



***GOVERNMENT OF ANTIGUA AND BARBUDA***

***BUDGET STATEMENT 2009***

**DR. THE HON. L. ERROL CORT  
MINISTER OF FINANCE AND THE ECONOMY**

***Monday 1<sup>st</sup> December 2008***

## **INTRODUCTION**

### **Madam Speaker:**

Since I presented to this Honourable House and to the citizens and residents of our fair Antigua and Barbuda the 2008 Budget Estimates, much has changed in our world.

In some instances, change in advanced and some emerging economies has been so rapid and so frightening that many a time their responses were akin to those of the proverbial deer on a moonless night, caught in the glare of the headlights of a fast approaching automobile: paralysis and panic.

Sentimentally remembered are the days, when in 1999, a barrel of oil was US\$16. By July 2007, observers were contemplating the unthinkable: crude at US\$100 per barrel. By July 2008, oil had peaked at US\$147 per barrel.

Even though, as we speak, the price of a barrel of oil has returned to below US\$60, the nightmares of having been swept away by some horrible tidal wave of crude – of being powerless, of being defenseless – persist.

At the level of the household, energy costs and the cost of gasoline at the pump consume an already alarming proportion of family budgets.

At the macro level, the cost of production threatens the viability of industries whilst the cost of air travel undermines the sustainability of tourism based economies.

Madam Speaker, not to be outdone by the price of oil, the price of food, like a Bird – or rather as a butterfly – caught in an upward draft, seemed to have taken on an extra pair of wings, soaring to unheard of heights.

The effects were as far reaching, as they were immediate, gaining instantaneous attention at all levels: from the multilateral to the local. Staple commodities such as bread, milk, eggs and flour were disappearing from many breakfast and dinner tables as the cost of these items slipped beyond the paychecks of ordinary folk.

The fastest increase in food prices since the 1990's has also witnessed a significant increase in the number of indigent and a heightened threat to the livelihoods and nutritional intake of poor people around the world.

The global financial crisis, Madam Speaker, has also left its wounds and its scars.

If ever there was any doubt as to how interwoven and interconnected High Street in St. John's, Wall Street in Manhattan and Threadneedle Street in London are, all reservations in this regard should be laid to rest.

We are all feeling the contagious effects of, arguably, the worst economic conditions in the United States of America, since its Great Depression of the 1920's and 1930's.

Many noted commentators and economists are of the view that the United States, the world's biggest economy and Antigua and Barbuda's largest trading partner, is already in a recession.

It has been officially released that Japan, the world's second largest economy is in a recession.

Authorities in Germany, Europe's biggest economy, have indicated that its economy has shrunk, as have those in the United Kingdom, Antigua and Barbuda's most important trading partner in Europe.

High Street, Wall Street and Threadneedle Street, Madam Speaker, intersect at the same junction.

As a result of the global financial and economic crises, there has also been a seismic shift on the geopolitical landscape.

As the economies of members of the Group of 7 recede, the Group of 20, which includes countries like China, Brazil and India, is emerging as a more important forum for addressing the world's economic challenges.

It is now more fully recognized that answers to many of the world's economic and financial conundrums, are not to be found exclusively in a club of seven or eight countries, but rather in a broader gathering which takes into consideration the peculiarities of developed economies as well as economies in transition.

The global events and circumstances referenced above, Madam Speaker, though daunting, have not overwhelmed us, for the Ship of State is being navigated by a steady and experienced pair of hands.

When in 2004, the citizens and residents of Antigua and Barbuda closed the door on an era of *Amateurism*, *Lip-service* and *Partisanship*, they also chose a forward path of *Unity*, *Patriotism* and *Partnership*:

Unity, because in March 2004, they united against a lack of transparency and a lack of accountability in Government and united in favour of a new dispensation of sound economic management and a colour-blind system of Justice.

Patriotism and Partnership, because the new Administration was and still remains devoted to leading a national effort - each endeavouring, all achieving - to reclaim Antigua and Barbuda's Golden Age.

The considered and measured policy responses of this UPP Administration have inspired in Antiguan and Barbudans a sense of confidence in themselves and about the future - a belief that they have within themselves the intelligence, the determination and the

requisite tools to negotiate the forward path which they had chosen for themselves and for their children in March 2004.

Therefore, Madam Speaker, whilst much has changed about our world, the aspirations and expectations of our people and in particular the citizens and residents of Antigua and Barbuda, fundamentally have not changed.

This fact was evident as the Ministry of Finance, in preparing for the 2009 Budget, canvassed the views of a number of stakeholders.

Coming out of these consultations, it became clear that in spite of the menace of economic tsunamis which threaten to submerge us, we must respond by equipping ourselves to, not only neutralize these threats, but to have the upper hand once the waves would have receded.

Good health, a sound and relevant education, a thriving agricultural sector, effective social safety nets for the vulnerable and user friendly and effective public sector institutions remain priorities for the majority of citizens and residents.

### **Madam Speaker:**

Having chosen that path some four and a half years ago, the citizens of this nation have been carried forward on a wave of social and economic expansion that could only have been achieved with the brilliant yellow and the comforting blue of the United Progressive Party.

With the UPP Government, Antigua and Barbuda has been securely positioned in the luxury compartment of our express train to economic growth and stability and peace and prosperity for all.

It is with this immovable fact in mind that I present this year's Budget under the theme **"Right Track – Right Direction."**

Before I proceed, Madam Speaker, I wish to thank the members of my Budget team for their continued hard work and dedication to the vision of seeing this magnificent land of ours attain its highest potential. Budget 2009 could not have been possible without their phenomenal efforts.

The 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, Mr. Ralph Warner, Senior Finance and Statistics Officer, and other members of the Budget Office Staff
- Mr. Kevin Silston – Macroeconomic Adviser;
- Ms. Yolanda Goodwin – Director of Economic Policy and Planning and members of the PSIP team;
- Ms. Rasona Davis – Coordinator of Economic Policy and Planning; and
- Mrs. Nadia Spencer-Henry – Debt Management Adviser.

Madam Speaker, I would also like to express my Government's appreciation for all of the assistance received from the Eastern Caribbean Central Bank (ECCB), the Caribbean Development Bank (CDB) and from the Caribbean Regional Technical Assistance Centre (CARTAC). These institutions have remained true partners with the Government of Antigua and Barbuda in its capacity building endeavours.

In addition, the Government wishes to thank the many friendly Governments within the region and beyond for their continued support. Specifically, we thank the Peoples Republic of China, the Republic of Cuba, the Bolivarian Republic of Venezuela, the Republic of Trinidad and Tobago, Jamaica, the United States of America, Canada and the European Union.

Last, but by no means least, Madam Speaker, I would like to record my thanks to the many individuals and organizations who met with me and with the staff of the Ministry of Finance and the Economy, and who offered their perspectives on Budget 2009.

We listened keenly and were impressed with their understanding of the pressing economic and social issues. The Ministry of Finance and the Economy is also thankful for their compliments and their encouragement.

Madam Speaker, in Budget 2008, I set out to break my tradition of delivering relatively lengthy Budget speeches. I am guessing that based on the response at the end of last year's presentation, it would be appreciated if I continued this break with tradition and delivered to this Honourable House an executive summary of the actual Budget Statement.

As was the case in 2008, the full text of the Budget Statement will be available online immediately following this presentation for the leisure reading of all.

## **DOMESTIC AND INTERNATIONAL PRICES**

### **Madam Speaker:**

Evidence from the World Bank's data on commodity prices illustrates the effects these factors have had on the various international price indices and on the price of individual commodities.

The Commodity Price Index, which includes fuel and non-fuel price indices rose by 34.9 percent between January and July of 2008.

The Commodity Food Price Index which includes Cereal, Vegetable Oils, Meat, Seafood, Sugar, Bananas, and Oranges grew by 16.5 percent over the same seven month period in 2008.

With respect to individual commodities:

- The price for a metric tonne of rice increased by 154.8 percent from US\$313.47 in January 2007 to US\$799.00 in July 2008.
- The price for a metric tonne of Wheat rose by 124.3 percent from US\$196.07 to US\$439.72 over the same time period, while the price for Soya grew by 116.6 percent to US\$554.15.
- The price for a metric tonne of Barley increased by 63.2 percent between January 2007 and July 2008, moving from US\$152.13 to US\$248.31.
- Over the same time period the price for oranges grew by 79.6 percent, cotton 30.9 percent, poultry 23.7 percent and pork 27.8 percent.

**Madam Speaker:**

It is clear that the surge in prices that we have seen over the past 18 months is an international phenomenon and not one resulting from domestic factors.

The discussion however begs the question: what has the UPP Administration done to help the population cope with these external price shocks?

**Madam Speaker:**

I reiterate the point that this Government is a caring one and we continue to govern by our philosophy that the people of Antigua and Barbuda must come first.

To this end, we implemented a number of policy measures in 2008 to mitigate the impact of rising international prices on our economy.

Throughout 2008, the Sunshine Government subsidised the retail price of gasoline and diesel by more than \$45.0 million. If we were to factor in the subsidy on LPG, the total subsidy on petroleum products in 2008 surpassed \$55.0 million.

In July of this year the Government was subsidising the price of gasoline by \$2.70 per gallon and the price of diesel by \$3.62 per gallon.

In essence, Madam Speaker, if this Government had chosen not to subsidise the supply of gasoline and diesel, the price of gasoline would have increased from \$13.95 to \$16.65 per gallon and the price of diesel would have increased from \$13.95 to \$17.57 per gallon.

**Madam Speaker:**

In the month of July the average price for a gallon of gasoline in OECS countries was \$15.11 and the average price for diesel was \$15.06.

At \$13.95 the price of gasoline and diesel in Antigua and Barbuda was more than \$1.10 below the average price in OECS countries.

In Anguilla the prices per gallon of gasoline and diesel in July were \$16.02 and \$16.36 respectively; in Dominica \$16.65 and \$17.51; Montserrat \$16.65 and \$17.51; in St Kitts and Nevis \$17.20 and \$14.55 and at some service stations in St Kitts the price of gasoline was as high as \$18.29.

With respect to the price of LPG the residents of Antigua and Barbuda continue to enjoy the lowest price in the OECS and, Madam Speaker, I believe that we may have the lowest price in the Caribbean save, possibly, for Trinidad and Tobago.

As at November 19<sup>th</sup> 2008 the average retail price for the 20lb cylinder of LPG in the other ECCB member countries was \$17.90 greater than the retail price in Antigua and Barbuda of \$20.95.

The prices in the other OECS countries ranged from \$30.00 in St. Kitts and Nevis to \$59.00 in Anguilla.

A similar situation exists for the price of the 100lb cylinder. The average price in the other countries of the OECS is \$192.94.

This total is \$84.94 greater than the retail price of \$108.00 in Antigua and Barbuda.

The prices in the other OECS countries range from \$140.00 in St Kitts and Nevis to \$220.00 in Anguilla.

**Madam Speaker:**

This Government is particularly concerned about the rising cost of food globally and in Antigua and Barbuda in particular.

While we are powerless with respect to the aforementioned global increase in prices this Administration implemented a number of policy measures in 2008 to mitigate the impact of increasing food prices on the citizens and residents of this country.

In 2008, as part of a Caricom wide initiative we removed or reduced the Common External Tariff (CET) on a number of food items. This adjustment in the duty is for a period of two years.

In addition, as a result of the rise in the price of wheat and the consequent increase in the price of flour from our OECS suppliers, Antigua and Barbuda sought derogation from the CET to purchase flour at a lower cost from outside the OECS.

This, along with the zero rating and removal of the customs service tax on ingredients used in bread and other flour based products, was instrumental in keeping the price of bread and similar products from escalating.

**Madam Speaker:**

This Government went one step further and completely removed the Customs Service Tax on a number of additional items that previously attracted that tax. Some of the commodities that fell into this category include rice, margarine, butter, milk, vegetables, fruits, Soya Milk, Soya chunks, corn meal, oats, pharmaceutical goods, toilet paper, juices and a wide range of baby products.

It is important to note that in addition to the removal of the CST, some of these food items attract zero ABST and zero import duty.

In essence, Madam Speaker, for some products like rice, sugar, flour, corn meal, various oils and vegetable fats, sardines, tuna and a host of other products, no taxes are applied.

Let me repeat this, Madam Speaker, NO TAXES are applied to a large number of the commodities in the basket of essential goods. An extensive list of the commodities that are exempted from the various taxes will form a part of the appendices to the budget speech.

**Madam Speaker:**

How then can my opponents be so disingenuous to the people of this country and continue to blame the taxation policies of this Government for the increases in the price of food when we have the largest list of goods that are exempted from the ABST and a vast number of the items in the basket of essential goods attract no tax whatsoever?



**Madam Speaker:**

Inflation data from ECCU member countries show that for the nine month period, January to September 2008, the growth in inflation, as measured by the change in the Consumer Price Index (CPI), was the lowest in Antigua and Barbuda.

The rate of inflation grew by 3.2 percent in Antigua for the first nine months of 2008.

The rate of inflation across all other ECCU member countries ranged from 3.8 percent in Dominica to 9.4 percent in St Vincent and the Grenadines.

**Madam Speaker:**

All ECCU member countries operate in the same global environment and all countries face the same challenges with respect to increasing prices.

But given that Antigua and Barbuda recorded the lowest level of inflation, any reasonable person looking at the facts presented must conclude that the measures we have implemented to mitigate the impact of increased global prices on the population have been successful.

**Madam Speaker:**

In concluding this very important section I must indicate that there seems to be some light at the end of the tunnel.

Over the past few months we have seen a significant decline in the price of oil and the price of a number of key commodities on the international market.

We recognise that there is a time lag between the decline in the prices of these key commodities and the consequent decline in the prices of manufactured products.

However, we expect that this will shortly translate to decreases in the prices of a number of commodities in Antigua and Barbuda.

The Government will continue to play its role directly and indirectly to ensure that these reductions in prices are passed on to consumers.

## **ECONOMIC PERFORMANCE IN ANTIGUA AND BARBUDA: 2004 TO 2008**

### **Madam Speaker:**

Before I lay out the strategies and plans for the 2009 fiscal year, permit me to provide a synopsis of the journey this country has taken since the UPP Administration assumed office in March 2004.

The people of Antigua and Barbuda, having endured decades of fiscal mismanagement, poor governance, and ineffective economic and social programmes, gave the UPP an overwhelming mandate to reverse the damage inflicted upon this nation by a party of misfits, tricksters and self-proclaimed specialists.

This could not be an easy task since the former administration proved to be quite proficient at pursuing schemes that pushed our beloved twin island nation ever closer to the brink of economic and social disaster.

However, the Sunshine Government was determined to pull this country back from the precipice and to set it squarely on a path towards sustainable economic and social development.

### **Madam Speaker:**

I am pleased to report that over the period 2004 to 2008, the UPP Government, under the leadership of the Honourable Baldwin Spencer, has successfully brought about major economic and social changes in Antigua and Barbuda.

These changes were possible because of this Government's unwavering commitment to fiscal reform, private sector development and, most of all, Putting People First.

We demonstrated this commitment by pursuing policies and programmes intended to transform the fiscal and debt accounts, facilitate economic growth and secure the welfare of the people of this nation.

To ensure the effectiveness of these policies and programmes, the Sunshine Government undertook some legislative and institutional reforms and adopted a consultative approach to the policymaking process.

At the heart of the legislative reform initiatives was the bold move by this Government to enact a trilogy of legislation that made transparency, accountability and good governance a matter of course in the conduct of the people's business.

With the enactment of the Prevention of Corruption Act, the Freedom of Information Act, and the Integrity in Public Life Act, we ended an era where shameless disregard for truth, integrity and the wellbeing of our fair Antigua and Barbuda was the order of the day.

**Madam Speaker:**

It is my Government's firm belief that the people of this country deserve much more from those they entrust with the tasks of governing and promoting economic and social development.

