006, Government's revenue is expected to amount to \$606.8 million which represents a 23% increase over the \$493.5 million generated in 2005 and a staggering 42% higher than the \$427.1 million generated in 2003. This is, without a doubt an irrefutable indicator of the positive impact of this Government's tax reform initiatives.



Madam Speaker:

An assessment of the various components of the revenue profile reveals that all the major sources of Government revenue grew at significant rates in 2006. Tax revenue, the largest contributor to revenue, grew by 26.5% from \$454.8 million in 2005 to \$575.1 million in 2006. Further, tax revenue in 2006 was 50% higher than the \$382.6 million generated in 2003.



Madam Speaker:

Lest our detractors are tempted to claim that this growth in revenue came as a result of massive additional taxation on the people of this country, I will remind them of a few facts. Over the period in question, only one new tax measure was implemented – that is, the Personal Income Tax.

On the other hand, we removed and/or reduced a number of taxes over the same period. Examples include but are not limited to the following:

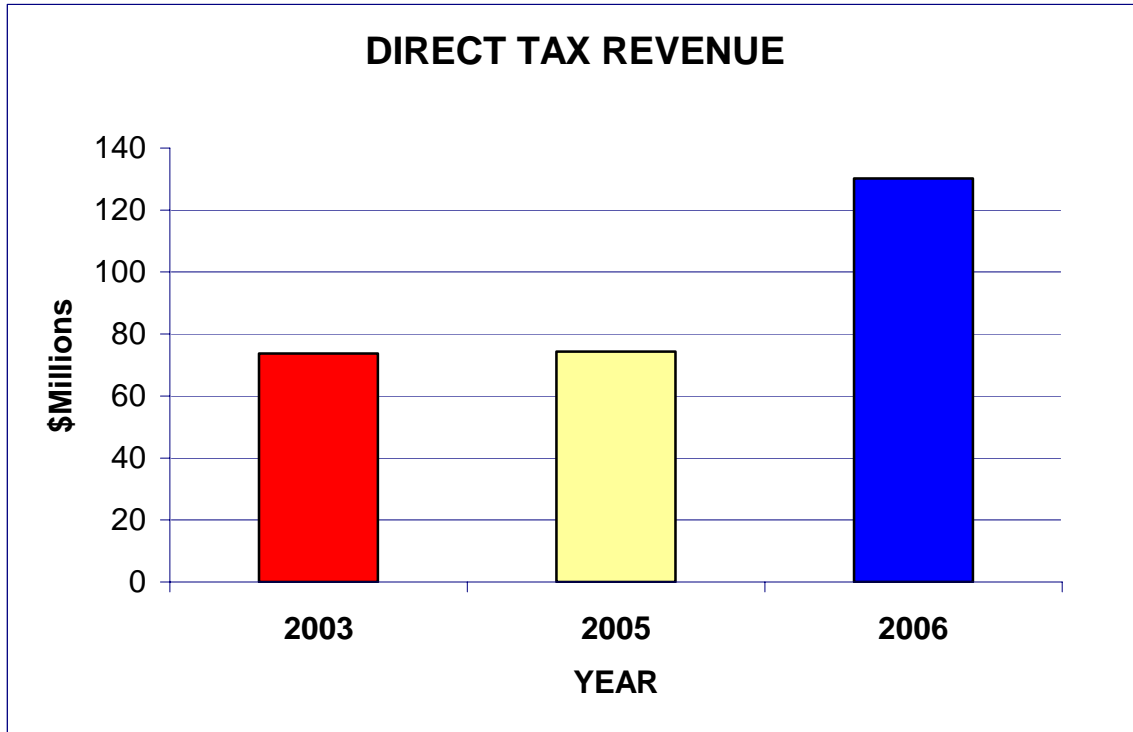
- The corporate income tax was reduced;
- the foreign exchange levy was removed;
- the stamp duty on residential mortgages was reduced;
- the 2% gross turnover tax was removed;
- the 3% tax on loans to non-citizens was removed;

- the customs service tax on basic food items was reduced by 50%; and
- the decompounding of the consumption tax and the customs service tax was implemented.

The improvement in revenue performance was, therefore, achieved not by excessive taxation but by enhancing efficiencies, increasing compliance, collecting back taxes and improving financial management.

Madam Speaker:

We saw a 75% increase in revenue from direct taxes, which include the corporate income tax, the personal income tax and the property tax, from \$74.3 million in 2005 to \$130.2 million in 2006. Further, revenue from this source increased by 77% compared to 2003.



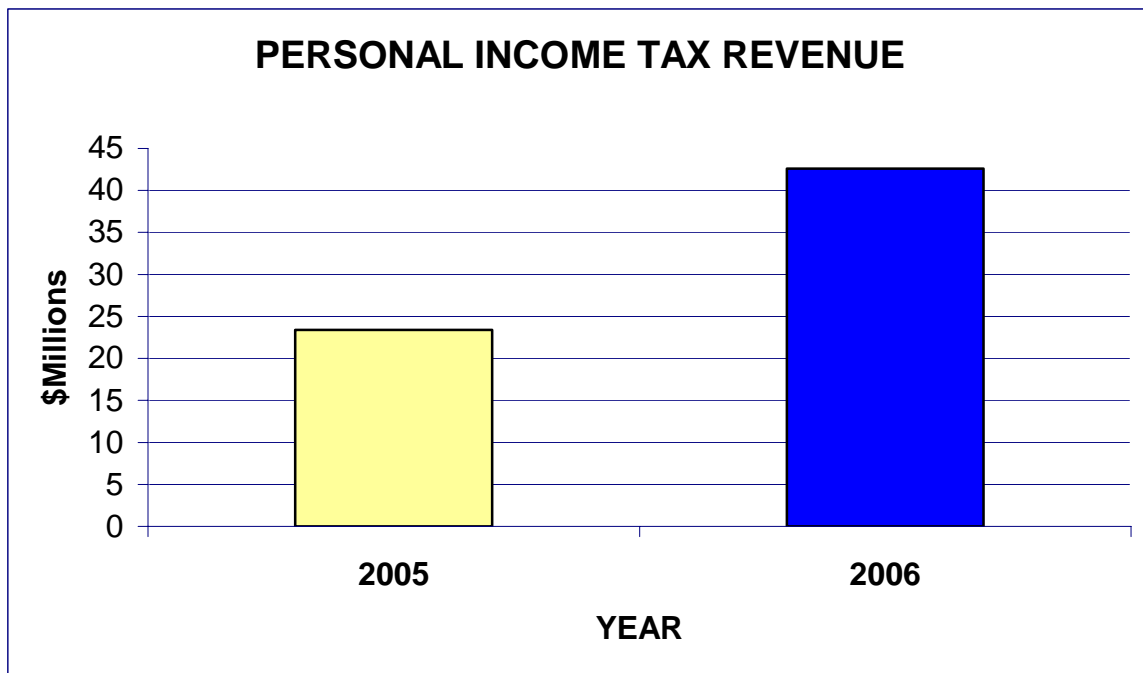
The substantial growth in revenue from direct taxes was driven mainly by this Government's success in collecting \$35.7 million in corporate back taxes from a single private sector institution.

Madam Speaker:

In last year's budget presentation, I reported to the people of Antigua and Barbuda on the level of their contribution to the Stabilization Fund through the payment of the personal income tax.

It is my pleasure to once again present an account of the performance of the personal income tax. In 2006, we saw an improvement in the revenue generated from this measure with monthly revenue amounting to about \$3.6 million.

This means that come December 31st 2006, total revenue collected in the Stabilization Fund will amount to \$42.6 million. This is an increase of over 80% compared to the \$23.4 million collected in 2005.

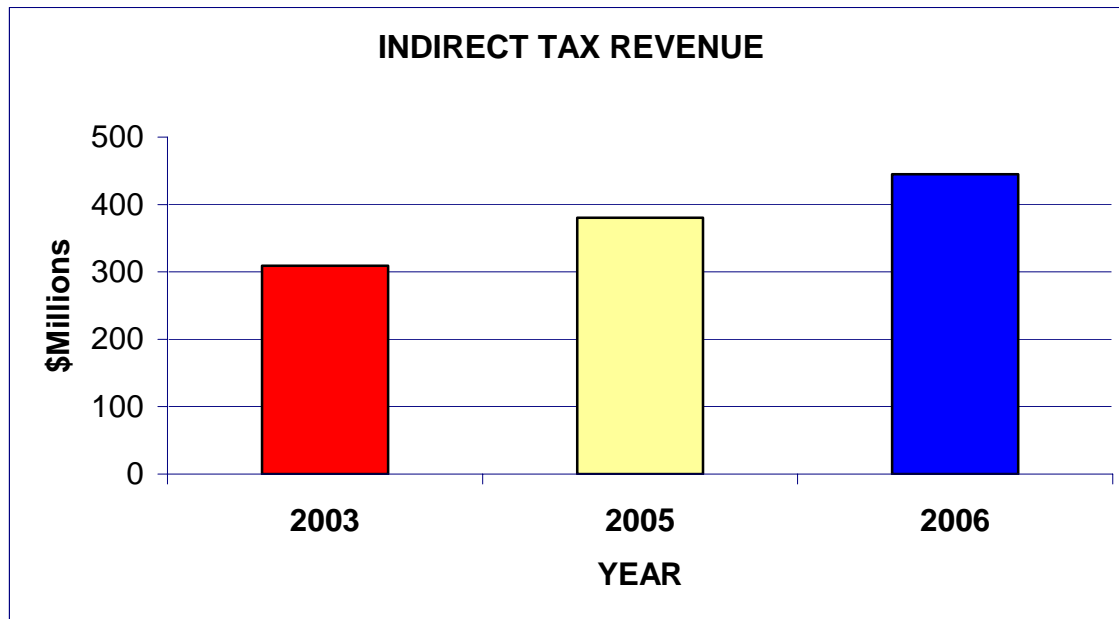


The Commissioner, Mr. William Schouten, and the staff of the Inland Revenue Department must be commended for their hard work in ensuring the collection of the tax and for enhancing their policing efforts to increase the level of compliance.

Madam Speaker:

The major sources of Government's tax revenue are indirect taxes which include the hotel guest tax, the telecommunications tax, stamp duties, the customs service tax, import duties and the consumption tax. Total revenue from these sources

increased by 17% from \$380.5 million in 2005 to \$444.9 million in 2006. Further, indirect tax revenue was 44% higher than the \$308.9 million collected in 2003.



The growth in indirect tax revenue was due mainly to significant growth in revenue from taxes on international trade and transactions. Again, Madame Speaker, this growth in revenue was not a result of additional taxation but reflects a major increase in imports.

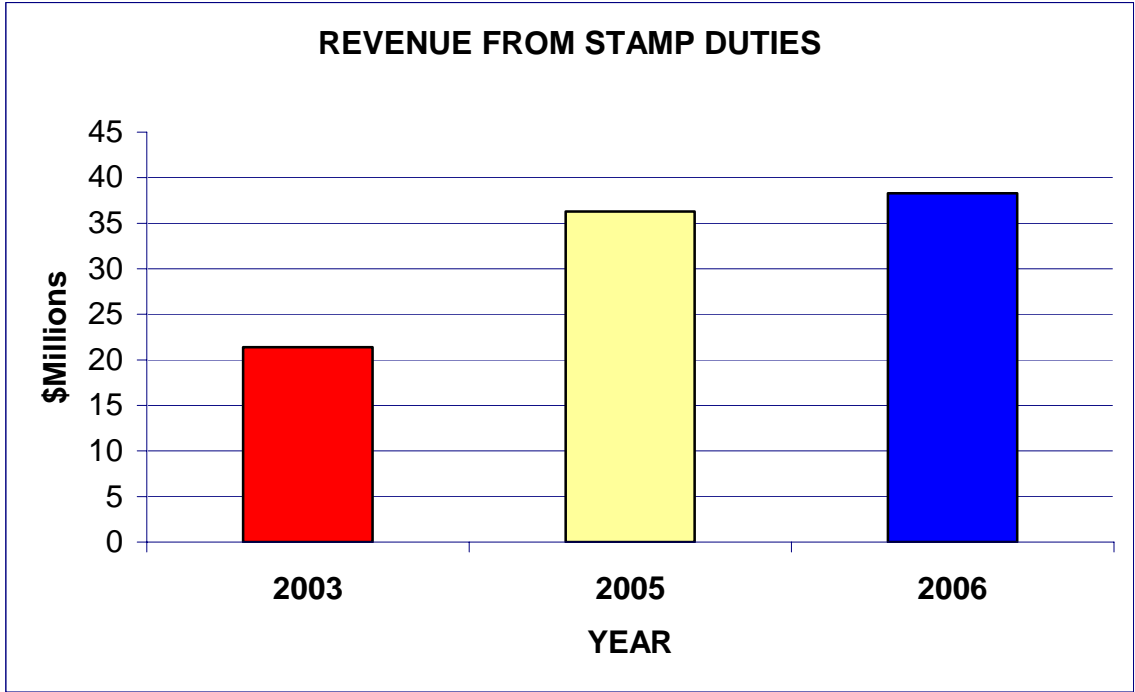
An examination of some of the specific indirect taxes reveals the following movements:

- The hotel guest tax yielded revenue of \$27.7 million in 2006 which was 26.5% higher than the \$21.9 million collected in 2005 and nearly 90% higher than the \$14.6 million collected in 2003.