As such, we made it our top priority to present the policies, plans and programmes of the Government before the start of the fiscal year in which they would be implemented.

On November 30<sup>th</sup> 2004, the budget for fiscal year 2005 was presented to the people of this nation and since then we have ensured that the budget for each subsequent year was presented on or around the end of the month of November.

This was one of many firsts and is among a long list of remarkable achievements for the Government and the people of Antigua and Barbuda.

**Madam Speaker:**

Over the past four and a half years, Antigua and Barbuda has experienced significant economic growth, improvements on the fiscal accounts, and considerable progress towards debt sustainability.

I will look at these successes in greater detail to remind the people of this nation of the incredible journey we have taken together and to show our would-be adversaries what it means to truly govern for the people by the people.

***Economic Performance with the UPP Administration:***

**Madam Speaker:**

The economy of Antigua and Barbuda is the largest in the OECS sub-region, generating over twenty five percent of real output.

Over the past four and a half years, our economy has experienced robust economic growth which has consistently been above the Eastern Caribbean Currency Union average.

On the other hand, the period 1999 to 2003 was characterised by much lower levels of growth. In fact, in the year 2000, St. Lucia surpassed Antigua and Barbuda as the largest economy in the sub-region.

The difference in performance between these two periods can be attributed to two very different approaches towards promoting economic growth.

On one hand, the former administration's policy for encouraging economic growth was heavily reliant on public sector spending and short on strategies to support private sector development.

Moreover, the type of spending that was undertaken by the ALP Government during this period was mainly related to the payment of wages and salaries with little expenditure on capital investment, which is critical for long term growth.

The result of this strategy was limited private sector activity, low economic growth and, eventually, an inability of the then Government to meet the wages and salaries of the bloated public sector it created.

The UPP Administration approached this task of promoting economic growth by pursuing specific policies that were intended to encourage investment and enable private sector development.

These policies included reducing the corporate income tax rate, simplifying the tax system, implementing legislation to support small business development, and establishing the Antigua Barbuda Investment Authority which facilitates and promotes investment.

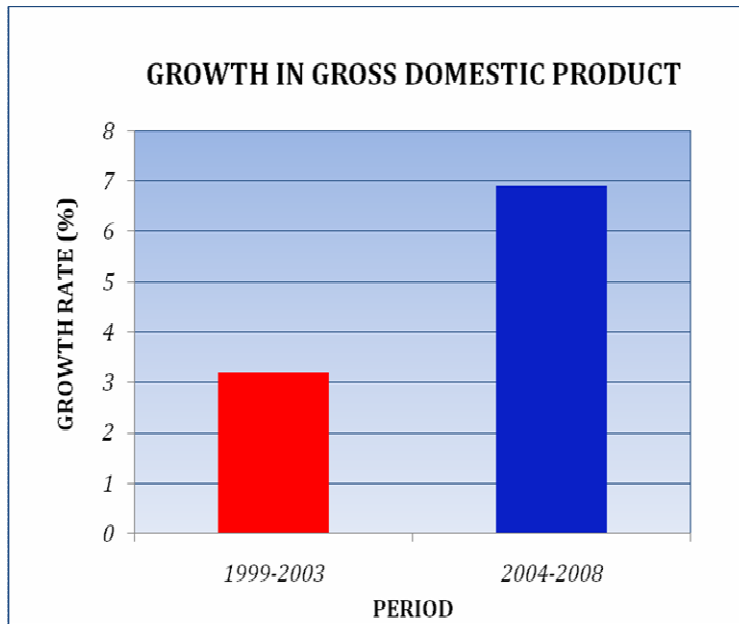
At the same time, this Government undertook critical capital investment that complemented private sector projects and sought to upgrade a severely dilapidated infrastructural network.

With these policies and the targeted investment expenditure, the economy of Antigua and Barbuda grew significantly and generated many new jobs outside the public sector.

**Madam Speaker:**

The result of these very different approaches to promoting economic growth is evident in the growth figures for 1999 to 2003 and for 2004 to 2008.

As seen in the following graph, growth in output for the period 1999 to 2003 averaged 3.2 percent while growth between 2004 and 2008 averaged about 6.9 percent.



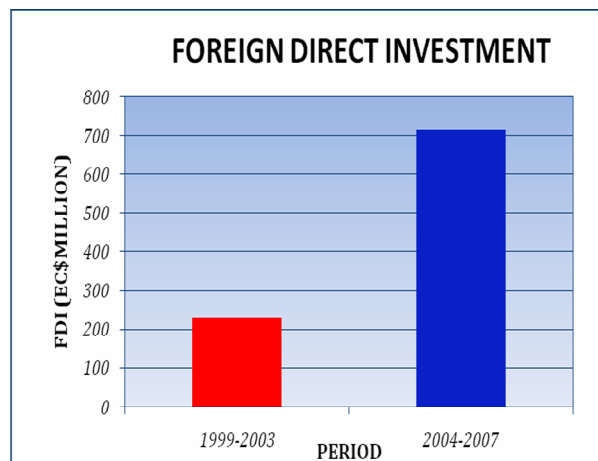
Essentially, this Sunshine Government has managed to increase the rate at which GDP grew by nearly four percentage points.

The highlight of this period of impressive growth is the 12.4 percent growth of output experienced in 2006.

This was driven mainly by a 35.0 percent expansion in construction as the country prepared for Cricket World Cup 2007.

This strong economic performance was made possible by a substantial increase in foreign direct investment and a number of major private sector and public sector projects.

Average foreign direct investment increased by over 210 percent from \$230 million for the period 1999 to 2003 to some \$715 million for the period 2004 to 2007.



**Madam Speaker:**

In 2006, when Antigua and Barbuda experienced its highest rate of growth ever, the total level of foreign direct investment exceeded \$1 billion and was more than two times greater than total direct investment in 2003.

This significant inflow of Foreign Direct Investment over the past four and a half years helped to finance work on several private sector projects including Sandals Mediterranean, Antigua Yacht Club, La Perla Development, Hermitage Bay, St. James' Club, Verandah Hotel, and Emerald Cove Development.

Added to these private sector projects is over \$200 million in capital expenditure by the Government in 2006. In total, this Government has invested an average of \$154.7 million in capital projects and infrastructure development between 2004 and 2008.

These private sector and public sector investments have helped to strengthen the Antigua and Barbuda economy over the past four and a half years.

Madam Speaker, this UPP Administration, through sound policies and targeted and productive investments, has managed to boost economic activity and improve the welfare of the people of this nation.

Further, Madam Speaker, this Administration has managed to create significant employment for our citizens and residents.

In fact, contrary to the fabricated figures that our opponents try to pass off as fact to the people, the Caribbean Development Bank's Poverty Assessment Report indicated **a 4 percent** unemployment rate for Antigua and Barbuda.

On this UPP Train, the economy of Antigua and Barbuda has moved in the right direction.

This country is moving forward on a smooth track that leads to economic success and prosperity and takes our people far, far away from that **dilapidated red house** which is infested with abysmal economic failures.

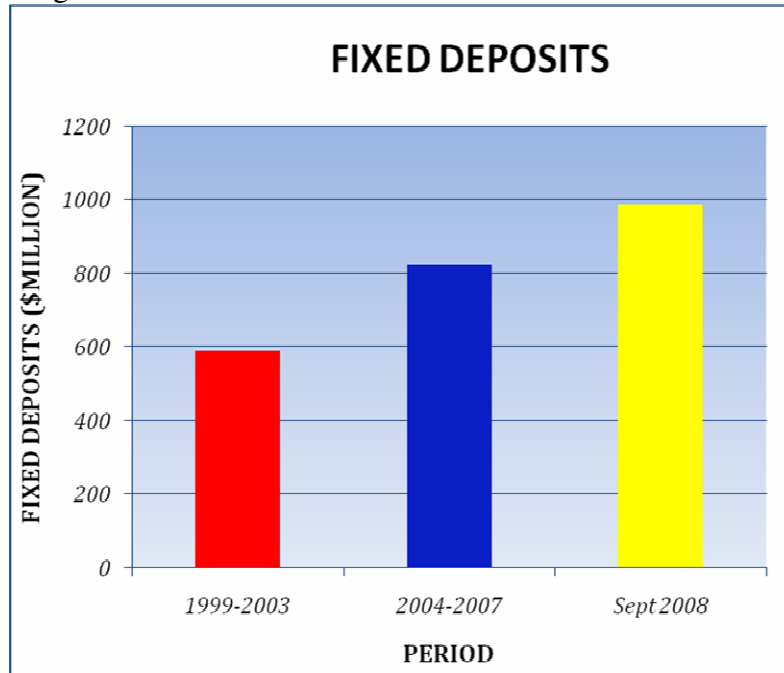
**Madam Speaker:**

Clear evidence of the strong economic performance over the past four and a half years is the considerable growth in savings and credit.

The Eastern Caribbean Central Bank Monetary Survey indicates that for the period December 2004 to December 2007, fixed deposits averaged \$824.15 million.

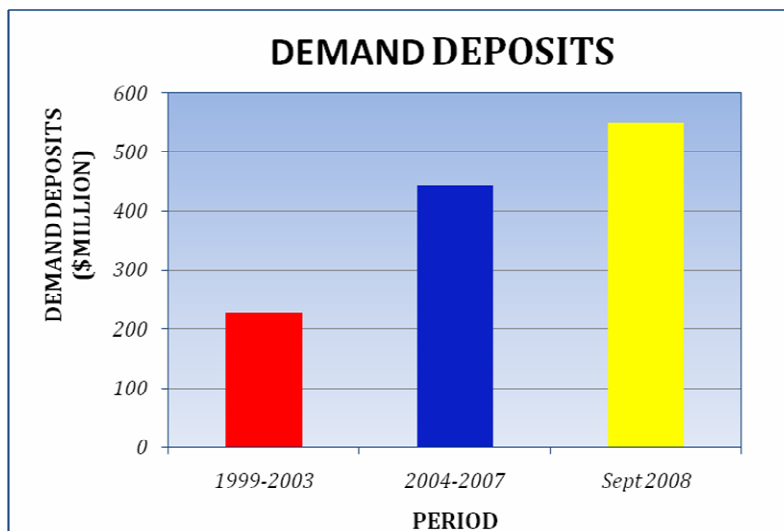
On the other hand, for the period 1999 to 2003, when the economy of Antigua and Barbuda was in the hands of some seemingly mad economic scientists, average fixed deposits were 67 percent lower at \$591.4 million.

Further, at the end of September 2008, fixed deposits amounted to \$989.1 million, a level that is 21 percent greater than the \$817.6 million recorded at the end of December 2003.



With respect to demand deposits, Madam Speaker, demand deposits averaged \$227.4 million for the period 1999 to 2003. For the period 2004 to 2007, the average level of demand deposits was 95 percent higher and amounted to \$442.6 million.

Further, as at September 2008, demand deposits amounted to \$549.7 million, which is 103 percent higher than the \$270.7 million recorded in 2003.

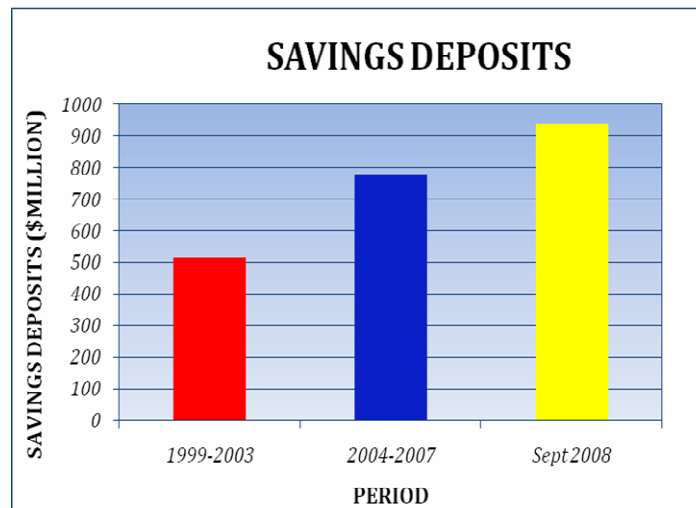


Madam Speaker, this sizeable expansion in demand deposits is indisputable evidence of the number of jobs created and the increase in incomes for the people of this country due to the economic growth achieved under the Sunshine Government.

Finally, we turn to savings deposits. How has the level of savings for the everyday man and woman of this country performed?

The ECCB Monetary Survey shows that for the period 1999 to 2003, savings deposits averaged \$513.7 million.

For the period 2004 to 2007, the average level of savings was 52 percent higher at \$779.8 million.



This level of performance with respect to all categories of deposits is no doubt a matter of grave concern for our opponents.

Their persistent and often times venomous criticisms launched at this Government could not derail our efforts nor can they change the facts as reported in the ECCB Monetary Survey.

Madam Speaker, these facts point to a 62 percent increase in savings deposits from \$577.1 million at the end of December 2003 to some \$937.4 million as at September 2008.

**Madam Speaker:**

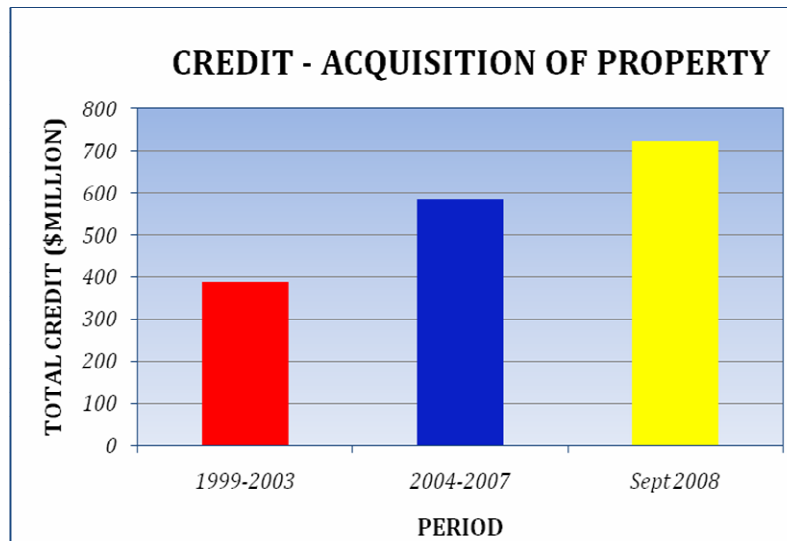
I can only imagine the severe distress these facts and figures have caused our would-be adversaries. Unfortunately for them, there is much more positive news to report to the good people of this nation.



According to the ECCB Monetary Survey, credit for the acquisition of property, which includes home construction and renovation as well as house and land purchases, has grown significantly in the four and a half years since this Administration assumed office.

From 1999 to 2003, credit for the acquisition of property averaged \$387.2 million. Between 2004 and 2007, this average increased by over 51 percent to \$586.5 million.

Further, Madam Speaker, as at September 2008, credit for the acquisition of property amounted to \$724 million – a level that is 65 percent greater than the \$439.6 million recorded in 2003.



This sizeable expansion in the level of credit to Antiguan and Barbudans seeking to own their own homes is supported by similar increases in the number of applications to the Development Control Authority (DCA) for residential construction.

Between 2004 and 2008, 2,800 new applications were made to the DCA for the construction of private homes.

This growth in the level of credit for the acquisition of property can also be attributed to my Government's policies to support home ownership.

One such policy was the reduction of the Corporate Income Tax from 35 percent to 27.5 percent for banks that offered residential mortgage interest rates of 8 percent or less.

Another policy adopted by the Sunshine Government in an effort to facilitate home ownership was to reduce the stamp duty on residential mortgages from \$6 per thousand to \$4 per thousand.