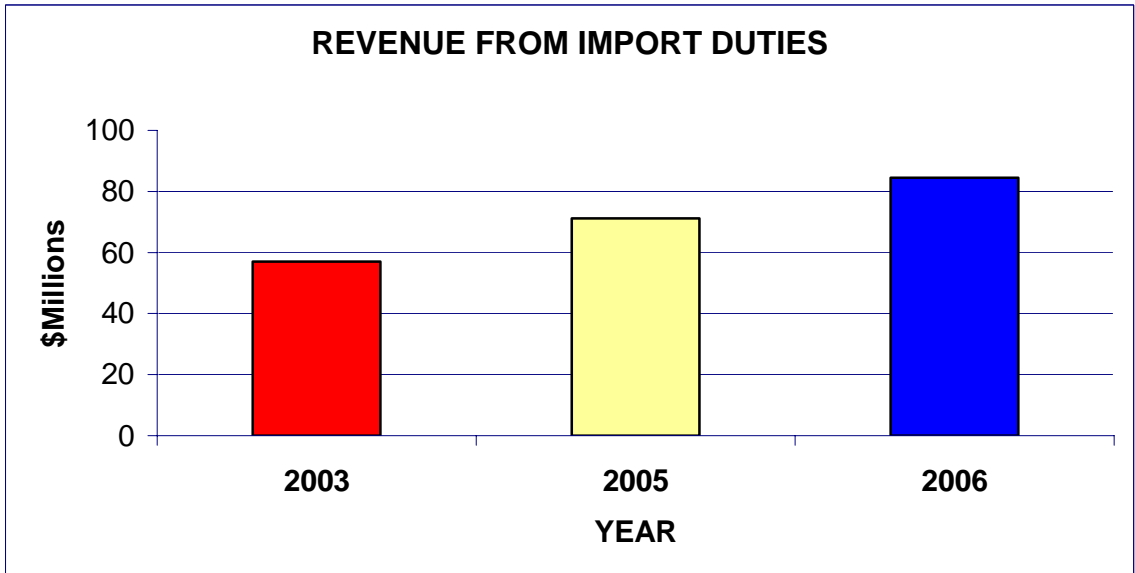


This increase in revenue from the hotel guest tax reflects the increase in stay over visitor arrivals to our shores.

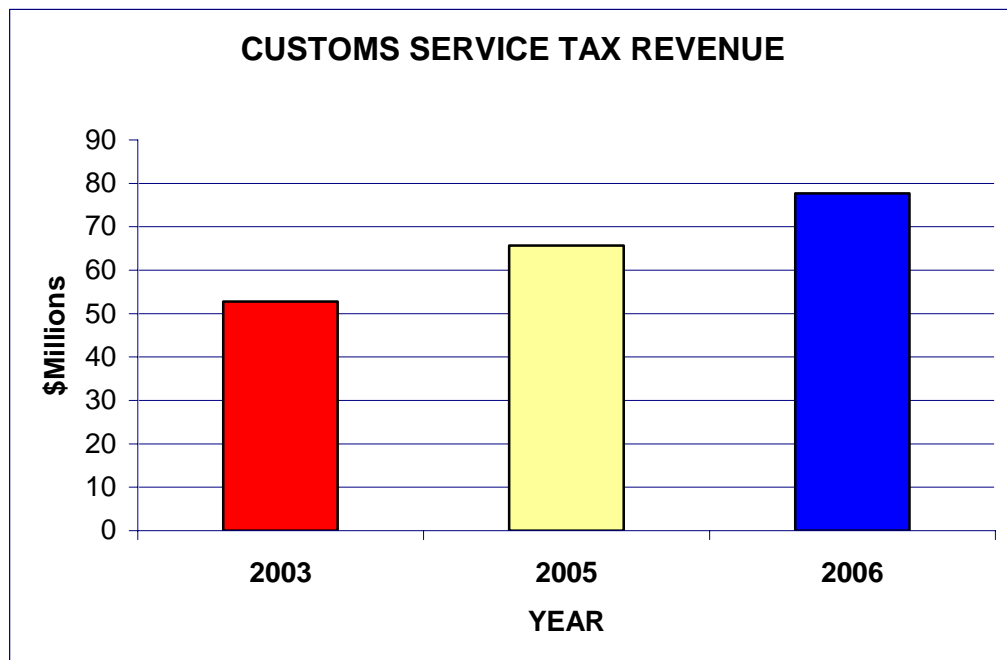
- Revenue from stamp duties amounted to \$38.3 million in 2006 which was 5.5% higher than the \$36.3 million collected in 2005 and nearly 80% higher than the \$21.4 million collected in 2003.



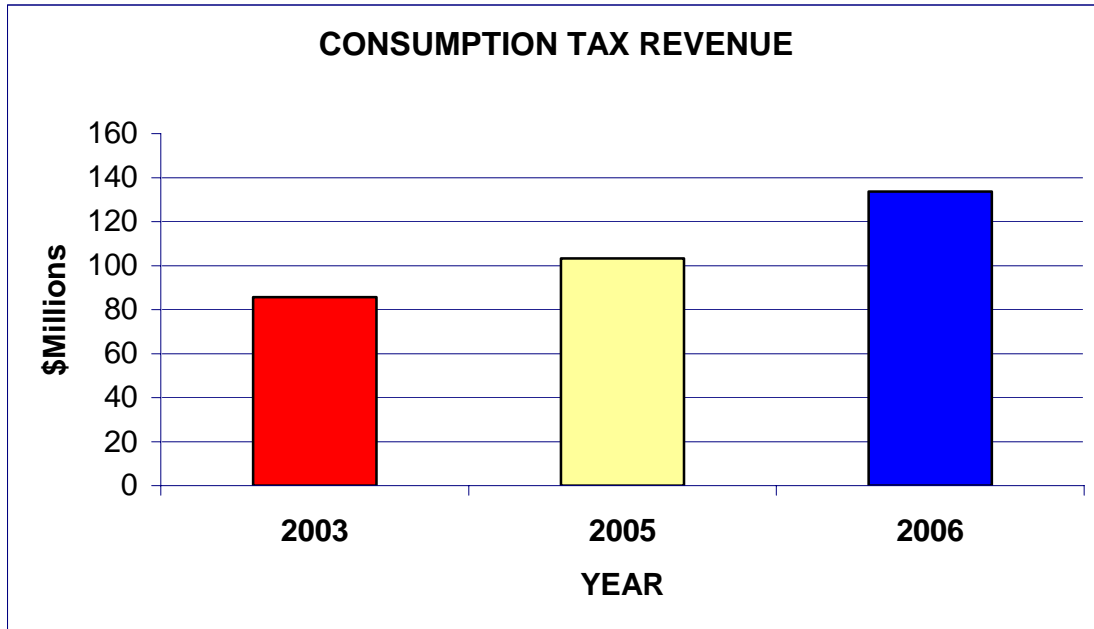
- Revenue from import duties amounted to \$84.5 million which was 19% higher than the \$71.2 million collected in 2005 and 48% higher than the \$57 million collected in 2003.



- The customs service tax yielded \$77.7 million in 2006 which was 18% higher than the \$65.7 million collected in 2005 and 47% higher than the \$52.8 million collected in 2003.



- The consumption tax yielded revenue of \$133.7 million in 2006 which was 29% higher than the \$103.3 million collected in 2005 and 56% higher than the \$85.7 million collected in 2003.



This growth in revenue from import duties, the consumption tax, and the customs service tax was made possible by the ongoing efforts of the Comptroller of Customs and the staff at the Customs Department to enhance compliance. In this regard, Madam Speaker, Mr. Raphael Brown and his staff at the Customs Department must be commended.

Economic Prospects for 2007:

Madam Speaker:

In 2007, economic output is projected to grow at a rate of between 5% and 6%. This growth will be driven mostly by significant expansion in the tourism sector due to the anticipated explosion in visitor arrivals for Cricket World Cup 2007. In addition, the anticipated double-digit growth in the sector should be underpinned by additional airlift out of the United States and the United Kingdom as well as new cruise ship arrivals.

This significant growth in the tourism sector is expected to generate considerable spill over effects into other sectors thereby spurring further growth in economic output. Indeed, we can expect that the tremendous growth in tourism will positively impact all economic segments and bring direct benefits to taxi drivers, tour operators, vendors, and retailers to name a few.

Strong performance is also expected in the retail and wholesale trade sector as well as the manufacturing, transportation, and the communications sectors. While the rate of growth in the construction and related sectors can be expected to slow from the record highs of this year, we project strong performance in the sector for 2007.

In particular, Madam Speaker, we expect growth in construction to be driven by the implementation of a number of public sector projects – particularly the airport expansion project – and a variety of private sector projects which will include the continuation, completion and or commencement of a number of additional tourism development initiatives valued at over \$1 billion. All in all, Madam Speaker, the forecast for economic growth in Antigua and Barbuda reads thus: **“clear, blue, sunny skies for 2007”**. I repeat, Madam Speaker, **“CLEAR, BLUE, SUNNY SKIES FOR 2007”**.

Strategy for 2007 – NO NEW TAXES:

Madam Speaker:

In 2007, this Government will continue its fiscal reform efforts through enhancing efficiency in tax administration; streamlining the public sector; and improving expenditure management. These efforts will build upon the work done to date and will be supported by appropriate institutional and legislative reform activities. Particular emphasis will be placed on:

- completing the implementation of the Voluntary Separation and Early Retirement Package;
- further rolling out of the e-financials system (FreeBalance);
- reorganizing the treasury;
- implementing the new Finance Administration legislation and regulations;

- upgrading the Audit Act; and
- implementing a more modern set of laws and regulations dealing with Government procurement.

With respect to promoting economic growth, we will continue to facilitate the creation of a business-friendly environment whereby the private sector can further develop. We are cognizant of our role and responsibility to pursue policies that would act as catalysts for private enterprise and, thus, economic growth.

In this regard, we will ensure that the necessary mechanisms for the facilitation and promotion of investment are fully operationalized. In addition, Madam Speaker, we intend to develop and implement a new strategy for the development and marketing of our main foreign exchange earner – tourism. Further, we will continue to focus on creating a stable and sustainable macroeconomic environment that is conducive to economic growth and development.

Tourism Development Policy and Plan:

Madam Speaker:

This Government is committed to the controlled expansion of the tourism sector with particular emphasis on increasing visitor arrivals and visitor expenditure. To facilitate this, an Antigua and Barbuda Tourism Strategic Policy and Plan will be finalized and implemented in 2007. This tourism strategy will be based on three overarching principles:

- Sustainability – to maximize social and economic benefits to tourism stakeholders and the general population;
- Collaboration – to ensure that all stakeholders are involved in the planning and development of tourism projects; and
- Quality – for the deliverance of excellent quality tourism services and products that enhance the uniqueness of the Antigua and Barbuda tourism brand.

These principles, Madam Speaker, will be the foundation upon which specific policies and measures will be pursued for the further development of the sector. In particular, the Government will, inter alia:

- Mobilize investment in specific tourism sub-sectors;
- Increase international marketing and promotion in traditional and non-traditional markets;
- Diversify the yachting product;
- Expand in the up-market accommodation sector and promote restructuring and improvements in the small hotels sub-sector;
- Foster the development of locally owned small and medium enterprises to service the industry;
- Facilitate the restoration of heritage sites;
- Provide support for the initiation and maintenance of national and community-based developments in sports and other tourism focused events and festivals; and
- Encourage the development and promotion of conference and convention activities.

Madam Speaker:

Through the implementation of our tourism development strategy, we anticipate that the room capacity should increase to 6,000 by 2009. This is a highly achievable target given that, by 2007, with the completion of various Cricket World Cup related and other accommodations projects, the total room stock would have increased from just over 3,300 to over 4,800.

In addition to the increased room stock, we expect an annual average increase in visitor arrivals of 5% and a 3% increase in tourist expenditure each year.

Madam Speaker:

As we seek to implement this strategy, the Government will pursue a consultative process and maintain dialogue with all stakeholders every step of the way. Particular emphasis will also be placed on providing training and organizing human resource development activities to help enhance the level of service thereby making Antigua and Barbuda the best brand in Caribbean tourism.

Madam Speaker:

Given the importance of this sector to the economy and to the people of Antigua and Barbuda, it is critical that each citizen plays a part in ensuring the continued viability and future growth of this, our main export earner.

Promoting Small Business Development:

Madam Speaker:

The promotion of a vibrant small business sector remains a top priority for this Government. We recognize the significant role that micro and small businesses play in fostering economic growth, creating employment, and reducing poverty in developing nations.

As a result, this Government has sought to support the development and expansion of micro and small enterprises by providing tax concessions on the importation of critical inputs.

Between April 2004 and October 2006 we have provided tax concessions to nearly 800 micro and small businesses.

The businesses that have benefited from these concessions include:

- Heavy Equipment and Trucking Services;
- Small Contractors;
- Manufacturing firms;
- Wood Work and Furniture manufacturing firms;
- Welding and Machine shops;
- Small Restaurants;
- Bakeries; and
- Taxi and Bus Operators.

Madam Speaker:

To ensure the existence of a suitable environment within which small businesses can thrive, we will enact a Small Business Development Act in early 2007.

The draft small business legislation has already been prepared and is currently being reviewed by key private sector agencies and other stakeholders to make certain that the Act adequately addresses the issues affecting micro and small enterprises and establishes a desirable set of enabling provisions that would encourage development of this essential segment of the economy. Once the comments and recommendations of the stakeholders are presented to the Government, we will revise the draft bill to reflect these inputs.

Our Small Business Development Act will specify the fiscal incentives and concessions to which micro and small businesses will have access; establish targeted technical assistance programmes; and stipulate the framework through which 25% of Government's procurement contracts will be reserved for small businesses.

In addition to putting enabling legislation in place, this Government will continue to encourage micro and small enterprise development by facilitating their access to financial resources.

Madame Speaker:

The Antigua and Barbuda Development Bank (ABDB) has been a key player in this regard. It has served as a conduit through which resources from regional and international institutions such as the Caribbean Development Bank (CDB), the

European Economic Community's European Development Fund (EDF) and the European Investment Bank (EIB) have been made available to the productive sectors in Antigua and Barbuda.

This landmark institution, which has played a meaningful role in the financial sector for over 30 years, recently reviewed and modernized its operations so as to better facilitate the entrepreneurial ambitions of many Antiguan and Barbudans.

Madam Speaker:

Since August 2005, the Antigua Barbuda Development Bank has administered the Empowerment for Ownership Initiative, which provides concessionary loans to finance the start-up or expansion of micro and small businesses.

This initiative represents a collaborative undertaking of the Government, the Stanford Group of Companies and the Bank. The Empowerment for Ownership Initiative features a \$10 million fund endowed by the Stanford Group of Companies and has already proven to be immensely valuable to micro and small businesses.

As of October 2006, 68 loans totaling over \$2.5 million were approved under this initiative. The loans have been granted to businesses operating in the wholesale and retail trade, information technology, agriculture, manufacturing, fishing, restaurant and catering, and education services sectors.

Madam Speaker:

These businesses have created direct employment for over 204 persons with the resulting income benefiting an additional 600 persons. The businesses benefiting from loans provided under the Empowerment for Ownership Initiative are projected to generate annual sales in excess of \$9.5 million.

Madam Speaker:

We recognize that the formation and expansion of successful and independent micro and small businesses require the establishment of an effective technical assistance programme. In this regard, the Bank has designed and implemented such a programme that will seek to provide the requisite technical assistance to our many indigenous men and women who aspire to develop economically viable businesses as a means towards wealth creation.

Madam Speaker:

Through this technical assistance programme, workshops that focused on the issue of “How to Create a Business Plan” were held in Antigua and Barbuda. These workshops were considered by all to be a resounding success.

Madam Speaker:

It should be very clear that this Government is committed to the development of micro and small businesses and stands ready to pursue public-private partnerships to further cultivate and enhance the entrepreneurial acumen of the people of this nation.

Antigua and Barbuda Investment Authority:

Madam Speaker:

To facilitate the establishment of the Antigua and Barbuda Investment Authority, we have enacted the Antigua and Barbuda Investment Authority Act, which includes an Investment Code, in July 2006. The Investment Authority is the central institution charged with the implementation of this Government's strategy to promote investment and facilitate business development in Antigua and Barbuda. It will serve as a one-stop-shop for investors and will provide guidance to investors wishing to start-up businesses in Antigua and Barbuda; process applications for investment incentives; and provide support services to all investors.

Madam Speaker:

With the establishment of the Investment Authority, the granting of concessions to investors, whether local, regional or international, will no longer be discretionary. Instead, investors will be granted incentives based on standard criteria and the

projects' compatibility with the economic and developmental objectives of Antigua and Barbuda.

Madam Speaker:

The Investment Code will provide full protection and security to investors in accordance with international standards. It makes specific provisions for the equitable treatment of all investors and the protection of property and also provides for dispute settlement and compensation for losses.

With the assistance of the USAID COTS programme, it is expected that the Investment Authority will be operational in January 2007. A USAID-sponsored consultant has already commenced working on establishing the organisational structure of the Investment Authority as well as outlining its role in interfacing with businesses and other public sector agencies that are involved in the business registration and other procedural processes.

Once again, Madam Speaker, we are very grateful for the quick response by USAID in providing support on a matter that will undoubtedly serve to enhance investment in Antigua and Barbuda.

Customs Renewal Programme:

Madam Speaker:

In 2007 we will continue our efforts to transform the Customs system in Antigua and Barbuda. The Customs Renewal Programme, which was launched in September 2005, is intended to:

- Modernize Customs administration and procedures;
- Reduce time and financial costs associated with private sector compliance with Customs requirements;
- Enhance border protection;
- Increase efficiency in the Customs Department; and
- Increase revenue generation.

In 2006, the Government worked closely with a CARTAC sponsored consultant to lay the foundation for this renewal programme. We will advance the process in 2007 with the generous assistance of a regional government to implement the necessary customs software that would modernize and upgrade the operations of the Customs Department.

With the new customs computer software, the Customs Department will be able to process customs declarations electronically and will offer various payment options to traders. Through this new system, registered users, including traders and brokers, will be able to track the progress of their Customs declaration via the internet and make online payment using a credit or debit card.

The goal, Madam Speaker, is that, within the next six to eight months, importers should be able to **clear their goods from the Port within 24 hours of the arrival of these goods.**

Treasury Reorganization:

Madam Speaker:

The Treasury Department has been neglected for a number of years and it is critical that focused and sustained attention be paid to it as one of the most essential divisions of Government. Recognizing that the Treasury is in urgent need of comprehensive reform, the Ministry of Finance and the Economy enlisted the assistance of CARTAC and the CIDA funded Eastern Caribbean Economic Management Programme (ECEMP) to undertake a number of diagnostic studies and provide recommendations to help chart the way forward for a more effective and efficient Treasury Department.

I am pleased to report that the Government has begun to deploy the requisite resources that will facilitate a reorganization of the Treasury.

You have heard me in my two previous Budget Statements extol the virtues of the FreeBalance software package. In this connection, I am pleased to declare to this Honourable House the following major accomplishments as a result of FreeBalance: approximately 20,000 vouchers have been automatically generated; and close to 14,000 cheques have been issued.

The Treasury is now in a position whereby it is issuing automated cheques to virtually all Pensioners and over 50% of the employees in the pilot ministry, the Ministry of Finance and the Economy, receive salaries and wages generated from the FreeBalance system.

Madam Speaker:

These accomplishments have recast the Treasury Department in a new mold and have sharpened our keenness in terms of transforming that Department into a modern, first-class operation.

In this regard, we are broadening and deepening our initiative by engaging the services of highly qualified, trained and experienced professionals who are charged with the responsibility of working along with the Accountant General to upgrade Treasury processes and to strategically reposition the organization to take its rightful place in the new Governance architecture of Antigua and Barbuda.

Madam Speaker, the Accountant General, Mrs. Ernestine Hodge, must be highly commended for her sound leadership of the Treasury Department.

Cricket World Cup 2007:

Madam Speaker:

The ICC Cricket World Cup is one of the largest sporting events in the world and, for the several Caribbean nations that will be hosting various segments of Cricket World Cup 2007, it is expected that there will be significant direct and indirect impacts on their economies.

As Antigua and Barbuda and the other Caribbean countries prepare for Cricket World Cup 2007, there has been a significant demand on the Governments to provide the resources necessary to finance the various infrastructural and ancillary projects that are required to ensure the venue's readiness for the Cricket World Cup event.

Indeed, this Government has confronted the incredible challenge of providing the requisite resources and undertaking the appropriate activities that would ensure Antigua and Barbuda's compliance with its obligations to the ICC. Overall, nearly

\$190 million was budgeted to fund the necessary preparatory process that would position Antigua and Barbuda to effectively fulfill its obligations in respect of Cricket World Cup 2007.

Madam Speaker:

Of this \$190 million, we received a generous grant of \$55 million from the Government of the Peoples Republic of China to construct the Sir Vivian Richards Stadium. In addition, the Government of the Bolivarian Republic of Venezuela has provided a grant of \$20.1 million to fund essential upgrading and enhancing of facilities at the V.C Bird International Airport.

Along with these grants, which have unequivocally reduced the financial burden on the Government, we have had to provide resources for road works, landscaping, drainage works, installation of telecommunications infrastructure, and a sewage treatment system.

To date, Madam Speaker, we have spent about \$50 million on these activities and have budgeted approximately \$70 million for completion of these and other Cricket World Cup related activities in early 2007. It cannot be denied that preparations for the Cricket World Cup 2007 have proven to be a very costly undertaking.

However, Madam Speaker, the investment in infrastructure, though requiring significant outlays upfront, can only serve to benefit the people of Antigua and Barbuda and enhance the stock of Government's physical assets. Indeed,

economists agree that investment in physical capital is a critical factor in promoting long term economic growth and development.

It is therefore important that, in assessing the level of expenditure in preparation for Cricket World Cup 2007, one takes a global view of the future benefits of today's financial outlays.

Madam Speaker:

There is another dimension to be considered: one that has implications not only for the Cricket World Cup event but for the future development of our economy. With the introduction of the Cricket World Cup Projects (Incentives) Act in 2005, we have seen a tremendous increase in private sector investment.

This increased investment has served to expand construction and other activities thereby creating employment and improving the economic welfare for many of our citizens and residents.

Madam Speaker:

Cricket World Cup 2007 has served as a catalyst that has encouraged investment of about \$195 million in over 70 projects. Much of this investment has been undertaken by locals as well as Antiguan and Barbudans living abroad.

Clearly, Madam Speaker, these sons and daughters of the soil have recognized that Antigua and Barbuda's involvement in hosting this event has created an opportunity for lucrative investment ventures.

The location of these investment projects, which include accommodations and other tourist related services, span the four corners of the island.

From McKinnons and Gambles in the North; to Jennings and Bolans in the Southwest; to Willikies and Parham in the East and to Old Road and Piccadilly in the South. Citizens from all areas of this nation have taken advantage of the Cricket World Cup Projects (Incentives) arrangements and have provided a practical example which embodies our tourism motto **“the beach is just the beginning”**.

Indeed, this development has placed us firmly on the path to expanding the stock of small and boutique hotels, which is one of the key elements of our tourism development strategy.

Overall, Madam Speaker, the significant investment in infrastructural development along with the addition to the stock of visitor accommodations should, over the long term, lead to the accrual of social and economic benefits that would far outweigh the initial outlays for Cricket World Cup 2007.