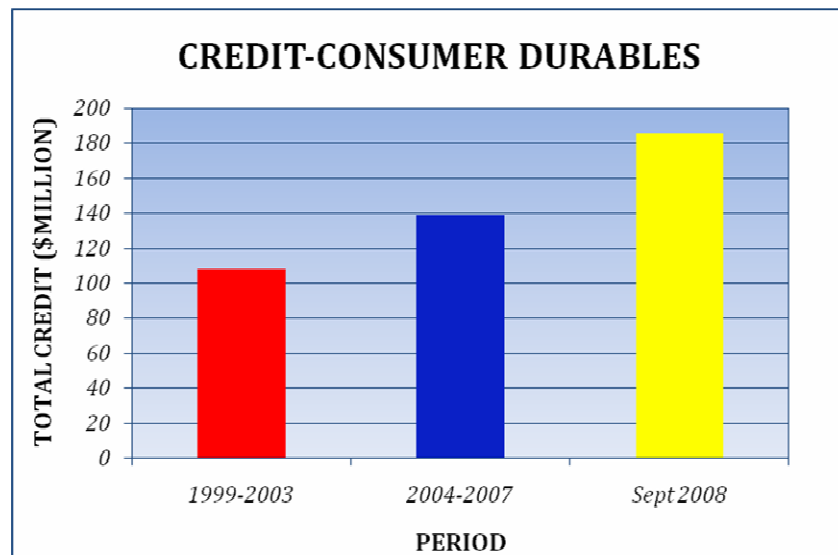
With the reduction of the stamp duty from \$6 per thousand to \$4 per thousand, persons who received mortgages for the acquisition of residential property from 2005 onwards realised significant savings on the cost of acquiring mortgages.

Overall, the reduction of the stamp duty from \$6 per thousand to \$4 per thousand has generated total savings of \$5.15 million for persons acquiring residential mortgages between 2005 and 2008.

This, Madam Speaker, represents another glaring difference between the policies of this Administration and those of our predecessors.

With respect to credit for consumer durables, this averaged \$107.9 million for the period 1999 to 2003. Over the period 2004 to 2007, this annual average increased by 29 percent to \$139.2 million.

Further, at the end of September 2008, credit for consumer durables amounted to \$184.8 million, which represents an 84.0 percent increase over the \$100.8 million recorded at the end of 2003.

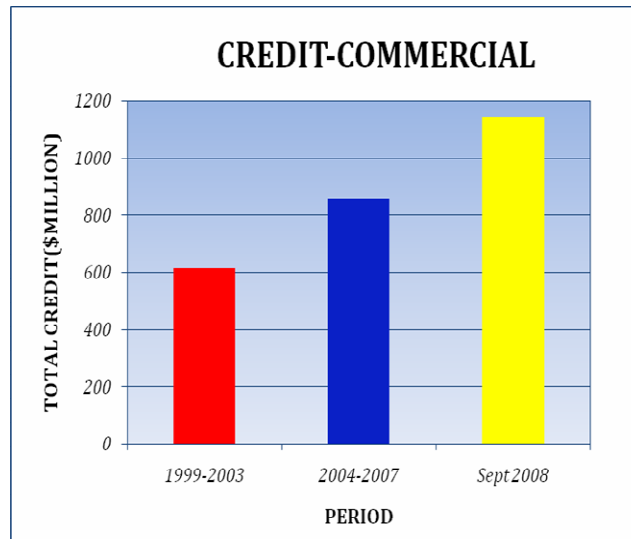


### **Madam Speaker:**

Another critical indicator of the confidence in an economy is the level of activity in the private sector. For the period 2004 to 2008, the data reveals that the business community has demonstrated considerable confidence in the Antigua and Barbuda economy.

The average level of credit for commercial activity has increased by more than 39.0 percent from \$616.5 million for the period 1999 to 2003 to \$857.9 million for the period 2004 to 2007.

In addition, Madam Speaker, the total credit for commercial activity at the end of September 2008 amounted to \$1.14 billion.



This strong performance with respect to credit for commercial activity is also supported by a marked increase in the number of applications to the DCA for commercial construction.

In fact, between 2004 and 2008, the number of applications to DCA for commercial construction averaged about 125 per year. This is some 119 percent greater than the 57 applications in 2003.

**Madam Speaker:**

There are many more facts and figures that I can present that would further demonstrate the immeasurable difference between this Government in the Sunshine and the less brilliant administration of the not so distant past.

Over the past four and a half years we have ensured that the Antigua and Barbuda economy grew strong and that this growth has had widespread impact among the population.

The policies of this UPP Administration has generated employment, empowered small business owners, encouraged entrepreneurship, and generated a high level of confidence among local and foreign investors.

This, Madam Speaker, is unquestionably preferable to the darker, harsher and more gruelling experiences that this nation endured prior to March 2004.

**Madam Speaker:**

The figures presented here are a matter of fact and may be found in various independent reports including those published by the Eastern Caribbean Central Bank. They clearly

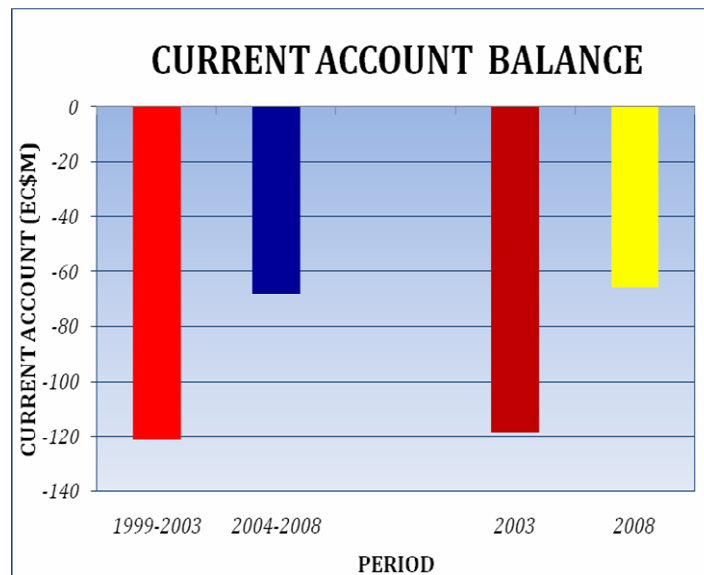
show that Antigua and Barbuda has thrived under the leadership of the United Progressive Party.

***Fiscal Performance with the UPP Administration:***

To fully comprehend the progress this Administration has made over the past four and a half years, let us, Madam Speaker, take a quick glance back to a time when fiscal mismanagement was the order of the day and basic obligations of the Government such as payment of salaries and wages could not be honoured for months.

Between the 1999 and 2003, the fiscal accounts had deteriorated to wholly unsustainable levels.

As the following graph clearly depicts, the current account deficit averaged \$121.4 million for the period 1999 to 2003.



On the other hand, under the stewardship of the Sunshine Government, the current account deficit contracted considerably to an average of \$70.2 million over the period 2004 to 2008.

We saw the current account deficit decline from \$118.6 million in 2003 to an estimated \$75.5 million in 2008. This represents a 36 percent reduction in the deficit over the past four and a half years.

Madam Speaker, these results are indicative of the sound and effective policies pursued by this UPP Administration.

It should be noted that for 2008, the Government was on track to meet a current account surplus.

However, with the persistent increases in the international prices of oil and other basic food items, this Government opted to reduce and in some cases remove the import duties and other taxes on a wide range of essential items.

The Government, in an effort to Put People First, also chose not to pass on the full impact of changes in the international price of oil to the public.

The overall impact of these two policy responses to rising international prices has been to reduce Government revenue by about \$70 million.

This essentially means that had the Government not implemented these policies, the current account deficit for 2008 would have been 93 percent smaller at \$5.5 million instead of \$75.5 million.

For those who would claim that the Government's sole objective was to pursue fiscal reform at any cost, these policy choices in 2008 are indisputable evidence that the Sunshine Government is a Caring Government.

A Government that is all too cognizant of the need to strike that delicate balance between fiscal prudence and safeguarding the welfare of the populace.

### **Madam Speaker:**

This significant improvement in fiscal performance over the past four and a half years was made possible by the remarkable economic growth and, was also largely due to the judicious policies that comprised the Government's comprehensive fiscal reform programme.

This fiscal reform programme was built on three pillars. These are tax reform, public sector reform and legislative and institutional reforms.

The focus over the past four and a half years has been on tax reform and the relevant legislative and institutional reforms that would reinforce the tax reform initiatives and enhance expenditure management within the public sector.

The overall objective of the Government's tax reform programme is to ensure a simpler, more efficient, and equitable tax system that ensured the generation of the revenue required for the Government to meet its obligations to the citizens and residents of Antigua and Barbuda.

To create such a tax system, this UPP Administration took the bold step of re-introducing the personal income tax in 2005, implementing the Antigua Barbuda Sales Tax on 29<sup>th</sup> January 2007, and instituting a modernized and updated property tax system in January 2007.

Our opponents have spent the last four and a half years trying to convince the people of this nation that the UPP Administration, through its tax reform initiatives, has introduced many new taxes.

That, Madam Speaker, is totally untrue.

Indeed, this Government has only introduced one new measure and this measure has had the effect of making the tax system more equitable.

I am certain that if they could, those crafty fellows across the floor would gladly conceal the fact that the Sunshine Government eliminated over a dozen taxes over the past four and a half years.

The taxes that were eliminated include the entertainment tax, the 3 percent tax on loans to non-nationals, the radio, TV and dog licenses, the foreign exchange levy, and the 2 percent gross turn-over tax.

Madam Speaker, they would wish the people to forget that the ABST replaced the Hotel (bed-night) tax, the Hotel Guest tax, the Hotel Guest levy, the Restaurant and Catering Services tax, the Telecommunication tax, and, most of all, the Consumption tax.

What this essentially means is that under this Government, there are twelve fewer taxes on the books than there were in 2003.

### ***Growth in Revenue***

On the revenue side, there has been considerable growth in the level of Government revenue under this administration compared to the period 1999 to 2003.

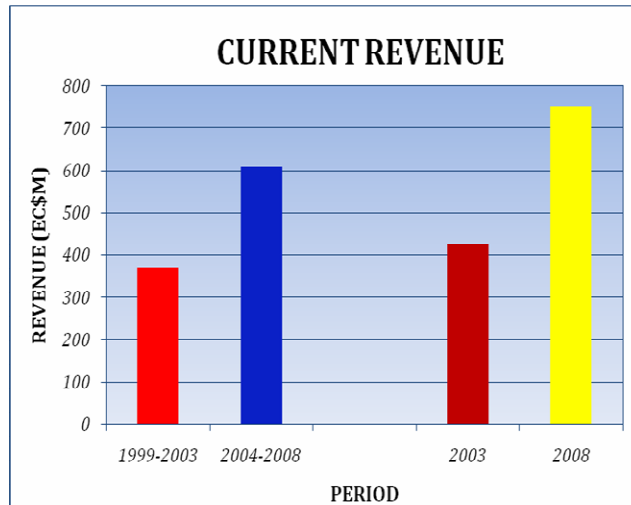
In order for any Government to successfully provide essential economic and social services to its people, it must generate the requisite revenue to do so.

Indeed, the quality of service provided by any Government will depend on the amount of resources it can harness and put to use for the wellbeing of the population.

Without a doubt, Madam Speaker, the deplorable state to which the economic and social infrastructure had deteriorated between 1999 and 2003 was indicative of the former administration's inability to grow the economy and generate the resources needed to provide quality services to Antiguan and Barbudans.

### **Madam Speaker:**

Average current revenue for the period 1999 to 2003 amounted to \$370.9 million.

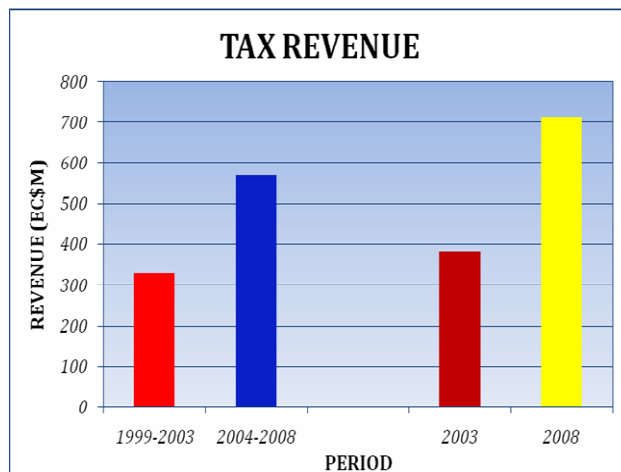


By comparison, average current revenue for the period 2004 to 2008 amounted to \$610.3 million, which is about 65 percent greater than average revenue collected in the last years of the ALP regime.

At the end of 2003, current revenue amounted to \$427.1 million while, for 2008, current revenue is expected to amount to \$751.5 million.

Madam Speaker, this means that current revenue in 2008 will be \$324.4 million or 76 percent greater than in 2003.

Tax revenue accounts for over 90 percent of current revenue and averaged \$328.9 million for the period 1999 to 2003.



On the other hand, average tax revenue was over 73 percent greater for the period 2004 to 2008 at \$570.2 million.

Further, at the end of 2003, tax revenue amounted to \$382.6 million.

By the end of 2008, tax revenue is expected to be \$710.9 million which is about 85 percent or \$328.3 million greater than tax revenue collected in 2003.

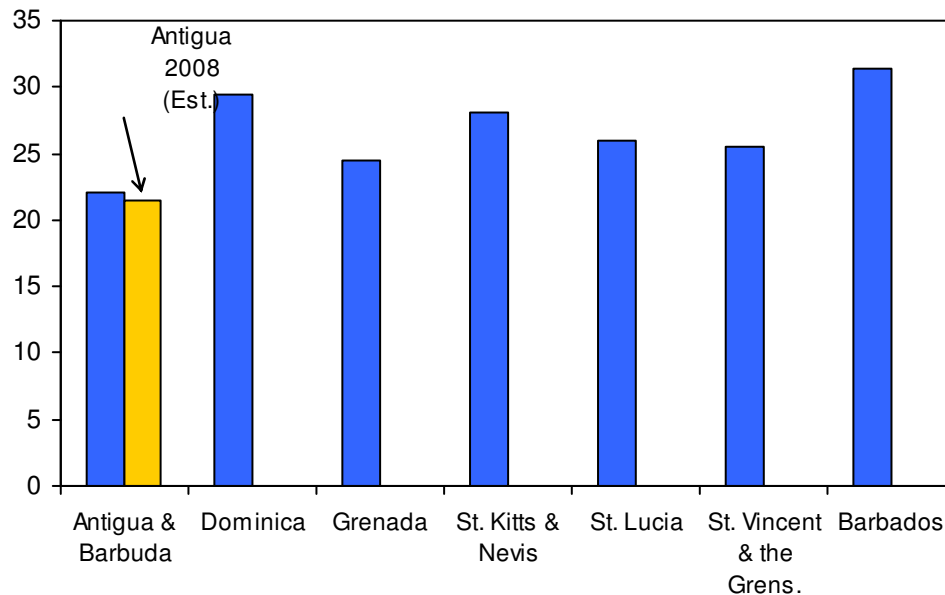
**Madam Speaker:**

Our critics have tried over the past four and a half years to convince the people of this country that the UPP Government has so significantly increased the tax burden that Antigua and Barbuda is now the most taxed nation in the Eastern Caribbean.

This is yet another tactic of misinformation meant to divert the attention from the fact that the growth in tax revenue was driven by good fiscal policies and exceptional economic growth.

In fact, data for a number of Caribbean countries indicate that Antigua and Barbuda has the lowest tax to GDP ratio in the region.

Data for 2007 indicate that the tax to GDP ratio for Antigua and Barbuda remains below the ratios for other ECCU countries and Barbados.