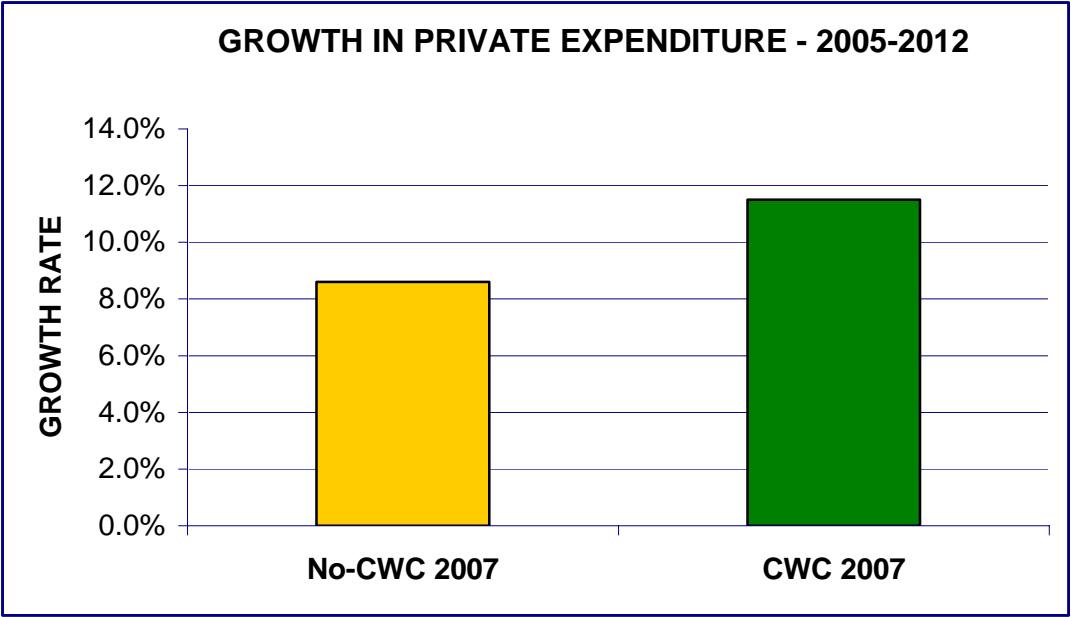
Madam Speaker:

In order to determine the financial benefits to be garnered as a result of hosting Cricket World Cup, the ECCB conducted an assessment of the possible macroeconomic implications of hosting the event in the ECCU countries. For Antigua and Barbuda, the study found that there would be significant increases in economic variables such as foreign direct investment, exports, national income, economic growth, government revenue and private expenditure during the year of the event and also over the period 2005 to 2012.

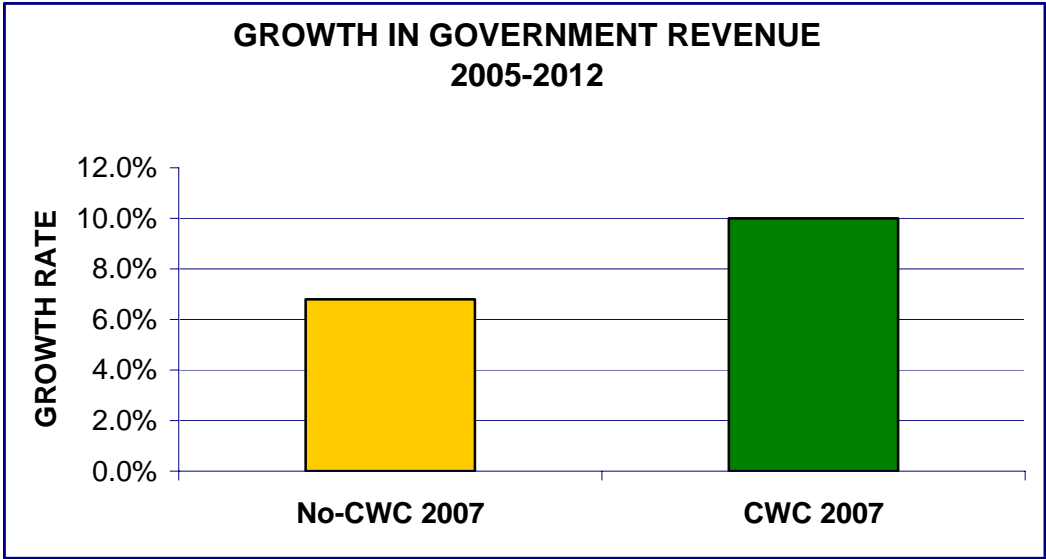
With respect to foreign direct investment, it is expected that there would be increases ranging from \$175 million to \$348 million in 2007. Further, exports and transfers are estimated to grow by up to \$249 million while overall national income is projected to increase by between \$494 million and \$755 million in 2007.

Madam Speaker:

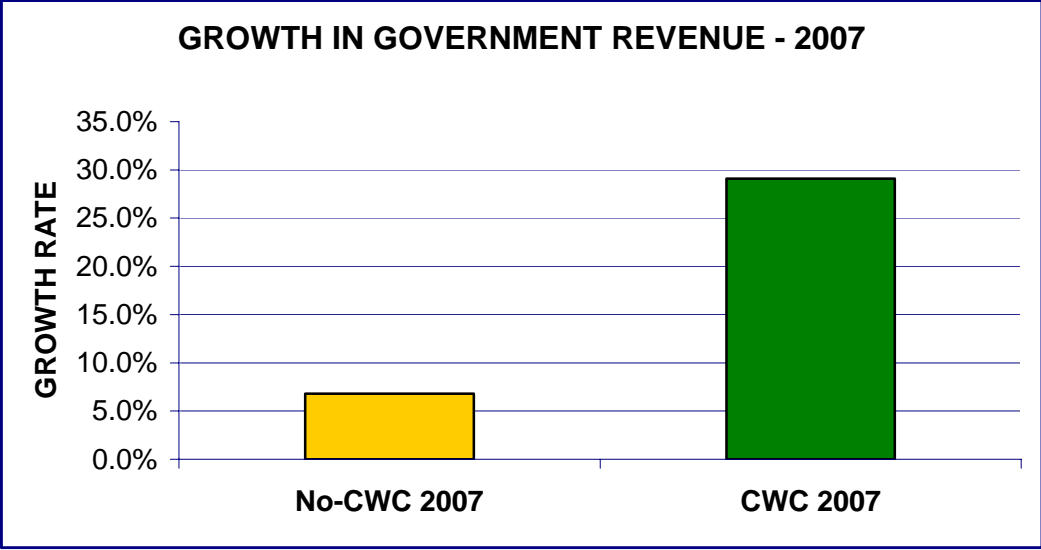
As a result of Antigua and Barbuda's involvement in Cricket World Cup 2007, we can expect significant growth in private expenditure. For the period 2005 to 2012, private expenditure is expected to grow at a rate of 11.5% compared to a projected growth rate of 8.6% under a scenario where no Cricket World Cup event was held in Antigua and Barbuda.



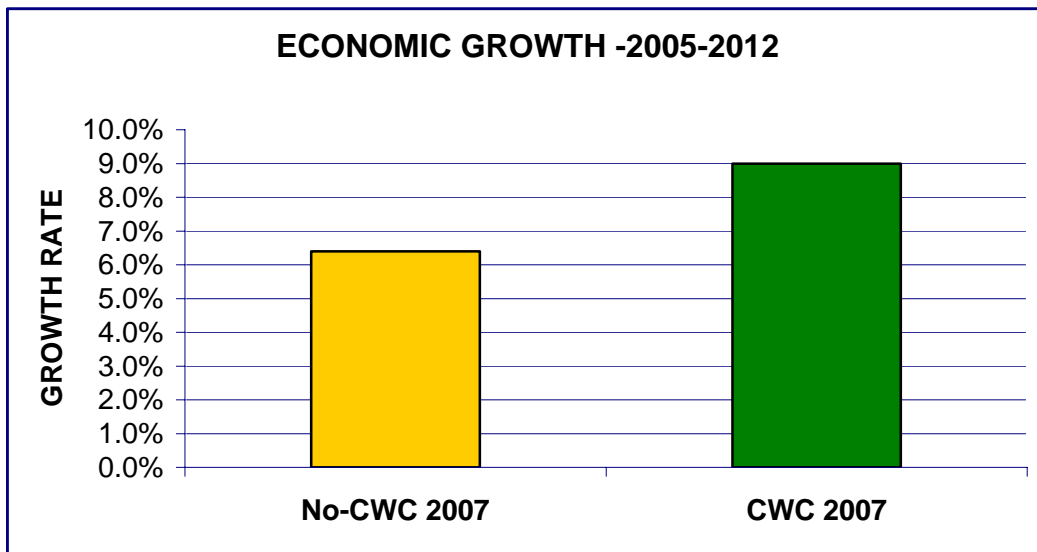
Government revenue would also be expected to increase by up to 10% respectively for the period 2005 to 2012.



Moreover, in 2007, Government revenue is projected to increase by as much as 29% as a result of Cricket World Cup 2007 compared to a 6.8% increase with no Cricket World Cup event hosted in Antigua and Barbuda.



Overall, the ECCB determined that, if Antigua and Barbuda did not participate in hosting Cricket World Cup 2007, then economic growth for the period 2005 to 2012 would average about 6.4%. But, Madam Speaker, by hosting the event, it is expected that economic output would grow at an average rate of up to 9% annually.



Madam Speaker:

The ECCB study clearly indicates that Antigua and Barbuda, and, indeed, the rest of the ECCU countries stand to gain substantial net financial benefits as a result of their involvement in Cricket World Cup 2007. To ensure that we take full advantage of this opportunity, it is critical that we implement the relevant policy

and strategic frameworks that would lock-in the economic gains and maximize the anticipated benefits over the short, medium and long term.

I can assure this Honourable House that this Government has the capability, the competence and the vision to fully capitalize on the Cricket World Cup opportunities for the benefit of the citizens and residents of Antigua and Barbuda.

Budget Projections 2007:

Madam Speaker:

Recurrent Expenditure for Fiscal Year 2007 is budgeted at \$730,161,897 while Recurrent Revenue is estimated at \$649,406,642. This leaves a current account deficit of \$80,755, 255. The deficit reflects the increases in expenditure required for Cricket World Cup 2007 along with the Government's obligations in respect of back pay and other personnel related costs.

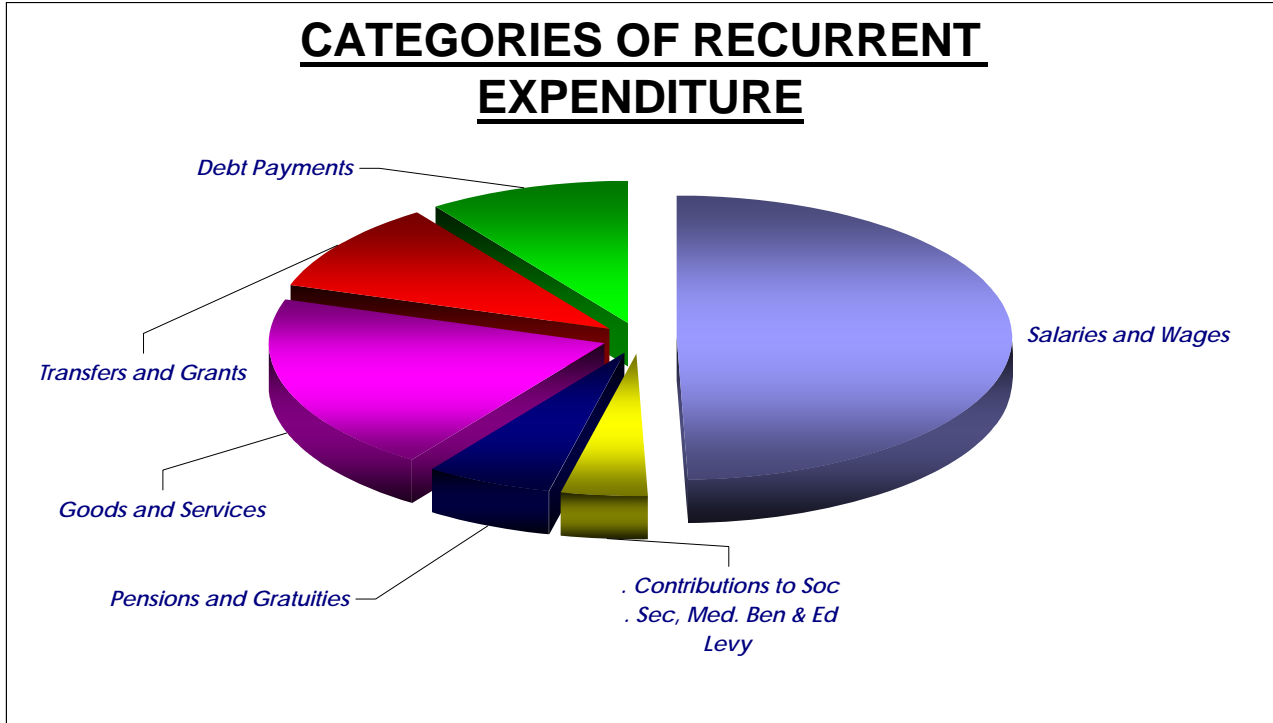
Recurrent Expenditure:

Madam Speaker:

Recurrent expenditure for 2007 is budgeted at \$730,161,897 compared to revised expenditure of \$670,573,692 for 2006. I repeat for emphasis, Madam Speaker, that the increased expenditure reflects the significant outlays required in respect of preparation for Cricket World Cup 2007, expenditure on back pay owed to civil servants, retroactive increases to the police force, and a retroactive increase in traveling and mileage allowances.

Government recurrent expenditure is comprised of the following categories:

- Salaries, wages and allowances which represents 49.7% of recurrent expenditure;
- Contributions to Social Security, Medical Benefits and Education Levy – 3.5%;
- Pensions and Gratuities – 6.2%;
- Goods and Services, including utilities – 20.6%;
- Transfers and Grants – 10.1%; and
- Debt Payments – 9.9%



In 2007, expenditure for salaries and wages is budgeted at \$362,941,924 compared to \$264,520,793 for the revised estimate for 2006. **This amount is not adjusted for public servants who will leave the service under the Voluntary Separation and Early Retirement programme.**

Madam Speaker:

The increase in expenditure for salaries and wages will be driven by this Government's decision to honour increases in salaries and wages that were negotiated for 1995-1996 and 2000-2002. We have undertaken to pay these long

outstanding amounts that were owed to civil servants at a cost of \$32 million. Of this amount, \$8 million is now being paid in 2006 while the remaining \$24 million will be paid in 2007.

Further, we are faced with honouring yet another set of increases that were contracted by the former administration in 1994 and again in 2000 but were never paid. In this case, we will spend about \$10 million to cover retroactive increases in traveling and mileage allowances for civil servants. The increased expenditure on salaries and wages also reflects the increases in remuneration to the Police Force.

Madam Speaker:

We will enhance the staffing complement at the Customs and Immigration Departments to allow for the 24-hour operation of our Ports. The greater capacity at the Ports will also ensure that we are in a position to effectively manage the increased activity at the Ports due to Cricket World Cup.

A strengthened Customs Department will also be able to effectively administer the ABST and carry out the operations that will be required under the proposed modernized customs system. Allocations have also been made to increase the personnel in the Ministry of Education to ensure that schools are adequately staffed with skilled teachers. Insofar as these positions can be filled from within the public service, this will be done as the first option.

Government's Social Security, Medical Benefits and Education Levy contributions are budgeted at \$25,706,690 compared to \$30,283,400 in the revised estimates for 2006.

Madam Speaker, we intend to keep current with our contributions to these statutory corporations and will finalize arrangements to settle outstanding arrears to these institutions.

\$44,991,305 is budgeted for Pensions and Gratuities in 2007 compared to \$39,517,558 in the revised estimates for 2006, which reflects an increase in the number of pensioners.

We have budgeted \$150,604,383 for expenditure on Goods and Services in 2007. This compares with \$124,660,226 in the revised estimates for 2006. This growth in expenditure for goods and services reflects additional expenditure in relation to our Cricket World Cup obligations.

In terms of Transfers and Grants, we budgeted \$73,942,486 for 2007 which compares to \$63,423,060 in the revised estimates for 2006.

Finally, Debt Service payments are budgeted at \$71,975,111 for 2007 compared to a revised estimate of \$143,844,180 in 2006.

Madam Speaker:

I will now present a breakdown of Budget 2007 expenditure across the Government's Ministries.

Expenditure in the Prime Minister's Ministry

Total budgetary allocation for the Prime Minister's Ministry in 2007 is \$120,713,943.

Departments in the Prime Minister's Ministry include:

The Royal Police Force of Antigua and Barbuda

Allocation has been made in Budget 2007 to recruit 48 new police constables and 15 new fire constables to further enhance crime fighting and firefighting capabilities. In addition, Madam Speaker, we have allocated \$10 million to purchase four new fire engines and a fire rescue vessel.

Madam Speaker:

Resources have also been allocated in Budget 2007 to provide further training to the officers attached to the Fire Brigade and the Police Force. In this regard, Madam Speaker, the nation can expect to see a reorganized and restructured Royal Police Force in 2007.

The Defense Force

The Antigua and Barbuda Defense Force will also receive funding in 2007 for an additional 150 recruits and to acquire essential equipment. A total of \$4.3 million is allocated for these purposes.

Madam Speaker:

A strengthened Defense Force will play a vital role in providing security during Cricket World Cup 2007 and this is therefore a priority of this Government.

Investing in the Development of Barbuda

Madam Speaker:

A major issue that has arisen is the establishment of the necessary facilities to give effect to the designation of Barbuda as a port of entry.

This is a priority for the Sunshine Government and we intend to comprehensively assess the most appropriate modalities through which this can be done. We have allocated US\$6 million for the construction of a new port facility in Barbuda commencing in 2007.

The road works project for which \$10 million was allocated in 2006 has been progressing smoothly. To date approximately \$4.7 million have been spent on the Barbuda road programme which is about 40% completed.

This programme, which includes the construction of about 7 miles of roads, the construction of drains and the resurfacing of the air-strip at the Codrington Airport will be complemented in 2007 by a project to refurbish the terminal building.

Also, we have budgeted a further \$2 million for the construction of additional roads in Barbuda. These additional roads will allow for easier access to the Sir McChesney George Secondary School and the Hanna Thomas Hospital.

Further, Madam Speaker, we have made available \$2.8 million for the construction of the Justice Complex in Barbuda, which will include a new police station, housing for the police and accommodations for visiting Magistrates. The construction of the Justice Complex will commence shortly.

In accordance with our Agenda for Change, this Government recognizes and respects the rights of all Barbudans to their lands. In this regard, we will seek to enact the Barbuda Land Act in 2007 to give legal rights to Barbudans to own the lands in Barbuda in Common.

Information and Communication Technology

In 2007, we will accelerate the implementation of our Digital Agenda which will position Antigua and Barbuda to take advantage of the economic and social opportunities presented by Information and Communications Technology. In this

regard, we have allocated \$16,992,286 to facilitate the work of the Ministry of Information, Broadcasting and Telecommunications.

Madam Speaker:

The Government will focus on the continued liberalization of the telecommunications market and the development of a Regulatory Unit to ensure fairness in a newly liberalized market. Our efforts to foster greater competition in the market have already precipitated a reduction of up to 50% in international direct dialing (IDD) rates. We expect that as we continue to promote liberalization, there will be further reductions in the IDD rates.

The commencement of the operation of our new undersea fibre optic cable will provide a tremendous boost to Antigua and Barbuda's technological capacity. This new infrastructure is expected to lower telecommunications costs including overseas calls and internet access. This is of major importance to the productive sectors such as gaming, banking, insurance, tourism and hospitality, yachting, retail and distributive trades. Overall, the landing of the cable has positioned Antigua and Barbuda to become a leading ICT center in the Caribbean.

Madam Speaker:

The Government's Information Technology Programme is also moving apace. This programme focuses on increasing access to computer technology by installing the necessary facilities in our communities. Also, the IT programme will continue to upgrade and equip computer labs at primary and secondary schools.

Overall, the intervention under the information technology and telecommunications programmes will guarantee that all schools and communities have easy access to technology, the private sector is provided with state-of-the-art and cost effective telecommunications services, and Antigua and Barbuda becomes a centre of excellence in the information technology and telecommunications fields.

Finally, Madam Speaker, we have allocated nearly \$300,000 in Budget 2007 to facilitate the functioning of the Information Commission and to allow the National Economic and Social Council to become fully operational.

Expenditure in the Ministry of Tourism and Civil Aviation

Madam Speaker:

A total of \$53,196,905 has been allocated to support the work of this Ministry in 2007.

These resources will facilitate the implementation of the various activities and programmes identified in the Tourism Development Strategy. Particular emphasis will be placed in enhancing the marketing and advertising efforts and we have budgeted \$17 million for this purpose.

The Ministry will seek to increase performance in respect of traditional markets and seek out opportunities in new markets. In our effort to make Antigua and Barbuda the best brand in Caribbean tourism, we will enhance training in all areas related to the tourism sector to ensure that the most efficient and highest quality service is provided.

Specifically, the Antigua and Barbuda Hospitality Training Institute will commence a hallmark arrangement with the UWI Campus in Barbados which will allow students at the Institute to pursue degrees in Hospitality Studies and Culinary Arts.

St. John's Development Corporation

Madam Speaker:

The St. John's Development Corporation, in conjunction with the Central Board of Health and the National Solid Waste Management Authority continued its general programme of cleaning and beautifying the city of St. John's. In addition, the Corporation has been working with local contractors to provide city custodians to keep the city clean and to assist in the eradication of rodents.

For 2007, a total of \$1.75 million has been allocated to fund the following activities:

- Construction of public restroom facilities at various locations in the city;
- Provision of garbage receptacles at appropriate locations in the city;
- Installation of street signs and directional signs in the city;
- Introduction of parking meters on designated streets in the Business District for short term parking; and
- Installation of a Visitor Information Centre at a strategic location in the city.

Expenditure in the Ministry of Agriculture, Lands, Marine Resources and Agro Industries

Madam Speaker:

To promote the development of this vital sector, we have allocated \$31,910,563 in Budget 2007 to fund the operation of the Ministry.

The Ministry will focus on the following activities:

- Provision of training and support to farmers to increase crop production – particularly the Antigua Black Pineapple, and enhance farm management capabilities;
- Development of an adequate land use and distribution policy;
- Laying the groundwork for the development of additional fisheries infrastructure, implementing a fisheries training and extension programme, and improving fisheries management capabilities;
- Implementation of a Livestock Farmers Resettlement programme; and
- Development and maintenance of Agricultural Stations.

Overall, the work of this Ministry will facilitate the enhancement of food security in Antigua and Barbuda, encourage export of agricultural products, promote agro processing initiatives, and foster greater competitiveness in the sector.

We will also continue our efforts to reorganize and strengthen the Central Marketing Corporation to ensure that the agency can effectively carry out its functions and meet the demands of the National School Meals Programme.

To continue the successful operation of this critical social programme, the Department of National School Meals will be established in the Ministry and has been allocated \$10,743,407 to undertake its functions in 2007.

Finally, Madam Speaker, in an effort to make affordable lands available to citizens for residential development, this Government will undertake a Land Distribution Programme in 2007. The UPP Administration will soon commence the installation of the necessary infrastructure on land lots in areas such as Fitches Creek, Red Hill, Lightfoot West, Jennings, Bolans and Urlings to name a few.

Once the necessary infrastructure is in place, the Government will begin an extensive land sale programme at concessionary rates to citizens of this nation. Every citizen who is desirous of owning a piece of this “rock” will be given the opportunity to do so.

Expenditure in the Ministry of Health, Sports and Youth Affairs

The 2007 Budget allocation for Health, Sports and Youth Affairs is \$102,240,524.

An allocation of \$12 million has been made for the continuation of the National Beautification Programme which includes garbage collection, curbside beautification and the cleaning of overgrown properties.

Madam Speaker, despite the ongoing financial challenges, we will persist with our endeavour to provide the people of this nation with quality health care services. With this in mind, we have allocated \$33.2 million to fund the operations of the Holberton Hospital.

This should complement and build on the invaluable work done by the Holberton Restoration Committee. The interventions of the members of this Committee along with the generous contributions of the general public to this cause have been truly outstanding and highly commendable.

Madam Speaker:

With the financial assistance provided by the People's Republic of China we are one step closer to the opening of the Mount St. John Medical Centre. In 2007, we will undertake to complete the remaining work at this facility and finalize arrangements to secure the services of a private management and operations company.

Also in 2007, work will continue on the construction of new clinics in various communities and the newly renovated and upgraded clinic in Grays Farm will be opened.

To ensure that the necessary facilities and equipment are in place during Cricket World Cup 2007, we have allocated over \$1 million for the acquisition of additional ambulances and other medical equipment.

Madam Speaker:

The Government will intensify our plans to refurbish and upgrade community sporting facilities and will commence the construction of the Sir Sidney Walling Grounds, the Curtley Ambrose Sports and Youth Development Centre and the Patrick White Sports Library and Internet Café.

Through the enhancement and development of sporting facilities across the island we expect that all Antiguan and Barbudans, especially the youth, will have access to the highest quality sporting amenities to pursue varied physical activities.

In 2007, the Ministry will place particular emphasis on the development and implementation of programmes that target the youth of this nation.

These will include a Youth Apprenticeship Programme in Agriculture, a Youth Development Programme which focuses on training in all areas of personal development, and the transformation of the Boys Training School into a Youth Development Complex. To facilitate the commencement of these and other programmes that support the development of Youth and Sports, we have allocated \$14,427,520 in Budget 2007.

Expenditure in the Ministry of Housing, Culture and Social Transformation:

Madam Speaker:

A budgetary allocation of \$14,253,574 has been made for the Ministry of Housing, Culture and Social Transformation in Budget 2007. These resources will allow the Ministry to undertake a number of critical programmes including:

- The expansion of the work of the Citizen's Welfare Division; particularly the home help programme which targets the elderly;
- Enhancing the programmes and activities of the Probation Unit which was established in 2006;

- Implementation of the Home Improvement Grant which will provide financial assistance for vital repairs to the homes of eligible applicants; and
- Intensification of the programmes being implemented by the Community Development Department, which in collaboration with Project Hope will provide training and support services to youth and unemployed persons.