In Antigua and Barbuda, the tax to GDP ratio was about 22 percent, St. Lucia, 26 percent, Dominica about 30 percent and Barbados about 31 percent.

What is also instructive, Madam Speaker, is the fact that for 2008 – represented by the yellow bar – the tax to GDP ratio for Antigua and Barbuda is estimated at about 21 percent which is below its 2007 ratio and the ratios for the other Caribbean countries represented.



**Madam Speaker:**

The personal income tax was reintroduced in April 2005 after being abolished 28 years earlier in 1977.

This measure was introduced to help stabilise the fiscal situation in Antigua and Barbuda and to render the tax system more equitable and efficient.

Since its reintroduction, the personal income tax (PIT) has generated additional revenue of \$23.4 million in 2005, \$42 million in 2006, and \$50 million in 2007.



For 2008, revenue from the PIT is projected to remain at roughly the same level as in 2007.

Revenue from the PIT remained flat due to the Government's decision to widen the income tax bands and add an additional rate to the PIT structure.

In 2005, the structure of the PIT was as follows:

Bands – Monthly Income	Rates
\$0 to \$3,000	0 percent
\$3,001 to \$4,000	10 percent
\$4,001 to \$10,000	15 percent
\$10,001 to \$15,000	20 percent
\$15,001 and above	25 percent

Following extensive consultations across Antigua and Barbuda, the Government revised the PIT structure to include an additional band and rate.

This new structure is as follows:

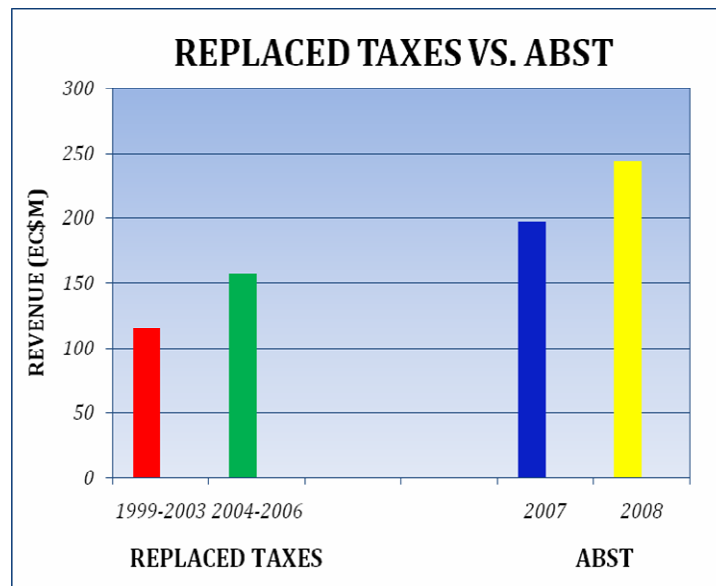
<b>Bands – Monthly Income</b>	<b>Rates</b>
\$0 to \$3000	0 percent
\$3001 to \$6000	10 percent
\$6001 to \$8000	12.5 percent
\$8001 to \$10,000	15 percent
\$10,001 to \$15,000	20 percent
\$15,000 and above	25 percent

**Madam Speaker:**

As indicated earlier, the UPP Administration implemented the Antigua and Barbuda Sales Tax (ABST) in 2007.

You may recall that this tax replaced six taxes, including the consumption tax.

An assessment of the revenue generated by the ABST versus the taxes it replaced reveals that this measure has positively impacted overall revenue performance.



Between 1999 and 2003, the six taxes replaced by the ABST generated average revenue of \$114.7 million.

For the three year period 2004 to 2006, average revenue from these six taxes was 37 percent greater at \$157.2 million.

In 2007, the ABST replaced these taxes and generated \$196.9 million.

Further, for 2008, revenue from the ABST is projected to increase by 24 percent to \$243.3 million. As mentioned before, this growth was primarily due to significant economic growth and greater efficiency in tax collection.

**Madam Speaker:**

It is quite evident that the tax policies and programmes implemented by this UPP Administration have yielded great success.

What is most impressive is that the improvement in revenue performance was not a result of additional tax measures and higher tax rates.

Instead, this increase in revenue was due to extraordinary levels of economic growth and greater efficiency in tax collection.

More importantly, the additional revenue generated would not have been possible without the hard work and dedication of the staff charged with the task of revenue administration.

As such, I take this opportunity to thank the Commissioner, Ms. Hyacinth Bailey, and staff of the Inland Revenue Department and the Comptroller, Mr. Rafael Brown, and staff of the Customs and Excise Division for their invaluable contribution to the process of transforming the tax system in Antigua and Barbuda.

In addition, I wish to thank the former Commissioner of Inland Revenue, Mr. William Schouten, for his invaluable contribution to the tax reform programme.

Madam Speaker, I would also like to take this opportunity to thank Mrs. Ernstine Hodge and the staff of the Treasury for their significant contributions to the fiscal reform process.

**Madam Speaker:**

You may have heard from certain quarters that the additional revenue generated by this Government has only been used to repay debt to foreign creditors.

What is most telling is the fact that those who present this argument appear to view the notion of honouring the country's obligations to its debtors as unnecessary and imprudent.

At other times, the same individuals will pose the question – what has the UPP Government done with the additional revenue generated over the past four and a half years?

We find it quite interesting that this particular group of individuals would have the audacity to demand accountability and transparency when, for the decades during which they held the reins of power in this nation, the ALP were complete strangers to these key aspects of good governance.

Madam Speaker, if these past four and a half years have demonstrated anything, it is that the UPP Administration is committed to being accountable and transparent.

Indeed, we are of the view that the people of this nation deserve nothing less and have therefore ensured that we keep the people informed at all times.

We have done this through national consultations, symposia and, perhaps most important of all, by way of the annual budget statement.

There are numerous documents that have been made available to the general public that present in great detail the specific activities that have been funded by the Government over the past four and a half years.

However, for those who would pretend not to know about these documents, I take this opportunity to once again remind them of some of the specific areas of Government expenditure over the past four and a half years.

These areas include:

Expenditure on the Royal Antigua and Barbuda Police Force - \$132 million.

Expenditure on Healthcare - \$446 million

Expenditure on Information and Communication Technology - \$26 million

Expenditure on Agriculture - \$102 million

### Road Works

#### **Madam Speaker:**

The UPP Administration, upon assuming office, made the improvement of the nations road network a top priority.

We have spent in excess of \$430 million to construct and upgrade roads across Antigua and Barbuda. Some of the communities that have benefitted from road works include:

- Golden Grove
- Sweetes
- Mount Pleasant
- Upper Gambles
- Yorks
- Jonas Road
- Cedar Valley
- Buckleys
- Fort Road

Fitches Creek  
Union Road  
Bendals Road  
Freemansville  
Old Road  
Willikies  
Potters  
Piggotts  
Parham  
Freetown  
Belmont  
Bolans  
Bendals  
Briggins  
Villa  
Point  
Vernons  
Cashew Hill  
Grays Green Community  
Barbuda

### *Poverty Reduction and Social Programmes*

The UPP Administration has, over the past four and a half years, made it clear that putting the welfare and future of the people of this nation first is its top priority.

In addition to strengthening the fiscal and economic environment and seeking to invest in critical social and economic infrastructure, we have focused on developing and expanding programmes that provide a social safety net for the more vulnerable in our society.

With the financial and technical support of the Caribbean Development Bank, we undertook a Poverty Assessment Survey that will help us to develop new and innovative programmes to help improve the lives of the needy.

Even before commencing this poverty assessment, the Sunshine Government decided to focus on identifying areas in which intervention would bring immediate and long lasting relief.

Programmes that have been implemented include the School Uniform Grant Programme and the National School Meals Programme.

The Government spent over \$20 million over the past four and a half years to undertake these programmes, which benefitted many school children across Antigua and Barbuda.

Through the Ministry of Social Transformation, the Government enhanced assistance to various groups by way of the Board of Guardians programme.

This Government has spent in excess of \$7.5 million to provide support to the elderly, mentally challenged, visually impaired, and other groups of individuals needing support to improve their way of life.

Madam Speaker, upon taking office, this Government increased the stipend provided to the various groups that are assisted through the Board of Guardians.

For the mentally challenged, elderly and destitute adults, the stipend was increased by more than 122 percent. The stipend for the visually impaired was increased by 100 percent and the stipend provided to children was raised by 150 percent.

Through this programme, the Government provides considerable relief to 445 individuals across Antigua and Barbuda.

This Sunshine Government also established a Home Help Grant, which provides \$2,500 to assist individuals with essential home repairs.

Since it started in 2006, more than 75 persons have benefited from the Home Help Grant.

Over the past four and a half years, more than \$17 million has been spent by the Sunshine Government to implement various social transformation programmes:

Programmes that have brought much needed aid to some of the most vulnerable groups in our society.

I ask this: Would our opponents deprive these disadvantaged groups of the benefit of the expenditure on these programmes?

Whatever they would choose to do Madam Speaker, this caring Government could never sit idly by and allow the needs of more than 500 needy Antiguan and Barbudans to go unmet.

#### *Back pay and Other Obligations*

#### **Madam Speaker:**

A major area of expenditure undertaken by the UPP Administration over the past four and a half years has been the liquidation of outstanding back pay to civil servants.

This herculean task of liquidating back pay to civil servants began in December 2004, at which time the Sunshine Government paid \$15 million in accumulated back pay to affected categories of public servants.

Our efforts continued in 2005 when the 7 percent increase negotiated and promised to civil servants since 2000 was implemented.

In 2006 and 2007, this Government sought to eliminate \$32 million in back pay that was owed to civil servants since 1995.

The process started in December 2006 with the payment of \$8 million and was completed in 2007 when the final \$24 million was paid.

**Madam Speaker:**

The former administration entered into an agreement with public servants to increase their travelling and mileage allowances in 1994.

In keeping with their modus operandi of signing contracts and then forgetting about them before the ink is dry, the “honourable” members across the floor **did not honour** this agreement to our public servants.

It took this Sunshine Government, the Government that puts People First, to keep this promise to increase travelling and mileage allowance. This increase was granted in 2007 at a cost of \$10 million.

Despite our efforts to correct what amounted to unscrupulous and inexcusable treatment of public servants by our predecessors, there is still more than \$100 million in back pay owed to public servants.

Madam Speaker, for those who would question our commitment to seeing this through, I want to make it clear that this Government will not rest until we are able to settle every last penny that the ALP regime owes to public servants of the country.

Finally, Madam Speaker, in January of this year, the Sunshine Government granted an increase of 10 percent to public servants at a cost of about \$30 million.

This was the first contracted increase for civil servants since the agreement for the period 2000 to 2002.

Our detractors may suggest that the Government should not have spent the \$87 million to settle back pay and implement long overdue increases to civil servants.

They may also say that the Government should not have spent \$62 million on the Voluntary Separation and Early Retirement Programme that allowed more than 1,000 civil servants to leave the public sector with sufficient resources to start a new life for themselves.

What our critics have essentially said is that our public servants did not deserve the nearly \$150 million that this Government has spent on improving their situation. Our response, Madam Speaker, is this:

The approximately 8,000 men and women who make up the public sector deserve respect and to be treated in a fair and equitable manner.

They should not be forced to forego wages and salaries that they have worked for and they certainly should not be made to suffer undue sacrifice while those at the very top of the ALP Government grow large with excess.

The Sunshine Government therefore promises to ensure that never again will public servants face such appalling disregard for their rights as workers.

***Debt Management:***  
**Madam Speaker:**

Over the past four and a half years, the issue of debt management has generated significant discussion and much speculation.

This was accompanied by some inventive attempts by our opponents to misinform the public about how very close to insolvency the former administration had taken our beloved Antigua and Barbuda.

The fact is the severely flawed fiscal and economic policies that were being pursued by our predecessors ultimately led to a situation where the debt to GDP ratio grew to over 140 percent at the end of 2003.

This amounted to some \$40,000 of debt for every man, woman and child in Antigua and Barbuda.

As if this were not bad enough, the ALP regime refused to honour its debts to both local and foreign creditors, thereby tarnishing the reputation of Antigua and Barbuda.

The UPP Administration was determined from the very start to restore the good name of this country and to transform the way in which local, regional and international creditors viewed Antigua and Barbuda.

Madam Speaker, given the colossal mess created by our predecessors, we knew that making a dent in the massive debt burden would require creativity and great fortitude.

Our first line of attack against this debt problem was by way of bilateral negotiations with a number of international creditors.



As a result of these negotiations, we were able to eliminate over \$680 million in debt and realise over \$500 million in savings for the people of this country.

These debts, which dated back to the 1980s, were owed to the Government of Italy and to Devcon International.

Now, any right thinking individual who had the best interest of Antigua and Barbuda at heart would have been thrilled to know that debts amounting to over half a billion dollars had been eliminated at a fraction of what was owed.

Instead, the very persons who entered into the debts, then failed to honour their obligations, and embarked on a campaign to ridicule the Government for doing what was in the best interest of this nation.

Despite their best efforts, Madam Speaker, they could not fool the people.

It was quite clear that the tenants of the “big red house” were completely blindsided by the fact that the UPP Government could so expeditiously resolve long standing debts that, try as they might, the ALP economic geniuses failed miserably to remove from the backs of the citizens of this country.

**Madam Speaker:**

Our next step was to develop a comprehensive debt strategy in 2005 with financial assistance from the Canadian International Development Agency (CIDA).

One of the key elements of the Government’s debt strategy was its Treasury Bills and Bonds programme, which was launched in February 2006.

Through this programme, Madam Speaker, the UPP Administration was able to begin the process of rehabilitating Antigua and Barbuda’s credibility among creditors.

**Madam Speaker:**

Since March 2006, this Government has successfully issued treasury bills on the Regional Government Securities Market (RGSM) on a monthly basis.

To date, we have issued 33 tranches of treasury bills where the maximum interest rate at any time was 6.5 percent.

This is markedly less than the rates on treasury bills issued by the former Government – rates that approached 10 percent.

Madam Speaker, through this programme, this Government has been able to attract much lower interest rates for its securities – the lowest of which has been 4.98 percent.

In addition to these Treasury Bills, we successfully issued \$100 million in bonds, one of which was a US dollar denominated bond, the first of its kind to be issued on the RGSM.

These bonds were issued at interest rates of 8 and 8.25 percent. These interest rates are well below the minimum rates on bonds issued before March 2004.

**Madam Speaker:**

Another major difference between the UPP Administrations' Treasury Bills and Bonds programme and the previous programmes is that we have ensured that when the treasury bills matured and payments were due, each and every investor was repaid the principal amount invested along with the relevant interest payment.

This is a far cry from the past practice where investors who purchased treasury bills issued by the ALP regime as far back as the 1980s have yet to be repaid.

In some cases, these investors received little, if any, interest payments. What is more, these crafty fellows would wait until the Treasury bill or bond had matured and simply rolled over the security without seeking the agreement of the investors.

Under such circumstances, an investment that should have been for a year or ten years was forcibly extended to 20 or more years. Such treatment of our creditors is downright reprehensible!

**Madam Speaker:**

Such a situation can never again be allowed to occur nor could we allow this state of affairs to persist.

As such we embarked on a plan to liquidate the debts to individuals and institutions that invested in the treasury bills and bonds issued as far back as the 1980s.

I am pleased to inform this Honourable House that in December of 2007 we were able to repay the majority of these small, local investors who fell victim to the sly machinations of our predecessors.

In our last Budget Statement, this Administration indicated that, as a part of its debt strategy, it would develop and maintain a payment culture in respect of our statutory bodies.

Madam Speaker, I am proud to report that as of January 2008, this Government has made consistent payments to the Social Security Scheme, the Medical Benefits Board of Control and the Board of Education.

By remaining current with its contributions to these statutory bodies, the Sunshine Government is helping to restore the financial health of these bodies and strengthening the country's social safety net.