The Ministry will also establish a Social Policy Unit which will be responsible for designing and implementing social policy as well as identifying and accessing grant funding for various social programmes.

An allocation of about \$92,000 is made in Budget 2007 to facilitate the commencement of the work of this Unit. A key policy guide for this Unit will be the Country Poverty Assessment Report which should be completed in early 2007.

Madam Speaker:

With the assistance of the US Southern Command (SOUTHCOM), this Government, through the National Office of Disaster Services (NODS), will embark on the construction of a modern Emergency Operations Centre. This Centre will facilitate the enhancement of disaster management, support disaster risk reduction, and contribute to the expansion of disaster preparedness initiatives.

Also, the Ministry is spearheading the Sunshine Government's housing policy and will in 2007 commence a housing development programme which will see the construction of over 1,000 affordable homes in a number of communities throughout the country.

Finally, Madam Speaker, we are committed to the preservation of our culture which so richly reflects the uniqueness, complexity and essence of our people.

In this regard, we will finalize the development of a National Culture Policy and further encourage the inclusion of every facet of our culture in the curriculum of our schools.

Expenditure in the Ministry of Education

In Budget 2007, an allocation of \$72,601,689 is made to facilitate the implementation of the programmes and activities of this Ministry.

Madam Speaker, to meet the growing demand for the provision of quality education services, we will recruit 166 additional teachers for primary and secondary schools. In addition, we have made provisions to support the continued refurbishment and renovation of our primary and secondary schools.

With the support of the European Union's EDF, we will advance the strengthening of technical and vocational education, upgrade facilities at the Antigua State College, and implement the Technical Cooperation Facility. A total of 5.7 million Euros has been made available through the EDF to facilitate the implementation of these programmes.

Madam Speaker:

The Government intends to complete construction on the new National Public Library for which we received a generous donation of \$1 million from the Stanford Group of Companies.

Expenditure in the Ministry of Labour, Public Administration and Empowerment

This Ministry has been allocated \$12,232,842 of the Recurrent Expenditure in Budget 2007.

Madam Speaker:

This Ministry spearheaded the development of the Voluntary Separation and Early Retirement Programme (VSEP) and will, in 2007, complete the implementation of this landmark initiative. Under the VSEP, which forms part of the Government's overall Public Sector Transformation Programme, a total of 1,078 public servants opted to leave the public sector.

The Ministry will collaborate with other critical arms of the civil service to accelerate the administration of the VSEP in order to expedite the payment of the over \$60 million in separation and early retirement packages.

In addition, the Ministry will finalize a Man Power Audit to assess the skills and expertise within the civil service.

This Audit of the human resource capacities will further facilitate the Public Sector Transformation process which is intended to enhance the overall efficiency of the public sector.

The Ministry, through the Department of Gender Affairs, will enhance its activities in 2007 to further empower the women of this nation. Madam Speaker, we are confident that our colleague and esteemed President of the Inter-American Commission of Women will work diligently to safeguard and protect the rights of all women in Antigua and Barbuda.

Expenditure in the Ministry of Finance and the Economy

The total budgetary allocation for the Ministry of Finance and the Economy is \$81,280,730.

Madam Speaker:

These resources will be used to continue critical work on the fiscal reform agenda. In particular, allocations have been made for the strengthening of the human resource capability at the Customs and Inland Revenue Departments. These branches of the Government are pivotal to ensuring revenue security and thus must be equipped with the necessary manpower and facilities to effectively undertake their responsibilities.

Further, Madam Speaker, we recognize the need for an empowered and effectively functioning Treasury Department to manage expenditure. As such, we plan to continue the implementation of our comprehensive treasury reorganization initiative that will enhance cash management and expenditure control capabilities.

The Ministry of Finance and the Economy will also focus on the continued development of the Public Sector Investment Programme, upgrading the Statistics Division, completing the National Strategic Development Plan, and enhancing the work on matters relating to the development of Industry and Commerce through the development of a National Trade Policy Framework.

Other Budgetary Allocations:

Expenditure for Democracy and Governance

The Budget 2007 allocation for the Governor General's Office is \$1,120,586.

For the Legislature, the allocation is \$2,180,444.

The allocation for the Cabinet Office is \$3,730,091.

Expenditure for the Justice System

The allocation for The Judiciary is \$1,104,495.

For the Office of the Attorney General and Ministry of Legal Affairs, an allocation of \$12,131,210 has been made to facilitate the execution of the sweeping legislative agenda of this Government for 2007.

For the Ministry of Justice, the allocation is \$17,615,873. These resources will ensure the Ministry is well equipped to complete the full automation of the Land Registry, to provide legal aid and counseling services to the general public, and to ensure the effective administration of justice through the Industrial, Magistrates, and High Courts. Bearing in mind, Madam Speaker, that “Justice delayed is Justice denied”, this Government will seek to recruit temporary judges to assist with the speedy dispensation of justice.

Further, Madam Speaker, the Ministry will focus on enhancing the capacity of the Prices and Consumer Affairs Division to ensure that the rights and interests of consumers are protected, particularly within the new ABST environment.

Provisions have also been made under this Ministry to fund the operations of the Integrity Commission.

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

Madam Speaker:

The 2007 Budgetary allocation for the Service Commissions is \$589,098.

The provision for the Audit Department is \$1,157,099.

For Pensions and Gratuities, we have allocated \$39,227,470.

The provision for Charges on the Account of the Public Debt is \$169,361,723.

The 2007 provision for the Electoral Commission is \$3,966,232 and \$442,576 has been allocated for the Office of the Ombudsman.

Expenditure in the Ministry of Public Works, Transportation and the Environment

The 2007 Budgetary allocation for this Ministry amounts to \$86,490,842.

Madam Speaker:

The Sunshine Government will focus heavily on infrastructural development in 2007 with particular emphasis on road development, repair and maintenance. This comprehensive road works programme will be rolled out in communities across the length and breadth of Antigua and Barbuda. Through this programme we will deliver on our promise to provide the people of this nation with a road network that is second to none in the region.

Given the enormity of the task at hand, we have received the support of the Government of the Republic of Cuba through the provision of a 35-man team of Cuban workers. This team, at a cost of about \$1.1 million to the Government of Antigua and Barbuda, will assist in the implementation of the road programme.

In addition to the road programme, the Ministry will be responsible for additional capital programmes including the upgrading of the traffic light systems, repairs and maintenance to Government buildings, and numerous construction, renovation, and upgrade projects to enhance the working conditions within various Ministries and Departments.

Madam Speaker:

In 2007, this Ministry is expected to oversee the construction and development of the Sunrise Community Hub. This US\$23 million project comprises a Multi-level Parking Deck (Car Park), Shopping Plaza, Office Complex and Public Transport Terminal (the East Bus Station).

In addition, Madam Speaker, the new Transport Board Headquarters is expected to be completed in 2007 at a cost of \$23 million. Along with the Headquarters, the facility will include a motor vehicle inspection center, the Government's

mechanical workshop, and a training center of excellence in motor vehicle maintenance.

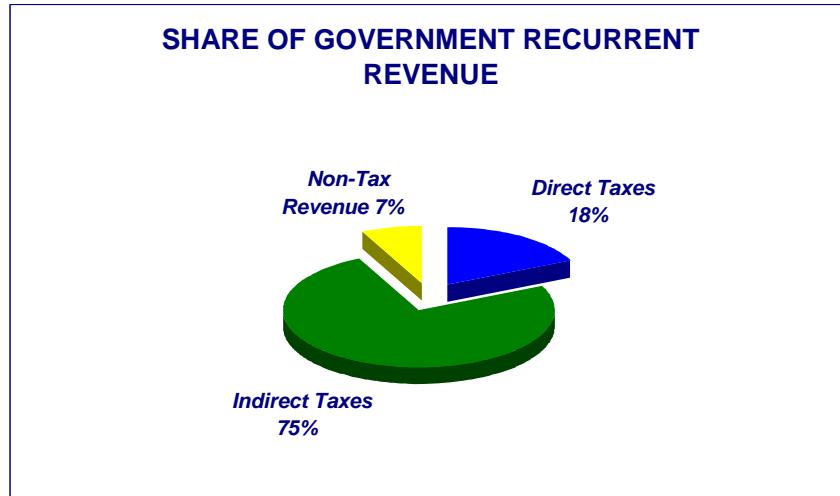
Madam Speaker:

This Government is fully cognizant of the need to pursue a sustainable development path that ensures the protection of the environment. To this end, we have allocated over \$4 million to facilitate the work of the Environment Division, which is expected to include the introduction of an Environmental Youth Core.

Recurrent Revenue 2007:

Madam Speaker:

The strong revenue performance realized over the past few years is expected to continue in 2007. Recurrent revenue for the upcoming fiscal year is budgeted at \$649,406,642. The three major sources of this revenue will be direct taxes which make up 18% of recurrent revenue, indirect taxes which make up 75%, and non-tax revenue which comprises 7%. Tax revenue accounts for about 93% of total recurrent revenue and is budgeted at \$602,597,630. Non-tax revenue makes up the remaining 7% of recurrent revenue and is budgeted at \$46,809,012.



Direct Taxes

Madam Speaker:

Direct taxes, which comprise about 19% of tax revenue, are projected to yield \$117,243,076 in 2007. Of this, \$93,430,176.80 represents revenue from taxes on income while \$23,803,900 represents revenue from property taxes.

The projected revenue from taxes on income will be driven mainly by a 13.6% increase in corporate income tax revenue and a 13% increase in revenue from the personal income tax. Since its implementation in 2005, the personal income tax has yielded \$66 million in revenue.

Of this, \$23.4 million was collected between April and December 2005 while \$42.6 million in revenue was generated in 2006. In 2007, this measure is expected to yield \$48.1 million in revenue.

Madam Speaker:

These increases, again, will not be the result of higher tax rates but rather increased efficiency with respect to tax administration and collection.

Madam Speaker:

In terms of the Property Tax, we have completed the legislative modernization process which culminated in the recent passing of the new Property Tax Act in this Honourable House. The new property tax, which focuses on widening the net of tax payers rather than increasing the tax rates, will come into effect as of January 1st 2007.

As a result of the registration of an additional 24,000 parcels that were previously not captured in the system, the modernized property tax is projected to yield \$23,803,900 in 2007.

When the Sunshine Government announced that we would modernize the property tax, there were concerns that this was an additional tax and that property owners would be facing higher tax rates.

We indicated that the intent of this exercise was not to increase the tax burden and I am happy, Madam Speaker, to inform the people of Antigua and Barbuda that **we have kept our promise.**

Madam Speaker:

Under the current property tax system, a typical property owner in Crosbies faces a total tax liability of \$1,850. This includes both house and land taxes. With the modernized property tax system, the same property is likely to face a tax liability of about \$1,206. This represents a 35% decline in the amount the property owner pays in taxes.

For a typical property in Fitches Creek, the total tax liability under the current system amounts to \$950. Under the new system, the tax payer's liability is likely to decrease to \$920.

A property owner in Green Bay who currently pays taxes of \$550 can expect his or her tax liability to decrease to about \$427 in 2007.

Madam Speaker:

Does this not show that we are a caring Government? A Government that puts the needs of the People First!

In 2000, the former Administration amended the land tax rates thereby increasing the tax per acre to \$200 per acre. This harebrained policy resulted in an astronomical increase in the tax liability of land owners and undoubtedly placed a tremendous burden on the people of this nation.

This policy meant that, for example, a farmer with 6 acres of land would pay \$1,200 in land taxes. With 50 acres of land, a farmer would pay \$10,000 in land taxes under the current system which was hatched by my esteemed colleagues across the floor.

Madam Speaker:

Under the new and improved property tax system, the farmer with 6 acres of land can expect to pay \$30 in land taxes and the farmer with 50 acres of land can expect to pay \$250 in taxes.

When the UPP Administration says that it puts People First, the people of Antigua and Barbuda can be assured that this is exactly what we have done and will continue to do.

Before I move on, Madam Speaker, I wish to express the deep appreciation of the Government for the work done by the personnel at the Property Valuation Department with special mention of our Property Tax Consultant, Mr. Carey Thompson. I also wish to recognize the consultants attached to the Eastern Caribbean Economic Management Programme (ECEMP) for their hard work and contributions which made the implementation of this new, modern, fair and equitable Property Tax system possible.

Indirect Taxes

Madam Speaker:

The yield from indirect taxes is budgeted at \$485,363,553, which is about 81% of tax revenue. Of this, taxes on domestic production and consumption are expected to yield \$215,128,145 in revenue while the taxes on international trade and transactions are projected to yield \$270,235,407 in revenue.