From as far back as 1979, the ALP regime has made it a habit not to honour its obligations to statutory corporations.

The result has been the accumulation of arrears of nearly \$1 billion – an amount that this UPP Administration is determined to liquidate.

Of this nearly \$1 billion in debt, \$579.6 million is owed to the Social Security Board, \$273.9 million to the Medical Benefits Scheme, \$104.4 million was owed to the Board of Education and \$28 million was owed to the state Insurance Corporation.

We have already settled the arrears owed to the Board of Education and \$11.7 million of the \$28 million owed to the State Insurance Corporation.

**Madam Speaker:**

Permit me to draw your attention to a few facts. From 1979 to 2003 the previous administration made cash payments to these organisations totalling only \$7.02 million.

If we were to be generous and include the parcels of land given to the Social Security Scheme which were valued at \$5.45 million, they would still not have paid even half of what this Administration has paid to these critical organisations since assuming office.

From January to October of 2008 we have paid a total of \$28.1 million to the Social Security Scheme, the Medical Benefits Board of Control and the Board of Education.

The situation is even graver when we consider that the Antigua Labour Party administration would have taken \$122.18 million in loans, advances and treasury bills and bonds from the Social Security Scheme and another \$23.5 million in loans and treasury bills and bonds from the Medical Benefits Scheme without repayment.

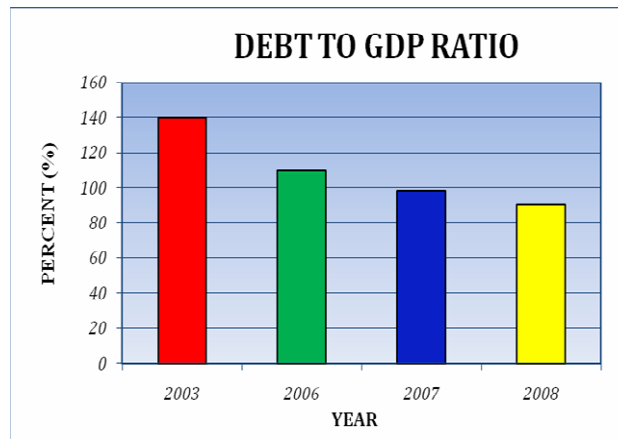
With respect to the other statutory corporations, including the Central Marketing Corporation and the Antigua Public Utilities Authority, the Government will focus on resolving outstanding obligations and fostering new relationships and greater collaboration with these critical institutions.

Already we have put a mechanism in place to be able to pay utilities to the APUA and we will be signing a memorandum of understanding that will govern our relationship from this point onwards.

**Madam Speaker:**

As at September 2008, total central government debt stood at \$2.67 billion. The road to this point has been long and difficult, but we have been able to reduce the debt-to-GDP ratio steadily from over 140 percent in 2003.

As seen in the following graph the debt to GDP ratio was about 110 percent in 2006, 98 percent in 2007 and is projected to fall to 90 percent by the end of 2008.



Whilst these ratios may not mean much to some and whilst many have sought to downplay our successes on the Regional Government Securities Market, our efforts have begun to impact how we are viewed internationally.

Madam Speaker, I am proud to advise this Honourable House and the people of this nation that, in 2005, Euromoney Magazine, an internationally renowned financial and capital markets publication, ranked Antigua and Barbuda among the top three of 20 Latin American and Caribbean countries for low country risk.

Furthermore, in the magazine's world country risk assessment we have moved from a rank of 82<sup>nd</sup> out of 186 countries in September 2003 to a rank of 67<sup>th</sup> in September 2008.

***Support/Relief Measures – 2004 to 2008:***

The Sunshine Government has stated time and again that it is a Caring Government and that it is committed to Putting People First.

What this means, Madam Speaker, is that as we worked diligently over the past four and a half years to repair the decades of injury inflicted on the Antigua and Barbuda economy by a ruthless ALP regime, this Government also sought to develop and implement programmes that brought much needed assistance to all citizens and residents of Antigua and Barbuda.

In order to do this, we had to strike a delicate balance between implementing policies necessary to improve the macroeconomic environment and pursuing programmes that protect the wellbeing of our people.

**Madam Speaker:**

In every year of our leadership in this country, we have made it a priority to implement a series of support and relief measures that impacted the lives of every Antiguan and Barbudan.

These measures are wide and varied and quite numerous. For the benefit of those persons who continually question our dedication to Putting People First, the following should crush their constant attempts to malign the efforts of the people's Government.

*Basket of Essential Goods:*

To help the people of Antigua and Barbuda cope with rising international prices, the Sunshine Government created a Basket of Essential Goods for which the Customs Service Tax was gradually reduced from 10 percent to 0 percent.

This Basket of Essential Goods was implemented in 2005 with just under 50 items.

Today, Madam Speaker, the Basket of Essential Goods contains more than 177 categories of goods.

In addition to eliminating the Customs Service Tax on these items, we ensured that when the ABST was implemented in 2007, these items were zero-rated.

What this means is that for more than 177 categories of goods, the CST is 0 percent and the ABST is also 0 percent.

The types of products that face zero CST and zero ABST include:

Baby Products	Fruits and Vegetables
Dry Goods and Cooking Oil	Bread, Dairy and Cereal
Dried Fish and Canned Meats	Meat and Poultry
Juices, Malts, Water and Soya Milk	

Along with zero-rating this vast number of items, the Sunshine Government also

- i. zero-rated water services, which means no ABST is charged on the consumption of water;
- ii. zero-rated the consumption of electricity for domestic purposes;
- iii. zero-rated the first 50 units of electricity consumed for commercial activity;

- iv. exempted medical, dental, nursing, optical and other similar services from the ABST.

*Dollar Barrel:*

In 2004, the Sunshine Government introduced the Dollar Barrel which allows households to import food items, clothing and toiletries at a nominal fee of \$1 during the Christmas season.

Madam Speaker, between 2004 and 2007, over 17,000 households have benefited from this initiative.

On November 15<sup>th</sup> 2008, we commenced the fifth cycle of the Dollar Barrel that will benefit even more households.

*Reduction of the Corporate Income Tax:*

This Government is of the view that the development and expansion of the private sector is vital for the long term economic viability of Antigua and Barbuda.

In an effort to position the private sector to function as the engine of growth, we have taken steps to create the enabling environment that would serve as a catalyst for private sector development.

In particular, the corporate income tax rate was reduced from 35 percent to 30 percent in 2005 and, in 2008, the corporate income tax was further lowered to 25 percent.

These efforts in addition to the establishment of the Antigua and Barbuda Investment Authority and the implementation of a Customs Renewal Programme have all helped to promote investment and encourage private sector activity.

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

**Madam Speaker:**

In an attempt to support persons who contribute to and make their living by providing essential services to the tourism sector, this Government offered a 50 percent reduction in the duty applicable to selected parts for passenger vehicles operated by taxi drivers, bus drivers and tour operators.

Specifically, we have given concessions on:

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

The purpose of this measure was to prevent the operating costs of taxi drivers, bus drivers and tour operators from escalating.

**Madam Speaker:**

This Government further extended the level of relief provided to bus drivers in 2008 as part of a collaborative strategy to keep bus fares to the public unchanged.

After consulting with representatives of the Antigua and Barbuda Bus Association, the Government agreed to add new buses to the list of items for which concessions would be granted.

In addition, we increased the concession offered to the bus drivers from a 50 percent reduction in the duty to a full waiver of the duty on the eligible items.

As a result of this improvement in the level of concessions, the bus drivers agreed to keep the bus fares unchanged.

On behalf of the Government, I wish to thank the president and members of the Antigua and Barbuda Bus Association for their patience and co-operation.

*Tax Credits and Personal Income Tax Deductions:*

**Madam Speaker:**

We made provisions to reduce the tax liability of businesses that support the development of culture, education, and sports in Antigua and Barbuda.

All businesses, whether incorporated or not, can claim a tax credit up to an amount of \$250,000 if they make financial contributions to the development of culture, education or sports.

With respect to the Personal Income Tax, we made a number of adjustments to the legislation in order to provide additional relief to taxpayers.

These amendments to the structure of the Personal Income Tax were based on various recommendations provided by persons who participated in the many consultations convened by this Government.

As a result of these amendments, individuals who pay the personal income tax can claim income tax deductions in respect of:

- i. Interest paid on residential mortgages;
- ii. Contributions paid into approved pensions schemes;

- iii. Health insurance premiums; and
- iv. Tuition payments on behalf of children pursuing university studies.

*Grant to Association of Persons with Disabilities:*

**Madam Speaker:**

The Sunshine Government has made it a priority to provide targeted relief to vulnerable groups such as persons with disabilities.

As a first step, and in recognition of the remarkable efforts of the Antigua and Barbuda Association of Persons with Disabilities, the Government has provided a grant of \$25,000 to the Association.

The mechanism for the administration of this grant is being implemented by the Ministry of Health and will be used to finance the various activities of the Association as it seeks to provide relief to persons with disabilities across Antigua and Barbuda.

*School Uniform Grant and National School Meals Programmes:*

**Madam Speaker:**

The Sunshine Government implemented a School Uniform Grant in 2004 to help ease the burden on families in Antigua and Barbuda who must send their children to school.

Since this programme started, the number of school children who have benefitted from this programme has increased steadily. In 2004, a total of 10,240 children benefitted.

This increased to 12,589 in 2005, 15,007 in 2006, 19,053 in 2007 and 21,156 children in 2008.

Through this programme about 260,000 uniform grants have been provided to children across Antigua and Barbuda attending 81 schools across the country.

The total cost of this programme to date has been about \$12 million or about \$150 per child over the past four and a half years.

Madam Speaker, I challenge anyone to identify any such programme developed by our predecessors that provide so great a benefit at so economical a cost. I am certain that they would be hard-pressed to come up with even one.

While they think about it, Madam Speaker, I'll report on yet another programme implemented by this Government to help school children.

I refer to the national school meals programme (NSMP) through which hot meals are provided to children in 15 primary schools in Antigua and Barbuda.



Since 2007, 526,728 meals have been provided to our school children at a cost of approximately \$11 million.

The success of this programme was due in large part to the hard work of Senator Joanne Massiah and her team and I take this opportunity to commend their efforts.

Also, the generous financial assistance provided by the Private Sector in Antigua and Barbuda and the Government of Trinidad and Tobago has helped to make the national school meals programme a reality.

Madam Speaker, I wonder if my colleagues across the floor have come up with anything yet.

*Property Tax Relief:*

In January 2007 we introduced our new property tax system that assesses the property owner's tax liability based on market value versus replacement cost.

When this Government announced that it would totally overhaul the property tax system, our critics went on a tirade, telling the people of this country that their property tax burden would skyrocket.

As usual, Madam Speaker, they were completely wrong. What this new property tax system has done is allow the Government to provide targeted relief to property owners across Antigua and Barbuda.

In particular, under this new system, all owner-occupied residential properties receive a \$150,000 residential allowance.

What this means is that homeowners whose property value is assessed at \$150,000 or less, will not pay any property tax on their homes.

For a property valued at \$300,000, this \$150,000 allowance is first deducted then the property tax rate will be applied to the remaining \$150,000.

**Madam Speaker:**

We have also provided relief under the new property tax system to other property owners. Specifically, this Government has granted:

- 90 percent tax relief on productive agricultural land;
- 25 percent tax relief for taxable property adopted for use in the hotel industry;
- 25 percent tax relief on property used by manufacturing enterprises;
- 50 percent tax relief on property maintained as a historical site;

- 50 percent tax relief for property maintained for cultural purposes and/or recreation; and
- 50 percent tax relief for property reserved for special public interests, including institutional property.

Madam Speaker, are these the actions of a Government that cares nothing for its constituents?

Of course they are not! Despite external economic shocks and the many devious tactics of our adversaries, the Sunshine Government has managed time and time again to demonstrate how very much it cares for the people of this nation.

*Increase in the Minimum Wage:*

**Madam Speaker:**

In an effort to ensure that the strong growth experienced in Antigua and Barbuda was shared by all, this Government established a Minimum Wage Committee comprising public sector, private sector, trade union, and civil society representatives to review the minimum wage and make recommendations to the Minister of Labour.

Following months of extensive work, the Committee, which was chaired by His Excellency Sir Keithlyn Smith, presented its findings and recommendations to the Government.

Based on the recommendations of the Committee, the Government implemented a 25 percent increase in the Minimum Wage from \$6.00 per hour to \$7.50 per hour.

*Relief for Pensioners:*

This Government has shown over the past four and a half years that it is dedicated to ensuring that the welfare of the Pensioners of this country is safeguarded.

Madam Speaker, upon assuming office in March 2004, this Government embarked on a programme to address the plight of pensioners and, with the assistance and input of the Antigua and Barbuda Pensioners' Association, undertook a comprehensive evaluation of the situation.

The state of affairs with respect to this valued and vulnerable group of Antiguan and Barbudans was quite dreadful.

Madam Speaker, four and a half years ago, there were persons who toiled for years to build this nation that were receiving pensions of less than \$100 per month.

You heard right, Madam Speaker, there were pensioners in this country who were expected to subsist in this new millennium on a fixed monthly income of less than \$100.

For a group that calls itself a Labour party, the ALP has certainly failed to show consideration for the wellbeing of workers who have laboured for this nation.

As a first step in righting this unpardonable wrong, the UPP Administration made a one off aggregate payment of \$500,000 to all pensioners earning a pension of \$500 or less in December 2004. For some pensioners, this meant an increase of over 400 percent in their monthly pensions.

In January 2005, Madam Speaker, we further increased the minimum pension by 50 percent to \$750 per month.

This Government, in less than one year of being in office, and in spite of significant fiscal challenges was able to provide significant relief to a large number of pensioners.

This relief has meant a more than six fold increase in the monthly pensions for some pensioners. Along with this increase in the monthly government pension, we were able to increase the Social Security minimum pension more than 133 percent to \$350 per month.

Madam Speaker, in 2008, we made adjustments to the pensions of a group of pensioners who had not benefited from an increase in over a decade.

Specifically, pensioners who were receiving a pension of between \$751 and \$2,400 were granted a one off increase of \$250 in their monthly pensions.

Further, from January 2008 the minimum pension was increased once more to \$800 per month.

With this increase in the Government's minimum pension along with the increase in the Social Security minimum pension, a considerable number of pensioners in Antigua and Barbuda are now receiving an **aggregate minimum pension of \$1,150 per month** compared to an amount of no more than \$250 for a large number of pensioners in 2003.

Madam Speaker, this, in essence is how we Put People First!

In addition to raising the minimum government and Social Security pensions, we have pursued a number of other programmes that have provided further relief and support to all pensioners.

One such relief measure is the provision in the new property tax system whereby local pensioners who own and occupy their own homes are entitled to an additional 50 percent reduction in their tax liability.

This means, that a local pensioner who owns and lives in a property valued at, say, \$250,000 will not only receive the \$150,000 residential allowance granted to all residential property owners but will also benefit from a 50 percent reduction in the tax payable on the remaining \$100,000 value of the home.

Another policy that has been of particular assistance to pensioners is the exemption of persons 60 years and over from the payment of the embarkation tax.

Finally, in recognition of the important role of the Antigua and Barbuda Pensioners' Association in advocating for the needs of pensioners, the Sunshine Government has provided an annual grant of \$50,000 to the Association to facilitate its work on behalf of pensioners.

**Madam Speaker:**

It should be noted that all the work done by the government to assist pensioners of this country was informed by numerous consultations with the President of the Pensioners' Association, Mr. Charles "Eddie" Hunte and others.

*Reduction of the Stamp Duty on residential Mortgages and the Transfer of Property:*

**Madam Speaker:**

In its four and a half years in office, the UPP Administration has made several adjustments to the stamp duty legislation in an attempt to reduce the tax payable by residents and citizens of Antigua and Barbuda who engage in certain types of transactions.