A total of \$153.8 million or 31% of the revenue from indirect taxes will be generated from the Antigua and Barbuda Sales Tax (ABST).

Madam Speaker, the ABST is the final major tax measure to be introduced by this Government and will replace several existing taxes.

Madam Speaker:

I have said time and time again that this ABST is **not a new tax**. However, our crafty detractors, who seem bent on devising some ill-advised Machiavellian scheme to derail the reform initiatives of this Government, have pursued a frenzied propaganda campaign in an attempt to mislead the citizens of this nation.

Madam Speaker, they have not been and will not be successful. We will stay the course and we will continue to transform the macroeconomic landscape of our beloved Antigua and Barbuda.

Let me say once more, Madam Speaker, that the ABST is **not a new tax**. It is a measure that will serve to further consolidate and simplify the tax system. We have set the general ABST rate at 15% while the rate for the hotel sector is set at 10.5% to ensure that the competitiveness of Antigua and Barbuda is not hampered. The ABST will take effect from January 29th 2007 and will replace the following six taxes:

- The Consumption Tax;
- The Hotel (bed-night) tax;
- The Hotel Guest Tax;
- The Hotel Guest Levy;
- The Restaurant and Catering Tax; and
- The Telecommunications Tax.

By replacing these taxes, the ABST will allow for a more streamlined and efficient tax system.

Madam Speaker:

The ABST will be charged on imported goods at the Port and on goods and services supplied by registered businesses in Antigua and Barbuda. To start, we have set the registration threshold at \$300,000 annually, which means that any business generating annual sales of \$300,000 or more will be required to register for the ABST.

We have commenced a widespread registration and information dissemination campaign to encourage business registration. As a result of these efforts, it is expected that by the time of implementation, there will be 600 businesses registered and ready to apply the ABST.

There has been widespread speculation that this measure will cause a general increase in the price of the goods we import. Madam Speaker, I submit that this will not be the case.

Permit me to provide a few illustrations:

| Item | Consumption Tax Rate | ABST Rate |
|------------------------------------|-----------------------------|------------------|
| Auto parts | 30% | 15% |
| Furniture | 30% | 15% |
| Television set | 30% | 15% |
| Microwave | 30% | 15% |
| Toaster | 30% | 15% |
| Vacuum Cleaner | 30% | 15% |
| Iron | 30% | 15% |
| Transformer | 30% | 15% |
| Baby Carrier | 30% | 15% |
| Crib | 30% | 15% |
| Freezer/Fridge | 30% | 15% |
| Perfume | 50% | 15% |
| Stereo/ Radio | 30% | 15% |
| Beauty Products, including make-up | 50% | 15% |
| Hair Products | 50% | 15% |
| Radio | 30% | 15% |

- The consumption tax on a refrigerator is now 30% while the ABST rate is set at 15%. Anyone importing a refrigerator with a CIF value of, say,

\$2,500 would pay duties and taxes amounting to \$1,725. With the ABST the total duties and taxes on the same refrigerator would amount to \$1,496. The cost in duties and taxes to the importer would be \$229 less with the ABST than currently exists with the consumption tax.

- For the ladies, your beauty products and makeup along with perfumes currently draw a consumption tax of 50 percent. So, if the CIF value of your favorite bottle of perfume amounts to \$100, the total duties and taxes would be \$80 under the current system. With the ABST, the total duties and taxes would amount to \$50. Madam Speaker, this is a \$30 difference in the tax payable on that same bottle of perfume.

The same result would be realized for irons, cribs, toasters, microwaves, DVD players, fans, and computer parts. I could go on Madam Speaker, but I will trust that these examples have eased the minds of the populace and have silenced those who would gleefully advance the notion that the ABST will cause the prices of the items we use to balloon.

Madam Speaker:

It has also been said that the introduction of the ABST will lead to a considerable increase in the peoples' telephone bills for international calls. This is yet another erroneous conclusion and clearly an attempt to deceive the population. The telecommunications tax is currently 20%, Madam Speaker. This means that an individual who has made \$150 in international calls would pay a tax of \$30.

Under the ABST, the tax payable would be 25% less at \$22.50. For an international telephone bill of \$50, the tax payable with the telecommunications tax would be \$10. With the ABST the tax payable would decrease to \$7.50. The figures, Madam Speaker, do not lie.

Let us now turn to the most talked about and, I dare say, most misrepresented aspect of the ABST – that is, its impact on day-to-day cost of living. Madam Speaker, the ABST should not, will not and cannot cause the price of the food items we consume to skyrocket.

We have adhered to our motto of “Putting People First” by establishing a basket of essential items which includes food, baby formula and pampers, plywood, lumber, and newspapers. All products in the basket of essential goods will be zero-rated, which means that the ABST will not be charged on the import or sale of any of these items.

Madam Speaker:

I should point out that many of the items that have been zero-rated currently carry a consumption tax rate of between 5% and 30%. This means that once the consumption tax is replaced by the ABST, these items will be imported at significantly lower costs.

Take for example, apple, orange or pineapple juices. These currently face a consumption tax of 15%. However, since they are in the basket of essential goods and have been zero-rated, the ABST tax on these items will be zero percent.

Consider, also, baby bottles and baby wipes which currently draw a consumption tax of 30 percent. These essential items are now zero-rated so that the effective ABST tax will be zero percent. The consumption tax on bottled water is 10% and the tax on sweet biscuits such as Shirley Biscuits is 30%. These items, come January 29th 2007, will face an effective ABST tax of zero percent.

Madam Speaker:

Some may ask “what will be the impact on essential services such as electricity, water and medical services?” My response to this is “there is no cause for concern”. We have zero-rated water services, which means no ABST will be charged for the consumption of water.

We have also zero-rated the consumption of electricity for domestic purposes and, to assist businesses, particularly micro and small businesses, we have zero-rated the first 50 units of electricity consumed for purposes other than domestic use. Medical, dental, nursing, paramedical, optical and other similar services have been exempted from the ABST.

We have also exempted the supply of certain goods that are inputs in the agriculture sector to ensure that there is no added cost to our farmers.

Madam Speaker:

I say again, the ABST is not a new tax but represents the consolidation of a number of taxes into a single more efficient measure. The process of implementing the ABST has been long and challenging and we have faced some obstacles and setbacks.

I submit that effective policy making and implementation require that adjustments be made to ensure that the desired outcome is achieved.

As such, we have had to delay the implementation of the ABST in order to ensure that all the necessary administrative mechanisms were in place and that all stakeholders were adequately educated on their responsibilities in respect of the ABST.

The successful preparation for the implementation of the ABST required the input of many persons and agencies.

We have been supported and assisted every step of the way by a number of regional and international institutions including the Caribbean Regional Technical Assistance Agency (CARTAC). The local ABST Implementation Team was hardworking and very effective in carrying out the mammoth task of educating the general public about the ABST.

Also, the technical expertise and insights provided by the value added tax agencies and officials in Barbados, Dominica, and Jamaica proved invaluable in moving the ABST implementation process forward in Antigua and Barbuda. On behalf of

Prime Minister, the Honourable Baldwin Spencer, the Government and people of Antigua and Barbuda, I say a sincere thank you to all these individuals and to the local, regional and international agencies for their contribution to this process.

Capital Expenditure:

Madam Speaker:

This Government will continue its infrastructural and capital development programme in 2007. We have allocated \$225,192,537 to finance an extensive road works programme and other capital projects. Approximately \$78 million have been earmarked for road construction, repairs and maintenance across Antigua and Barbuda.

Madam Speaker:

In 2007, we will provide the citizens and residents of this nation with nearly 47 miles of new and improved roadways. Work will be undertaken in communities in every corner of the country.

Some of the areas to receive this much needed attention include:

- Jonas Road;
- Cedar Valley Road;
- Fort Road;
- Shell Beach Road;
- Airport Road;
- Union Road;
- Bendals Road; and
- Camacho Avenue;

The Public Works Department will also undertake general road repairs and maintenance in St. John's City, Parham, Villa, Point, Bolans, Old Road, Belmont/Briggins, Upper Gambles, Golden Grove New Extension, Yorks and other communities.

Madam Speaker:

Resources have also been allocated under the capital budget for:

- construction, reconstruction, renovations and furnishing of Government offices;
- renovation and furnishing of schools;
- Renovation and furnishing of Police and Fire stations;
- Upgrading Her Majesty's Prison; and
- Rehabilitation of the Northwest Coastline.

Deficit Financing:

Madam Speaker:

Our estimated total revenue for 2007, inclusive of grants, amounts to \$661,632,955 while estimated total expenditure is \$955,354,436 leaving a financing gap of \$293,721,481. This financing gap is mainly driven by the significant outlays for infrastructural and capital development in 2007. To bridge this financing gap, the Government will seek to raise resources through the issuance of securities on the Regional Government Securities Market (RGSM) and through other types of debt instruments.

Debt Servicing and Strategy for Debt Reduction:

Madam Speaker:

The budgeted Public Debt requirement for the financial year 2007 is \$169,361,724 and is allocated as follows:

| | |
|-------------------------------|-----------------------------|
| Domestic Amortization: | \$ 39,310,121 |
| Domestic Interest Payment: | \$ 38,499,393 |
| Sinking Fund: | \$ 3,976,144 |
| External Amortization: | \$ 54,911,076 |
| External Interest Payment: | \$ 32,664,990 |
| Total Debt Expenditure | <u>\$169,361,724</u> |

Madam Speaker, the disbursed outstanding debt as at September 2006 amounted to \$2,542,824,559. Of this, total external debt represented \$1,112,114,826 while domestic debt amounted \$1,430,709,733.

As of November 2006, total new debt contracted by the central government and statutory corporations amounted to \$80,028,175. Total domestic debt service at the end of September 2006 amounted to \$109,784,525 while external debt servicing for the same period amounted to \$20,546,640. Overall, Madam Speaker, by the end of September 2006, this Government had spent \$130,331,165 in an effort to honour outstanding obligations to domestic and external creditors.

Madam Speaker:

In 2007, the Government will continue its efforts to strengthen debt management, ensure debt sustainability and further improve the credit rating of Antigua and Barbuda. Early in the coming year, with the kind assistance of CIDA, we will implement the debt management strategy developed in 2006 by our debt advisers.

Also, Madam Speaker, in an effort to reduce the debt service burden, we will continue to make use of the RGSM to raise essential resources at lower interest rates.

The Stanford Alliance

Madam Speaker:

The Government remains committed to the Alliance for Development through Education and Empowerment. Through this Alliance, we have already benefited from an injection of funds for the National Library Building Fund and will benefit from the allocation of \$25 million to be invested in the enhancement of our education system.

Additionally, the \$10 million Empowerment for Ownership programme, which was fully endowed by the Stanford Group of Companies, has operated successfully for over a year. As a result, micro and small business owners have greater access

to affordable credit as well as critical technical support to ensure the financial viability of their businesses.

Madam Speaker:

Any partnership of this magnitude will inevitably encounter challenges. However, we must persist in our efforts to tackle these challenges thereby ensuring that the Government and people of Antigua and Barbuda reap the benefits of these initiatives.

The Government welcomes the continued contributions of the Stanford Group of Companies to the economic development of this country through investments in financial services and other sectors of the economy.

Sir R. Allen Stanford's vision in creating and launching the 20/20 Cricket Tournament earlier this year demonstrated his underlying commitment to contribute to the economic and social development of Antigua and Barbuda. The 20/20 Tournament has produced tremendous benefits and was, in fact, quite a tangible manifestation of what can be expected during Cricket World Cup 2007.

The Government commends this endeavour not only for the economic benefits that emanated from it but also for the boost it gave to our most treasured national pastime.

Support Measures 2004 to 2006:

Madam Speaker:

While the Sunshine Government sought to improve fiscal performance and reduce the debt overhang, we remained cognizant of the need to protect the economic and social welfare of the people of Antigua and Barbuda. With this in mind, we introduced a number of support measures that would bring relief to the population.

Madam Speaker:

These support measures include:

- The creation of the Basket of Essential Goods for which the Customs Service Tax was reduced from 10% to 5%.
- Removal of the customs service tax from personal computers.

- Introduction of the Dollar Barrel which allows households to import food items, clothing and toiletries at a nominal fee of \$1 during the Christmas season. Between 2004 and 2005, over 8,000 households have benefited from this initiative. On November 15th 2006, we commenced the third cycle of the Dollar Barrel and expect that an increased number of households will take advantage of this measure.
- The School Uniform Grants Programme which provides uniforms to primary and secondary school children.
- The establishment of the Empowerment for Ownership initiative in collaboration with the Stanford Group of Companies.
- The reduction of the stamp duty on residential mortgages from \$6 per thousand to \$4 per thousand, which represents a 33% deduction.
- The removal of the stamp duty on the discharge of charge, which means that once you have paid off your mortgage you will be able to retrieve your land certificate without any further payment.
- The making of a one off aggregate payment of \$500,000 to all pensioners earning a pension of \$500 or less in December 2004.
- Increasing the minimum monthly pension from \$500 to \$750 in January 2005.
- A \$50,000 grant to the Pensioners' Association of which 50% has already been paid.
- Exemption of persons 60 years and over from the payment of the embarkation tax.