The first of these adjustments was the reduction of the stamp duty in respect of mortgages for residential construction. We reduced the rate from \$6 per thousand to \$4 per thousand.

This meant that for an individual receiving a \$350,000 mortgage, the total cost to be paid by that individual would be \$1,400 instead of \$2,100.

Following a tax consultation in All Saints in October 2004, we responded to a recommendation from a taxpayer and removed the stamp duty on the discharge of charge for residential property.

As a result of this action, persons who have completed paying their residential mortgages will no longer have to pay any stamp duty in order to retrieve their land certificate.

**Madam Speaker:**

No one can honestly question the positive impact this has had on homeowners across this nation.

But, this Government had no intention of dwelling on its past successes. We are committed to always looking for new and innovative ways to provide relief to Antiguan and Barbudans.

In this regard, we enacted legislation that would make it less costly for a parent or grandparent to transfer property to a child or grandchild.

With the amendment to the stamp duty legislation, we were able to reduce the cost of transferring property from a parent or grandparent to a child or grandchild from 10 percent to 2 percent.

This means that for residential property valued at \$500,000 or less, the aggregate stamp duty payable on the transfer of such property from a parent or grandparent to a child or grandchild is 2 percent.

For example, Madam Speaker, where a mother wants to transfer residential property valued at \$500,000 to her son, she would have paid \$50,000 in stamp duties at the old rate of 10 percent.

With the reduced rate of 2 percent, this mother will now only have to pay stamp duties of \$10,000 in order to transfer the property to her son.

Madam Speaker, this represents a \$40,000 savings for this family and similar savings have been realised by families across Antigua and Barbuda.

An additional adjustment was made in 2008 that reduced the cost of transferring property between spouses.

Madam Speaker, before this adjustment was made, a husband wishing to add his spouse's name to a property owned by him was subject to a stamp duty rate that was applicable to the sale of property between the two unrelated parties.

This Government felt that such a situation could not be allowed to persist and therefore reduced the cost for spouses to transfer title or ownership of property into their joint names from 10 percent to 2 percent.

*Financing Education – National Student Loan Fund*

**Madam Speaker:**

In the 2008 Budget Statement, this Government announced that it would establish a programme through which low interest loans would be granted to Antiguan and Barbudans wishing to pursue various courses of study.

The objective was to provide financing to students who would otherwise find it difficult to access the resources needed to pursue their educational goals. In this regard, the Government of the Antigua and Barbuda launched its National Student Loan Fund (NSLF) in June 2008 with an initial endowment of \$2 million.

The National Student Loan Fund is administered by a Student Loan Advisory Committee which is responsible for reviewing applications and issuing loans to the successful applicants.

Under this Fund, Antiguan and Barbudan students who were eighteen years and older had the opportunity to receive a loan of up to \$50,000 at an interest rate of 3 percent per annum.

I am pleased to report, Madam Speaker, that in its first year, the National Student Loan Fund has been a great success.

We have provided loans to 65 Antiguan and Barbudans to pursue Undergraduate Studies, Graduate Studies, Post Secondary/Technical Education, and Vocational studies.

These students are pursuing associates, bachelors, and masters degrees at accredited local, regional and international institutions.

The fields of study include accounting, management, computer science, surveying and land information, criminal justice, education, tourism and hospitality management and nursing.

The total value of the loans granted is \$1,999,600 and these students have up to ten years to repay the loan.

Madam Speaker, I say this is money well spent to secure the future of 65 Antiguan and Barbudans.

**Madam Speaker:**

There can be no doubt that the foregoing support and relief measures implemented by the Sunshine Government have provided meaningful assistance to the people of Antigua and Barbuda.

I again challenge those who have dedicated their every waking moment to criticising our efforts to Put People First to present their list of similar achievements.

Here is an opportunity for the former administration to lay out in detail any measures they implemented in a single four and a half year period that provided significant relief to the people of this nation without threatening the future viability of the economy.

## **STRATEGY FOR 2009 – RESPONSE TO GLOBAL ECONOMIC CRISIS**

### **Madam Speaker:**

This has been an extremely challenging year in the global economy where we have seen unprecedented increases in the international price of oil, an escalation in the prices of basic food items and raw materials, a meltdown in the major financial markets, massive job losses in many industrial economies, and a slowdown in economic growth that many pundits compare with the era of the Great Depression.

While there may have been a number of contributing factors, there is general agreement among the experts that, at the root of this economic dilemma was an out of control housing market in the United States which ultimately gave birth to the global financial crisis.

Unfortunately, the attempts of the economic superpowers to jump start the ailing financial markets and encourage economic recovery through multi-billion dollar stimulus and bailout packages have not yet produced the desired results.

Consumer and investor confidence remains at all time lows while the level of unemployment continues to rise.

Given this global picture, Madam Speaker, a number of questions arise.

These include: what are the implications of the crisis for Antigua and Barbuda and how can we respond effectively should the need arise.

To date, the Financial Sector in Antigua and Barbuda and the rest of the Eastern Caribbean Currency Union (ECCU) has not been directly impacted by the international financial crisis.

The prudential regulations and banking rules set out by our Eastern Caribbean Central Bank have served to insulate our banking system and ensured the stability of the sub-regional financial market.

While the Government has the utmost confidence in the system, we recognise this is a dynamic situation and therefore we must prepare for any unforeseen developments outside our borders.

To this end, we have engaged in discussions with our regional counterparts and the ECCB to identify possible response mechanisms should the financial crisis impact our system.

In this regard, the ECCB has been actively engaging international institutions and governments that have indicated a willingness to provide the requisite financial support to the countries of the region should the need arise.

**Madam Speaker:**

In addition to this regional approach, this Administration has engaged the Caribbean Development Bank to provide a policy based loan to Antigua and Barbuda.

We are currently in the advanced stages of negotiations with the Caribbean Development Bank (CDB) to secure the \$81.5 million facility.

These resources, if approved by the CDB Board of Directors, would become available in 2009 and will provide the necessary budgetary support and create additional fiscal space in order to allow the Government to continue pursuing policies that are essential for the long term economic stability of Antigua and Barbuda.

I wish to take this opportunity to thank the Management and staff of the CDB for their efforts over the past few months.

We look forward to completing the processes necessary to access the policy based loan and look forward to working with the Bank over the coming months to further strengthen the policy framework that will keep Antigua and Barbuda on a path towards sustainable development.

**Madam Speaker:**

While there is little or no risk of financial contagion for our banking system, one can expect that there would be some impact of the global economic crisis on the real sector of the region's economies.

In particular, the tourism sector will be vulnerable to shocks in 2009 given the slowdown in the US and European economies. Bearing this in mind, the UPP Government has taken proactive steps to develop programmes that will allow Antigua and Barbuda to effectively respond.

The programmes focus on strengthening the tourism sector, capitalising on opportunities in internet gaming, continuing to promote investment through the Antigua and Barbuda Investment Authority, and enhancing activities to encourage small business development.



### *Tourism*

#### **Madam Speaker:**

Recognising the implications of global economic developments for the tourism industry in 2009 and by extension the economy of Antigua and Barbuda, this Administration has already begun to take steps to address these challenges.

On November 1 2008 a meeting between the Antigua Hotel and Tourist Association, the Ministry of Finance and the Economy, the Ministry of Tourism, the Antigua and Barbuda Workers Union and the Antigua Public Utilities Authority was convened to look at a strategy for combating any difficulties the sector may encounter in 2009.

This meeting culminated with the designing of an Emergency Economic Plan for the Hotel Sector which was activated by the signing of a Memorandum of Agreement (MOA) between the parties present.

The MOA sought to provide some relief to hotels with respect to their cost of operations in 2009 while at the same time giving the Government some comfort that over the next six (6) to twelve (12) months workers in the hotel sector will be protected from the possible loss of jobs.

Further, Madam Speaker, the Government has agreed to maintain the lower ABST transitional rate of 10.5 percent for the hotel sector to ensure our competitiveness is not eroded.

The agreement makes provision for discounts on electricity bills for hotels, offers concessions in respect of capital items and security apparatus, and the establishment of a joint marketing strategy between the Ministry of Tourism and the Antigua Hotel and Tourist Association.

#### **Madam Speaker:**

This collaborative approach between the government, hoteliers and unions will undoubtedly allow Antigua and Barbuda to effectively meet any challenges experienced in the tourism sector.

The Government is very appreciative of the hoteliers and union representatives for their input and willingness to find solutions that will benefit all stakeholders.

Given the success of this approach, we will seek to develop similar arrangements and partnerships with other major employers over the coming months.

**Madam Speaker:**

While we have taken these precautionary measures to ensure that the mainstay of our economy is cushioned against the economic events at the international level, the Government is optimistic that the various policies and strategies pursued over the past several months will help to secure some expansion in the sector in 2009.

For example, Madam Speaker, Antigua and Barbuda was successful in increasing airlift to the destination in 2008 and this is expected to have a significant impact on the number of stay-over visitors coming to the destination in 2009.

American Airlines began operating daily non-stop flights from Miami to Antigua in November 2008.

This flight will facilitate smoother connection of visitors from many major US and Canadian gateway cities including Boston, Chicago, Dallas, New York, Toronto, Philadelphia, Baltimore, Washington, Atlanta and Houston.

**Madam Speaker:**

In June of this year Delta Airlines introduced a new non-stop flight on Thursdays and Sundays from New York's John F. Kennedy International Airport.

In addition, Delta Airlines will increase its service out of Atlanta in 2009. Further, Continental will begin to operate daily from Newark from December 18<sup>th</sup> and Livingston Space will start a weekly service on Saturdays from Milan, Italy from December 20<sup>th</sup> 2008.

**Madam Speaker:**

The expansion of the Airport facility to accommodate eight wide-bodied aircrafts and 15 smaller aircrafts along with the improvements to the immigration, customs and departure areas will support the aforementioned increase in airlift and allow the destination to receive and process additional visitors in a more efficient manner.

Finally, Madam Speaker, activity in the cruise sub-sector is also expected to increase in 2009 with seven new cruise ships visiting Antigua for the 2008/2009 tourist season.

The Carnival Cruise Lines and the Royal Caribbean Cruise Lines will be increasing the number of calls to Antigua in 2009.

In the case of the Carnival Cruise Lines, Carnival Victory made its inaugural call to Antigua on November 7<sup>th</sup> and will continue to visit Antigua all year round.

The Royal Caribbean Cruise Lines have also put additional vessels on the Antigua route – a move that will certainly increase the number of cruise visitors to our shores.

***Internet Gaming:***  
**Madam Speaker:**

As a result of Antigua and Barbuda's inclusion on the United Kingdom's white-list pursuant to Section 331 of the United Kingdom Gambling Act 2005, the interactive gaming and interactive wagering industries in Antigua and Barbuda has been strengthened and can once again operate as a major catalyst for growth in our economy.

This development will not only benefit our existing gaming operators, but it will also serve to attract new high end operators to the jurisdiction who are particularly interested in accessing the European and Asian Markets.

Indeed, we have already received applications from high end operators seeking to commence operations in Antigua and Barbuda.

The first of these new operations should begin in early 2009 and are expected to initially generate employment for at least 200 Antiguan and Barbudans.

In confirming Antigua and Barbuda's success at being "white-listed", the UK Minister for Sport Hon. Gerry Sutcliffe, expressed that he was satisfied "that Antigua and Barbuda has the legal authority to regulate gambling," and that "its current system of regulation and licensing provides a robust and adequately resourced framework to uphold our shared objectives:

To prevent gambling from becoming a source of crime; and to keep gambling fair and open and to protect children and vulnerable people."

Further Madam Speaker, this Government has positioned Antigua and Barbuda to capitalize on the potential for a thriving horse racing industry in Antigua and Barbuda that will benefit the economy and generate a significant number of jobs.

In this regard, the Government of Antigua and Barbuda has entered into a Letter of Intent (LOI) with two partners to develop an international high-quality horserace track and entertainment complex at an estimated cost of US\$20 Million.

The project will include world class stands, exclusive business boxes, restaurants, retail space and a casino.

The race track will boast a professional track design with 6 to 7 furlongs, floodlights, jumbo-TV screen, high quality starting gates and stables for up to 200 horses in total. These stables are expected to be partly air conditioned.

The training facilities will include walkers, pool, jockey accommodations and a veterinary station. The facility will be the only one of its kind in the region.

Furthermore it is expected that the economic spin-offs particularly for the tourism sector will be tremendous.

Work on this facility shall begin in 2009.

Finally, this Government has engaged gaming operators in discussions on the issue of supporting social development in Antigua and Barbuda.

In this regard, Madam Speaker, we will develop true partnership with our gaming operators by establishing a special fund through which social programmes may be financed.

Resources made available in this special fund will be used to finance sporting and social programmes to include areas such as health care and education for our citizens.

This means that the operators will not only conduct business in our jurisdiction but they will also make a valuable contribution to the nation's social development. It is expected that contributions could range from \$500,000 to \$3,000,000 per operator.

***Antigua and Barbuda Investment Authority:***

**Madam Speaker:**

The Antigua and Barbuda Investment Authority has been functioning as a catalyst to attract investors, generate interest and secure commitment and action to do business in Antigua and Barbuda.

To facilitate these efforts, the ABIA has provided domestic and foreign investors with a comprehensive guide on the investment climate, legislative and regulatory framework and the various incentives and concessions that they may access.

**Madam Speaker:**

Since commencing operations in May 2007, the ABIA received 176 investment project applications from both domestic and foreign investors.

Of these, 156 received approval for concessions under the ABIA Act. The total capital investments associated with these 156 projects is about \$1.5 billion.

Of these projects, 143 represent developments by local investors at a total cost of about \$713 million. The remaining 13 projects represent foreign direct investment of about \$780 million.

The total concessions granted in respect of the \$1.5 billion investments are valued at about \$228 million.

The sectors within which the investments have occurred include tourism, retail and general business services, construction, manufacturing, health and education services.

A number of these projects have already commenced and will be completed in 2009 while many will commence in 2009 and span a two to three year horizon.

Over this period more than 2,580 jobs would have been created as a result of these investments.

**Madam Speaker:**

I think this bears repeating. As a result of the tremendous efforts of this UPP Administration to encourage investment, we have been able to secure investment for dozens of projects that will create employment for more than 2,580 Antiguan and Barbudans.

While for many years others merely talked about promoting growth through investment, the Sunshine Government has, in just a few years, generated \$1.5 billion in investments that will bring jobs and economic benefits to many of our citizens.

**Madam Speaker:**

The ALP's "brand" of investment promotion has typically resulted in loss and controversy instead of jobs and economic growth.

With the UPP Administration, we have switched tracks and are moving in a more productive direction.

***Small Business Development:***

**Madam Speaker:**

The Small Business Development Act, which was enacted in 2007, offers concessions and access to technical assistance to our small business owners in Antigua and Barbuda.

This targeted intervention in respect of small businesses was founded on the understanding that job creation, sustainable economic growth and poverty alleviation

cannot be realized in any meaningful way without the environment that encourages entrepreneurship that leads to the development of small businesses.

Under the Small Business Development Act, the Government has institutionalized a system of support for small business owners and afforded Antiguan and Barbudans with a dream, or a creative spark that can result in new business and additional employment.

**Madam Speaker:**

A small business' success will be heavily dependent on the owner's ability to harness the requisite resources to conduct operations.

In most instances, the entrepreneurs that seek to establish a small business will need access to credit but do not meet the requisite criteria of the traditional credit instruments offered by commercial banks.

In this regard, the Government has sought to create new and innovative mechanisms through which financing may be provided to small businesses.

The first such mechanism was formed through a partnership between the Government of Antigua and Barbuda, The Antigua Barbuda Development Bank (ABDB) and the Stanford Group of Companies in Antigua.

**Madam Speaker:**

I refer to the Empowerment for Ownership Initiative which was launched in August 2005.

This initiative features a \$10 million revolving fund endowed by the Stanford Group of Companies in Antigua and is administered by the Antigua and Barbuda Development Bank.

Through this initiative, qualified residents can access loans in amounts up to \$75,000 at an interest rate of 6.75 percent to open a new business or expand an existing business.

As at September 30, 2008, over EC\$ 6.5 million in loans have been approved for more than 180 businessmen and women.

**Madam Speaker:**

Given the success of this Initiative, the Government will provide an additional \$5 million in 2009 to allow the ABDB to continue the excellent work that lends significant support to our small business men and women.

By enhancing the level of resources available through this Initiative, the Government is ensuring that more businesses have access to vital resources and thus can undertake economic activity that promotes growth and create further reemployment opportunities.

**Madam Speaker:**

Our intervention in respect of affording small businesses access to credit does not end here.

The Small Business Development Act makes provisions for the creation of a credit guarantee scheme that would be accessed by eligible businesses seeking credit from various domestic lending institutions.

The Scheme is designed to allow business owners and potential business owners to access credit from a lending institution of his or her choice, and the security will be furnished by the Government up to a maximum of \$100,000.00.

This Loan Guarantee Scheme will provide a total of \$5 million on a revolving basis to ensure small businesses can more readily access financing.

***Other Policy Responses:***

**Madam Speaker:**

The Government recognises that even with these various strategies in place, Antigua and Barbuda still remains vulnerable to external economic shocks.

In this regard, we will ensure that the relevant mechanisms are in place in 2009 to provide targeted support to our citizens and residents in the event that the global economic situation triggers significant deterioration of the domestic economy.

Specifically, Madam Speaker, in the unlikely event that the fallout from the global economic crisis severely impacts homeowners' ability to pay their mortgages, the Government will engage the banks to arrive at meaningful arrangements that will limit foreclosures.

To ensure that we are prepared for such an eventuality, the government will continue to dialogue closely with the banks to monitor the situation so that immediate and pre-emptive action can be taken.

**Madam Speaker:**

This Administration is also prepared to implement a National Unemployment Benefit Fund should the global economic crisis result in extensive job losses.

Further, in order to combat any severe adverse effects of the world economic slowdown, consideration will be given to waiving the payment of the Personal Income Tax under such circumstances.

## **BUDGET PROJECTIONS – 2009**

### **Madam Speaker:**

Recurrent Expenditure for Fiscal Year 2009 is budgeted at \$851,973,852 while Recurrent Revenue and Transfers, is estimated at \$823,682,426.

This results in a current account deficit of \$28,291,426. The primary deficit for 2009 is projected at \$51,530,916.

### **Madam Speaker:**

Government's recurrent expenditure is comprised of the following categories:

- Salaries, wages and allowances
- Contributions to Social Security and Medical Benefits
- Pensions and Gratuities
- Goods and Services, including utilities
- Transfers and Grants
- Debt Payments

In 2009, expenditure for salaries and wages is budgeted at \$358.1 million.

Government's Social Security and Medical Benefits contributions are budgeted at \$25.3 million.

For Pensions and Gratuities a budgetary allocation of \$56.2 million is included in Budget 2009.

We have budgeted \$220.7 million for expenditure on Goods and Services in 2009.

In terms of Transfers and Grants, the budgetary allocation for 2009 is \$115.2 million.

Finally, Debt Service payments are budgeted at \$198.7 million for 2009.

### **Madam Speaker:**

I now turn to the allocations in a few selected Ministries.

The detailed breakdown of allocations across all Ministries is available in the full text of the Budget Statement.

Total budgetary allocation for the Prime Minister's Ministry in 2009 is \$105,678,217.



Departments in the Prime Minister's Ministry include:

*The Defense Force*

Over the past year, the Antigua and Barbuda Defence Force has played a significant role in addressing crime and security issues.

The Defence Force has worked closely with the Royal Antigua and Barbuda Police Force to boost crime fighting and to meet the security needs of the population.

In 2009, the Military will continue to play a major role in crime fighting and maintaining National Security.

An allocation of \$21,768,778 has been made in the 2009 budget to allow the Defence Force to acquire additional equipment, to increase its capacity to meet its very important mandate, and meeting its obligations to the Regional Security System.

*Investing in the Development of Barbuda*

**Madam Speaker:**

The development of Barbuda has been a priority for the Government over the past four and a half years.

Emphasis has been on improving infrastructure in Barbuda and, to facilitate this, more than \$15 million has been spent on the road programme on our sister island.

In 2009, the Government intends to continue work in developing the road network and will also focus on upgrading the airport facilities in Barbuda.

**Madam Speaker:**

One of the fast emerging issues affecting Antigua and Barbuda is directly related to the unpredictability of oil prices.

Citizens and residents alike are firmly of the view that there needs to be put in place an energy policy that seeks to give Antigua and Barbuda some degree of energy independence.

In this regard, Budget 2009 will address the makings of an energy policy in which certain incentives will be given to individuals and companies who invest in green technologies.

This initiative will begin with a pilot study in 2009 to assess the feasibility of using wind turbine generators and solar panels in Barbuda.

**Madam Speaker:**

The Government will focus on development of the electricity and water services in Barbuda.

Specifically, the Barbuda Distribution Network will be upgraded and converted to the voltage level in Antigua and the Power Station Switch Gear will be retrofitted with a more modern facility.

With respect to the provision of water services, Barbuda will soon benefit from the US\$8 million provided to Antigua and Barbuda through the ALBA Fund to undertake an extensive water project.

In particular, the APUA Water Division will install additional potable water supply capacity for Barbuda.

The new plant will be twice the size of the two units currently operating in Barbuda and will supply an additional 130 thousand gallons of water per day.

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

**Madam Speaker:**

The UPP Administration understands that in order to make the best of our human resources, priority must be given to transforming the education sector and strengthening educational services at all levels.

Investment in our human capital is absolutely essential if Antigua and Barbuda is to keep pace with an ever changing global environment.

In this regard, Madam Speaker, an allocation of \$84,829,510 is made in Budget 2009 to facilitate the implementation of the various programmes and activities of the Ministry of Education, Sports and Youth Affairs.

These resources will allow the Ministry to press forward with some key programmes that will promote the further development of educational services in Antigua and Barbuda.

One area that will receive particular focus in 2009 will be the provision of teachers.

Experts in the field of education have identified an optimal student-teacher ratio that is most conducive to learning and knowledge transfer.

To help move our classrooms to that more optimal size, a total of 100 new teachers will be recruited for placement in our primary and secondary schools.

In addition, the Government will focus on providing incentives to teachers – particularly those teachers with skills and expertise in special fields.

**Madam Speaker:**

Given the growing demands on our school facilities, it is vital that we move with some urgency towards the construction of new and more modern education infrastructure.

In this regard, an allocation of \$23 million has been made in the Budget to facilitate the construction of a new secondary school in Five Islands.

Also, the Government will be receiving a grant and technical support from the Caribbean Development Bank in 2009 to assess our additional education infrastructure needs, following which resources will be provided to commence construction of another school in Antigua and Barbuda.

**Madam Speaker:**

One of the visions of this UPP Administration is to provide universal secondary education to all Antiguan and Barbudans.

What this means is that all children will be given the opportunity to enter secondary school at the age of 11 or 12 years.

**Madam Speaker:**

An important element of the plans to overhaul the education system is the construction of a new, state-of-the-art library. In this regard, \$6.5 million will be made available to ensure that the project is completed.

These resources will be made available from the Consolidated Fund and from the resources made available to Antigua through its participation in the PetroCaribe arrangement.

Madam Speaker, the new library project has faced some challenges. However, I am happy to report that we have overcome these difficulties and will complete the library project by June 2009.

I wish to take this opportunity on behalf of the Government to thank the many individuals, businesses and organisations that have contributed financial and other assistance for the construction and implementation of this project.

***Expenditure in the Ministry of Justice and Public Safety***

**Madam Speaker:**

The UPP Administration is very cognisant of the deleterious effects of crime and violence on the economic and social fabric of any society.

Unfortunately, the Caribbean region has seen a disturbing trend of increased criminal activity over the past several years.

These developments have placed significant pressures on the resources of the agencies responsible for security and public safety and have demanded greater investments in manpower, equipment and training to maintain law and order.

In Antigua and Barbuda, we have made crime prevention and control a top priority and therefore embarked on a major programme to transform the way in which we confront the challenge of crime and violence.

In Budget 2009, we have allocated \$63,749,046 to the Ministry of Justice and Public Safety to allow it to adequately address the issues of crime prevention and control and criminal rehabilitation.

**Madam Speaker:**

These resources will enable a 23 percent increase in the remuneration of the Royal Antigua and Barbuda Police Force and allow for the recruitment of an additional 120 constables to the Royal Antigua and Barbuda Police Force in 2009.

With the additional number of constables, we will be able to increase the visibility of the Police in areas where crime is likely to occur.

To facilitate this level of recruitment, there will be year-round training at the Police Training School at Longfords.

This additional manpower will also allow the Government to fully implement its community policing strategy.

The strategy will help the Police to collaborate more actively with the citizenry in the prevention of crime and to develop specific interventions taking into consideration the differences in each community.

**Madam Speaker:**

In 2009, Madam Speaker, all aspects of our new 911 communications system will be fully functional and we intend to intensify training to enhance the number of individuals with the requisite skills to manage and execute the day to day operations of the system.

**Madam Speaker:**

To further enhance the effectiveness of our crime fighting programme, we will commence deployment of a Closed Circuit TV System in 2009.

These CCTVs will be installed in key locations around the country, particularly in areas where they will have the highest crime deterrence value.

The CCTV system will also play a vital role in providing information that may contribute to speedier crime solving.

**Madam Speaker:**

We also recognize that our police stations are in need of repair and upgrading in order to improve the conditions and the environment within which the Police operate.

In this regard, the 2009 Budget will provide resources to refurbish several police stations including the St. John's Police Station, the Police Station at Carty Hill and the Police Headquarters.

Further, Madam Speaker, the Government will place particular emphasis on providing extensive training to senior police officers.

Finally, Madam Speaker, in order to reduce the cost to private businesses and individuals who wish to invest in security and surveillance equipment, we will waive the import duty on these items commencing in 2009.

***Expenditure in the Ministry of Social Transformation and Housing***

In 2009, \$13.8 million will be made available to facilitate the work of the Ministry of Social Transformation and Housing.

**Madam Speaker:**

Of this amount, \$8.8 million will be utilised by the Ministry to provide further support and relief to citizens and residents who depend on the various Government programmes to improve their way of life.

One programme that will be emphasised in the coming year will be the Government's Residential Assistance and Care programme for the Elderly and Eligible (GRACE).

This programme will be expanded to serve the elderly population and other categories of persons in need of home care, while at the same time providing employment opportunities for our citizens.

There will be significant focus on recruiting and training individuals with the appropriate skills set to ensure those using the GRACE programme receive maximum benefit.

Another priority area in 2009 will be the expansion of the Home Improvement Grant, which provided financial support to persons who need to undertake repairs to their homes but did not have the resources to do so.

The Home Improvement Grant was originally accessible to eligible elderly persons only.

However, in 2009, we will extend the Home Improvement Grant to the elderly along with eligible disabled and other needy persons.

**Madam Speaker:**

Consistent with the principles of *Putting People First* the Government will spare no effort in creating an all inclusive society in which no one is left behind.

In this connection, special emphasis will be placed on the introduction of a new “*Skills Training and Empowerment Programme*” (*STEP*) targeted at unemployed single parents and other unemployed and underemployed individuals, in order to assist them in becoming self sufficient.

The intent of this programme is not to create a dependency on the public sector for employment but rather to offer the participants an opportunity to acquire the skills needed for them to obtain gainful employment in the private sector.

**Madam Speaker:**

This Government attaches great importance to Disaster Mitigation, Management and Recovery.

After the devastating floods from Hurricane Omar, we demonstrated the extent of our determination to ensure relief is provided to the people by immediately instituting an emergency assistance programme.

Through this programme we provided shelter, urgent financial support and essential items to families and households across this nation. Madam Speaker, a total of \$1.5 million was allocated to this emergency relief effort without delay.

In 2009, we will continue to support and build the capacity of the National Office of Disaster Services to enable it to enhance its work with respect to disaster management and mitigation and to allow it to respond in a timely manner when citizens and residents are impacted by natural disasters.

An important element of this, Madam Speaker, will be the construction of a Hurricane Shelter in Bolans.

This project will be partly funded with resources generously provided by the Government of Trinidad and Tobago through its Petroleum Fund.

Finally, Madam Speaker, the UPP Administration remains committed to ensuring the provision of affordable housing to the people of this nation.

As a first step, civil Servants and other individuals who qualify can look forward to the prospect of owning their homes in 2009.

This will be made possible by the generous support of the Bolivarian Republic of Venezuela which will be providing financing for a housing project in North Sound at an initial cost of US\$10 million.

### ***Expenditure in the Ministry of Agriculture***

#### **Madam Speaker:**

The development of the agriculture sector remains a priority for this Government.

In 2009, the relevant resources will be made available to allow this Ministry to finance the necessary programmes that will move Antigua and Barbuda closer to attaining food security and allow for greater exploitation of export opportunities.

To this end, an allocation of \$33,897,420 has been made in Budget 2009 for this critical Ministry.

The Ministry has a comprehensive and extensive plan to develop all areas of agriculture and will make the finalisation of this National Production Plan its top priority in 2009.

#### **Madam Speaker:**

An element of the Ministry's plan to promote food security will be the creation of commodity specialists.

These commodity specialists will concentrate on the production of 19 crops and will be provided with the requisite assistance to enhance efficiency and improve product quality.

Some of the commodities include tomatoes, peppers, carrots, onions, herbs and spices, ground provisions and citrus fruits.

Under this programme, the Ministry will establish production schedules with 30 large farmers to produce these commodities for domestic demand and export.

Through this programme, Antigua and Barbuda will be better positioned to take advantage of training opportunities that exist under the Caricom Single Market and Economy.

In particular, it is expected that Antiguan and Barbudan farmers will be able to enhance the production of carrots and onions for export to selected markets in the southern Caribbean.

**Madam Speaker:**

A new 15,000 square foot post harvest pack house will be constructed in 2009 and will provide a central facility for washing, grading, pre-cooling, chilling and storage of agricultural produce and facilitate greater activity in agro processing.

This facility will allow the CMC to boost its marketing and distribution efforts on behalf of the framers thereby allowing farmers to concentrate on enhancing production and meeting the domestic demand for their products.

**Madam Speaker:**

Antigua and Barbuda is one of a few Caribbean countries that can export seafood to the EU area.

This speaks to the quality of the product and our ability to meet the rigorous certification and standards requirements at the international level.

To ensure Antigua and Barbuda maintains this coveted position; resources have been allocated in the budget to further strengthen the fisheries division.

These resources will be used to properly maintain the various fisheries complexes and to provide additional staff that will focus on training fisher folk to maximise output from their efforts.

Emphasis will also be placed on enhancing enforcement of regulations in the fisheries sector in order to ensure sustainability of fisheries reserves and prevent illegal fishing and destruction of fisheries infrastructure.

Finally, the Ministry will seek to advance work with respect to development of the Government's Land Use Policy.

To facilitate these efforts, allocation is made in the budget to provide the additional staff and equipment to augment the work of the Land and Surveys Departments.



**Madam Speaker:**

The Ministry will also continue its work to make land available to Antiguan and Barbudans through its land distribution programme.

The Lands Department is currently completing surveying work that will allow for the provision of an additional 550 parcels of land to the people of this nation in 2009.

Some of the areas where lands will be made available include Jennings, Willikies, Cassada Gardens, Carty Hill, Piggotts, Urlings, Bolans, and Freetown.