This Government has also focused on correcting the unjust treatment of civil servants by the former administration. On a number of occasions, Madam

Speaker, our predecessors negotiated and agreed to salary increases for civil servants and yet simply chose not to honour these agreements.

It appears that the order of the day was to enter into agreements with public sector employees and then, in the same manner that our domestic and external creditors were treated, ignore the obligations contained within these agreements. The result of this callous and insensitive behaviour has been the accumulation of well in excess of \$100 million in back pay to our treasured public servants.

This UPP Administration, Madam Speaker, is determined to correct these injustices and to see that public servants receive what is rightfully theirs. It will be challenging and it will take time but we are resolved to pay every *red* cent owed in back pay. Madam Speaker, we have begun the process of liquidating these liabilities.

In December 2004, we paid some \$15 million to affected segments of the public service and, in 2005, implemented the 7% increase in wages and salaries that should have been fully implemented by the previous administration in 2002.

This year, we made provisions to pay \$32 million in back pay that is owed to civil servants for the period 1995/1996. We have already begun to pay \$8 million of the \$32 million owed and will ensure that the remaining \$24 million is paid in 2007.

Madam Speaker:

In 2007, we will also give effect to the long overdue increase in traveling and mileage allowances that were negotiated as far back as 1994. This will be done at

a cost of about \$10 million and public servants will finally receive the increase in traveling and mileage allowances that was promised to them over a decade ago.

Madam Speaker:

When we announced our reform policies aimed at improving macroeconomic performance, our detractors predicted economic doom and tremendous hardship for the people of Antigua and Barbuda.

This prophecy was, to say the least, ill-conceived and completely without merit.

The improvements on the fiscal and debt accounts are evidence of the soundness of our policies while the real economic growth of over 5% in 2004 and 2005 and nearly 12% in 2006 shattered the naysayers' predictions of economic decline.

Madam Speaker:

It has been said by our critics that the policies of this Government have served to create significant hardship for the people of this nation. We have heard that, as a result of our reform efforts, the average citizen would no longer be able to afford mortgages; that those who have mortgages would be faced with bank foreclosures; that the middle class would be drastically reduced; and that the standard of living of our people would decline drastically.

The indicators, however, stand in stark contrast to the voodoo-nomics being propagated by our esteemed actors on the other side of the aisle.

I have shown this Honourable House that savings deposits, credit for the acquisition of property and for consumer durables are all rising significantly.

I have also shown this Honourable House that the prices of basic food items have not increased in any significant manner and in some instances have, in fact, decreased.

Madam Speaker, I have also demonstrated to this Honourable House that the new ABST and Property taxes will not result in a massive increase in the tax burden.

In fact, Madam Speaker, what we have seen is that the taxes paid on many properties are likely to decrease and the prices of basic food items and other products consumed by the people of Antigua and Barbuda should fall. Overall, any increases in revenue yields as a result of the new Property tax and the ABST will be due to greater efficiency in tax administration.

Further, Madam Speaker, we have seen tremendous growth in the wholesale and retail trade sector which demonstrates an increase in effective demand for the products consumed by our citizens.

Finally, an informal survey of a number of banking institutions has revealed that there has been no increase in the number of mortgage foreclosures since we commenced our reform efforts; specifically, since we reintroduced the personal income tax.

Madam Speaker, the data shows no adverse impact of our policies but rather a booming economy that has led to an expansion in national income.

This notwithstanding, as a caring Government, we will always seek to identify measures through which we can provide relief and support to the people of this nation.

We are committed to ensuring that our interventions in this regard redound to the benefit of all stakeholders including small businesses, manufacturers, the youth, and, yes, Madam Speaker, the middle class.

However, this Government sees the protection and support of the more vulnerable segments of this society as one of its most fundamental responsibilities. Madam Speaker, we will continue to target these groups to ensure that they are not disproportionately burdened by the unavoidable winds of economic change.

Support/Relief Measures 2007:

Madam Speaker:

In 2007, the Sunshine Government will implement a number of additional measures that will bring support and relief to all of our citizens and residents.

Property Tax Relief:

Come January 2007 when this Government implements the new property tax system, all Antiguan and Barbudans living in their own home will receive

substantial relief through the residential allowance. Madam Speaker, all owner occupied residential properties will be afforded a \$150,000 residential allowance.

This means that a homeowner whose assessed property tax value is \$150,000 or less will not pay any property taxes on their homes. For home owners whose property is valued at above \$150,000, the residential allowance will first be deducted before the property tax is applied.

Permit me to provide an illustration, Madam Speaker. In the case of a residential property valued at \$250,000, the residential allowance of \$150,000 will first be deducted leaving \$100,000 upon which the homeowner would pay the property tax. There can be no doubt that this initiative will provide a very real and tangible benefit to all homeowners.

We have also made special provisions that will bring relief to local pensioners who own and occupy their own homes.

Madam Speaker:

These local pensioners will be entitled to a 50% reduction in their tax liability in respect of a property which they own and in which they have resided for at least two years. This means, that a local pensioner who owns and lives in a property valued at, say, \$300,000 will not only receive the \$150,000 residential allowance but will also benefit from a 50% reduction in the tax payable on the remaining \$150,000 value of the home.

Madam Speaker, relief under the new property tax system is not limited to residential property owners.

This Administration has also made provisions that will grant:

- 90% tax relief on productive agricultural land;
- 25% tax relief for taxable property adopted for use in the hotel industry;
- 25% tax relief on property used by manufacturing enterprises;
- 50% tax relief on property maintained as a historical site;
- 50% tax relief for property maintained for cultural purposes and/or recreation; and
- 50% tax relief for property reserved for special public interests, including institutional property.

Enhanced Basket of Essential Goods:

Madam Speaker, the Sunshine Government has again considered the needs of the people of this nation and will take a bold step in 2007 to further reduce the cost of food items and other products consumed on a day to day basis by the general public.

When we first introduced the Basket of Essential Goods, there were just under 50 items contained in the basket. This Government indicated that based on requests

and suggestions from persons across this nation, we would widen the Basket of Essential Goods.

I am happy to announce that **we have kept our promise.**

We recently enacted legislation that has increased the number of items in the Basket from just under 50 to include over 177 categories of goods. Further, Madam Speaker, the legislation makes provision for the reduction of the customs service tax to 2.5%.

This means that for those items that were originally in the Basket, the customs service tax would fall from 5% to 2.5% while for the new items, the customs service tax will fall from 10% to 2.5%. Surely, Madam Speaker, this does not depict a Government that is eager to pile tax after tax on the shoulders of Antiguans and Barbudans.

Tax Credits

The Sunshine Government will also implement a programme of tax credits to businesses in 2007. We have passed the enabling legislation that will allow for a reduction in the tax liability of businesses that support the development of culture, education, and sports in Antigua and Barbuda.

Under this tax credit system, Madam Speaker, any business that substantially supports development in these areas will be allowed a tax credit on assessable gains or profits of up to \$250,000 annually. I ask again, Madam Speaker, is the Sunshine Government not a caring Government?

Implement Concessions to Taxi Drivers, Bus Drivers and Tour Operators:

Madam Speaker:

This Government will continue its efforts to support individuals who provide essential services in the tourism sector and play a vital role in ensuring an effective public transportation system by offering a 50% reduction in the duty applicable to selected parts for passenger vehicles operated by taxi drivers, bus drivers and tour operators.

These indispensable groups will receive this concession on:

- Batteries;
- Windscreens;
- Brake pads;
- Tyres; and
- Shock absorbers

This measure should undoubtedly result in the reduction of the operating costs of persons who operate in these critical segments of our economy.

Reduction of the Stamp Duty on the Transfer of Property:

Madam Speaker:

The Government wants to make it easier and less costly for a parent to transfer property to a child. As such, we have passed the enabling legislation that will ensure that a parent wishing to pass on property to a daughter or son will no longer have to pay stamp duties of 7.5% and the daughter or son will no longer have to pay stamp duties of 2.5%.

Under the new legislation, property valued at up to \$500,000 can be transferred between parent and child and each would only pay stamp duties amounting to 1% of the value of the property being transferred.

Permit me to provide an illustration, Madam Speaker.

If a parent wishes to transfer property valued at \$100,000 to a child then, presently, the stamp duties payable on this transaction would be \$10,000. With this relief measure, the stamp duties now payable would amount to \$2,000. Madam Speaker, the tax liability would have fallen by 80%.

This relief measure is also applicable for the transfer of property from a grandparent to a grandchild.

Madam Speaker, is this not a magnificent example of the UPP Government “Putting People First”?

Personal Income Tax Relief:

Madam Speaker, when this Government reintroduced the Personal Income Tax we made it clear that we would take on board recommendations from the public that would make their contribution to the Stabilization Fund as undemanding as possible. We demonstrated this in 2005 by adjusting the originally proposed income tax bands.

Madam Speaker, we are about to do it again! We listened to the requests and comments of the people during the national consultations on the Personal Income Tax and have enacted legislation that will bring relief in 2007 to individuals who pay mortgages and contribute to a private pension plan.

Commencing in 2007, a contribution to a private pension plan by a taxpayer or by an employer on behalf of a tax payer will be income tax deductible. For homeowners that are paying a mortgage, a portion of the annual mortgage interest paid in respect of the residence occupied by the taxpayer will be income tax deductible.

We have enacted legislation that will allow a taxpayer to deduct up to 25% of the mortgage interest paid within an income year from his or her taxable income.

This deduction, however, will not exceed 50% of the income tax payable within the income year. Essentially, the income tax deduction for mortgage interest paid in an income year will be the lesser of 25% of the mortgage interest paid or 50% of the taxpayer's liability in the year.

Corporate Income Tax Incentive for Lower Residential Mortgage Rates:

Madam Speaker:

When we reduced the corporate income tax in 2005, we included an added incentive for banks to reduce the residential mortgage interest rate. As I reported earlier, this intervention has been very successful.

The Sunshine Government however, never fails in seeking ways to bring further assistance to the people of Antigua and Barbuda. In this regard, we have decided to go one step further and to offer commercial banks the opportunity to partner with the Government to make owning a home a reality for all of our citizens.

Madam Speaker:

This Government will reduce the corporate income tax rate to 25% for any commercial bank that offers a residential mortgage interest rate of not more than 7%. This, Madam Speaker, is part of our ongoing initiative to ensure that each Antiguan and Barbudan has the opportunity to own his or her home.

Conclusion:

Madam Speaker, in this Budget 2007, I have demonstrated that the UPP Administration, in less than three years, has effectively reversed an era of severe fiscal and macroeconomic mismanagement.

This impressive turnaround in the fortunes of this nation was built on four solid pillars of fiscal, institutional, and legislative reforms along with private sector empowerment.

These pillars, Madam Speaker, our **Pillars of Progress** are reflected in the significant improvement in fiscal performance, the undeniable growth in domestic savings, the booming construction industry, and the spectacular growth for 2006.

Because of these **Pillars of Progress**, the people of Antigua and Barbuda can look forward to more growth, more expansion in social and physical infrastructure, and increased economic and social welfare in 2007.

The incredible vision of this UPP Administration which is manifested in the Agenda for Change has placed Antigua and Barbuda on the path to a bright and prosperous future.

Antiguans and Barbudans, I say to you today, that you can rest easy and stand firm on our **Pillars of Progress**. You are guaranteed a Government that will always Put its People First.

A Government that is driven by an unwavering determination to provide an environment where all citizens and residents, can freely pursue their individual aspirations and enjoy an unhindered sense of economic and social well-being.

Madam Speaker:

In the spirit of the upcoming Christmas season, I have one more announcement to make before closing. An announcement made possible by our **Pillars of Progress**.

Effective tomorrow, December 1st, the price of a gallon of diesel will be reduced from \$10.44 to \$9.99 and the price of a gallon of gasoline will be reduced from \$11.89 to \$11.49.

Madam Speaker, this is the Sunshine Government's early Christmas gift to the good people of Antigua and Barbuda.

I close, Madam Speaker, by wishing you; the Honourable Prime Minister and Honourable Members of this House; and most importantly, the Antiguan and Barbudan people, a Blessed and Happy Christmas; and Peaceful and Joyous New Year.

I thank you, Madam Speaker, and I commend Budget 2007 to the Honourable Members and ask that they endorse the proposals presented therein.