***Expenditure in the Ministry of Finance and the Economy***

The total budgetary allocation for the Ministry of Finance and the Economy is \$108,921,406.

**Madam Speaker:**

In 2009, we will establish a Risk Management Unit in the Customs and Excise Division.

This will allow us to achieve one of the stated objectives of the Customs Renewal Programme which is to allow for 24 hour clearance of goods from the port.

**Madam Speaker:**

In Budget 2008, the Government announced that it would seek assistance to undertake a study to determine the feasibility of making Antigua and Barbuda wholly duty free.

In this regard, we successfully acquired assistance from the United Nations Economic Commission for Latin America and the Caribbean (ECLAC).

The consultant has already commenced work on this study and we expect to receive the report and recommendation in 2009.

Finally, Madam Speaker, in 2009 the Government intends to pursue a tax amnesty programme.

This programme proposes that persons paying all arrears on their taxes on or before January 30<sup>th</sup> 2009 will receive a 100 percent write-off of their tax penalties.

There will be no forgiveness granted on the payment of the taxes, only on the sanctions and penalties associated with the taxes.

After January 30<sup>th</sup> 2009 the waivers of penalties decrease for each successive month to 80 percent, 50 percent, 40 percent, 20 percent, then 10 percent.

The last applicable date for the Amnesty will be June 30<sup>th</sup> 2009. On that day there will be a waiver of only 10 percent. Payment of taxes for the current tax period would not form part of the programme.

At the time of applying for the Amnesty, taxpayers would be required to state or present evidence of any receivable that they would have from the government.

This receivable would then be deducted from their tax liability.

It is important to note that our intention is to encourage potential taxpayers to register without the imposition of punitive actions, to increase compliance for taxpayers already registered, while at the same time reducing our liabilities to our local businesses and suppliers.

Monies raised under this initiative will be applied to the humongous debt to local businesses accumulated under the former administration.

Prior to March 2004 this amounted to approximately \$137.3 million.

Reports from the Tax Administration Services Department in Jamaica, where a similar programme was introduced, indicate that the Programme was successful.

### ***Expenditure in the Ministry of Public Works - Capital Expenditure***

#### **Madam Speaker:**

Permit me to make a point about capital expenditure.

If you were to look at what is generally accepted as fiscal benchmarks you would realize that for an economy the size of Antigua and Barbuda acceptable levels of capital expenditure as a percentage of GDP should range between 6.0 percent and 8.0 percent.

This level of expenditure is required to replace and upgrade the existing stock of capital and add to the existing stock in order to sustain the growth and development process.

#### **Madam Speaker:**

Data on capital expenditure for the period 1999 to 2003 show that actual expenditure on capital averaged \$69.6 million per annum or 3.7 percent of GDP.

However, some of this expenditure reflects grant funds for specific projects, for example the fisheries projects, and therefore do not reflect expenditure on roads, schools, hospitals, air and sea ports, government buildings and other government assets.

Thus, the actual expenditure on capital was less than the numbers indicate.

The point I am seeking to make, Madam Speaker, is that the main reason why this government has had to invest so heavily in infrastructure is because the former administration failed to make the minimum investment required to maintain the basic infrastructure of this country.

But this is understandable, Madam Speaker, because if a government is unable to meet basic recurrent expenditure like wages and salaries, how can they undertake capital work.

We are therefore saddled with the task of repairing and rebuilding the current infrastructure as well as expanding into new areas where people began to settle years ago and basic infrastructure like roads, drains, water and electricity was never provided.

Madam Speaker, can you recall any time over the past 15 years where there has been such an extensive road construction programme in this country?

The last noteworthy road construction I can recall was the reconstruction of the All Saints road and the main road leading to the south of the island.

This was certainly not as extensive as what we have seen over the past two years.

Interestingly enough, Madam Speaker, a loan was secured from the Government of Kuwait to facilitate that road work and the loan was never serviced.

In fact, there are still some undisbursed portions of that loan which implies that the ALP administration defaulted on the loan before the loan was completely disbursed.

This is how they ran the affairs of this country for more than two decades and this is the kind of leadership they are offering to the people of this country again, as the old guards are still on duty.

This notwithstanding, Madam Speaker, the 2009 budgetary allocation for the Ministry of Works amounts to \$110,552,484.

These resources along with the overall capital budget of \$181,398,324 will allow the Government to continue to implement its infrastructural development programme in 2009.

The bulk of these resources will be utilized to continue the process of repairing, constructing and undertaking maintenance work on the road network across Antigua and Barbuda.

This is the type of investment in infrastructure that supports the growth and development process.

We also believe that every Antiguan and Barbudan should be able to enjoy a certain level of basic infrastructure and we intend to provide this to all in the near future.

I know some communities are becoming impatient but we urge you to remain patient for just a little longer. I have every confidence that the Minister of Works, the Honourable Wilmoth Daniel will get the job done.

## **RECURRENT REVENUE**

### **Madam Speaker:**

Recurrent revenue for fiscal year 2009 is budgeted at \$823,682,426.

The three major sources of this revenue will be direct taxes, which make up 17.2 percent of recurrent revenue, indirect taxes, which make up 76.6 percent, and non-tax revenue, which comprises 6.1 percent.

Tax revenue accounts for about 94 percent of total recurrent revenue and is budgeted at \$750,657,834.

Non-tax revenue makes up the remaining 6 percent of recurrent revenue and is budgeted at \$48,864,030.

### **Madam Speaker:**

In 2009 direct taxes are projected to yield \$137,853,000.

Of this total, \$119,673,000 represents revenue from taxes on income while \$18,180,000 represents revenue from property taxes.

### **Madam Speaker:**

The yield from indirect taxes is budgeted at \$612,804,834, which is about 82 percent of tax revenue.

Of this, taxes on domestic production and consumption are expected to yield \$341,888,500 in revenue while the taxes on international trade and transactions are projected to yield \$270,916,334 in revenue.

A total of \$250,153,000 or 33 percent of the revenue from indirect taxes will be generated from the Antigua and Barbuda Sales Tax (ABST).

### **Madam Speaker:**

In 2009, we will add to the list of health food items by zero rating Natural Honey, Virgin Olive Oil, Maple Syrup and Dried Fruit.

That is to say, no ABST will apply to these items. In addition, Madam Speaker, we will zero rate personal computers and all related products in 2009.

Madam Speaker, this is just another step in this Government's efforts to ensuring that the commodities necessary to secure the welfare of the people of this country are subject to little or no taxation.

We will continue to consult with the general public on these matters and seek to further enhance the basket of essential goods where necessary.

**Madam Speaker:**

Working in tandem with the officials of the Ministry of Agriculture we have identified a substantial list of items which will be exempted from ABST when imported by our farmers.

This list forms the basis of schedule 3 of the Antigua and Barbuda Sales Tax Regulations, and amounts to some 144 separate items of benefit to agricultural and horticultural users. The items on this list include:

- Insecticides
- Pesticides
- Fertilisers and plant health products
- Fertiliser spreaders
- Rotavators
- Mechanical Planter
- Greenhouse netting
- Egg boxes

Finally, Madam Speaker, the ABST continues to perform well as the efforts to improve compliance have continued in 2008.

Another important point to note is that the Government met its obligations under the legislation by ensuring that it makes ABST refunds to businesses and other eligible taxpayers on a timely basis.

To date, the Government has made in excess of \$14.5 million in refund payments.

**SUPPORT/RELIEF MEASURES – 2009**

**Madam Speaker:**

With the UPP Administration, our citizens and residents can rest easy and know that, in 2009, their Government will continue to put them first.

We will do this by continuing to implement sound and effective economic policies and by introducing support measures that bring substantial relief to all Antiguan and Barbudans.

***Incentives for Manufacturers***

**Madam Speaker:**

We begin with the manufacturing sector – that critical component of the Antigua and Barbuda economy through which the creativity and entrepreneurship of our people is manifested.

This sector makes a vital contribution to our GDP and creates much needed employment for our people.

Therefore, this sector must be provided with the requisite support to ensure that it not only survives but thrives.

The Government has already commenced the process of identifying the most appropriate mechanism through which incentives may be delivered to all manufacturers in Antigua and Barbuda, whether small or large and irrespective of the type of manufacturing being undertaken.

During our pre-Budget consultations with private sector representatives, the Ministry of Finance received a number of proposals on how the Government could effectively provide assistance to the manufacturing sector.

In light of these proposals, the Government will revamp all existing systems of incentives with a view to levelling the playing field and simplifying the procedures for manufacturers to access incentives.

This new mechanism will provide relief in respect of the import duty and the customs service tax and will eliminate the need for any manufacturer to seek Cabinet approval in order to receive concessions in respect of the inputs that are vital for their operations.

The Government will further engage the manufacturers before finalising and implementing the new mechanism in early 2009.

***Poverty Reduction:***

**Madam Speaker:**

As mentioned earlier, this Government has made significant strides in improving the assistance provided to a number of disadvantaged groups by increasing the financial support provided to them by more than 100 percent.

While this has helped to improve their circumstances, this Government recognised that more is needed to be done to completely transform the way of life of these individuals.

In this regard, we embarked on a poverty assessment survey with the invaluable assistance of the Caribbean Development Bank. The report of the poverty assessment has strengthened our resolve that more interventions are essential.

In 2009, we will, with the further support of the CDB, develop a comprehensive poverty reduction strategy through which additional programmes and measures to enhance the wellbeing of the needy will be implemented.

This notwithstanding, the Sunshine Government has decided to make special provision through the Board of Guardians for a group that is particularly disadvantaged.

Madam Speaker, I refer here to a number of elderly men and women across this country who, for varying reasons, do not receive a pension from any source.

These are individuals who may have been self-employed, had made no contributions to social security, and, where they may have been employed by the Government, did not work for the requisite number of years in order to be eligible for a pension.

Also, they may have worked with a private sector employer for many years who either did not make the requisite social security deductions or made the deductions but failed to pay the funds over to the Social Security Scheme.

In these cases, an individual may go to Social Security with the intent of collecting a pension only to be told that there is no record of any contribution made on his or her behalf.

Whatever the reasons, this anomaly cannot be allowed to continue, nor can we wait until the relevant programmes are developed under the comprehensive poverty reduction strategy.

Madam Speaker, this Government, starting in 2009 will provide a monthly stipend of \$350 to individuals who are 70 years and older and who do not receive a pension from Government, Social Security, or any private sector company.

These resources will be provided through the Board of Guardians programme in the Ministry of Social Transformation and will be targeted at elderly persons who have no other means of financial support.

Madam Speaker, this is the Blue Wave of compassion and we are just getting started.

***Relief for Pensioners***  
**Madam Speaker:**

This Government has, over the past four and a half years, spent significant sums in an effort to enhance the benefits received by pensioners in Antigua and Barbuda.

As I pointed out earlier, the minimum aggregate monthly pension received by a Government pensioner is now \$1,150.

This comprises the \$800 received from the Government and the \$350 received from Social Security.

Madam Speaker, you may recall that before this Administration made these adjustments, there were Government pensioners who were receiving pensions of less than \$100 per month and their aggregate monthly pensions – that is what they received from Government plus their Social Security pensions - were less than \$250 per month. There is no doubt that this unprecedented increase in the amounts paid to our pensioners by this Government has provided tremendous relief to this segment of society.

Madam Speaker, in September 2008, we established the National Commission on Pension Modernisation which will be responsible for undertaking a comprehensive assessment of the pension systems in Antigua and Barbuda.

This Commission, which comprises representatives from the public sector, private sector and civil society – including the Pensioners' Association – will make recommendations for ensuring that the pensions systems in Antigua and Barbuda are strengthened.

It is the policy of this Government that pensions are to be indexed going forward, so that increases are not discretionary but are a matter of course.

In this regard, the Pension Commission is expected to pay particular attention to this issue and provide proposals to the Government on the most suitable pension indexing mechanism.

The Government looks forward to receiving the recommendations of the Commission and intends to take the necessary action to bring about further improvements in the quality of benefits provided to pensioners.

**Madam Speaker:**

In 2009, the Government will continue to support the work of the Antigua and Barbuda Pensioners Association by providing a grant of \$50,000 to the Association.

Also, we will advocate on behalf of the Association in an effort to encourage retailers in Antigua and Barbuda to provide targeted support to this group of citizens.



In fact, we have written to a wide range of businesses requesting that they extend special discounts to pensioners and to the disabled as a means of providing assistance to these vulnerable groups.

The Government anticipates a favourable response from these businesses which would translate into additional relief for the pensioners and the disabled.

Finally, Madam Speaker, in 2009, we will also correct an anomaly in the pension system whereby upon the death of a pensioner his or her spouse was not eligible to continue receiving any financial support.

This meant that, once the pensioner passes on his or her spouse loses a significant source of financial support.

To address this situation, this Government will amend the laws to ensure that the widow or widower of a pensioner receives sixty six and two-thirds percent of his or her late spouse's pension.

This is yet another major relief measure to benefit our senior citizens.

***Support for Persons with Disabilities:***  
**Madam Speaker:**

In Budget 2008, the Government announced that it would provide a grant to the Antigua and Barbuda Association of Persons with Disabilities to facilitate the work being done to meet the needs of this vulnerable segment of the population.

I am happy to report that the appropriate administrative procedures are in place to allow the Association of Persons with Disabilities to access this grant.

In 2009, Madam Speaker, the Government will substantially increase the level of support provided to persons living with disabilities in Antigua and Barbuda.

Specifically, we will establish a special fund in the amount of \$250,000 to be administered by the Ministry of Health.

The equipment and services to be financed with the resources in this special fund will be determined by the Ministry of Health in consultation with stakeholders representing persons with disabilities.

These may include wheelchairs, prosthetics, audio and visual aids, physiotherapy and rehabilitation services and other equipment and services that will improve the daily lives of the disabled.

In addition, Madam Speaker, in 2009 we will add wheelchairs, prosthetics and hearing aids to the basket of essential goods.

This means that these items that are essential to those with disabilities will attract zero ABST and zero CST.

***Reduction of the Stamp Duty on the Transfer of Property***  
**Madam Speaker:**

As part of its ongoing policy to make homeownership as affordable as possible for Antiguans and Barbudans, the Sunshine Government will make additional adjustments to the stamp duty in respect of mortgages for residential construction.

You may recall that this Government reduced the stamp duty on residential mortgages from a rate of \$6 per thousand to \$4 per thousand in 2005.

In 2009, we will further reduce the rate from the current \$4 per thousand to \$2 per thousand.

It is expected that this, along with the zero rating of ABST on all goods and services used in the construction of new homes will result in a marked decline in the total cost of residential construction.

For example, Madam Speaker, where an individual is seeking a mortgage of \$500,000 for residential construction, the stamp duty payable will amount to \$1,000 compared to the \$3,000 of stamp duties that would have been due in 2003 when the stamp duty on residential mortgages was \$6 per thousand.

This reduction in the stamp duty means an overall saving of \$2,000 for the new homeowner.

***National Student Loan Fund***  
**Madam Speaker:**

Given the success of the first year of the National Student Loan Fund, through which 65 Antiguans and Barbudans received student loans at an interest rate of 3 percent, the Government is pleased to announce that it will continue the programme in 2009.

To ensure that even more students are able to access financing to pursue their educational goals, the Sunshine Government will double the endowment for the Fund to \$4 million.

Madam Speaker, this means that in 2009, this Government will be able to provide loans of up to \$50,000 at an interest rate of 3 percent to significantly more Antiguans and Barbudans.

***Affordable Housing:***  
**Madam Speaker:**

I indicated earlier that, with the generous financial assistance of the Bolivarian Republic of Venezuela, the Government will commence an affordable housing project in North Sound at an initial cost of US\$10 million.

This represents an invaluable contribution to this Government's objective of ensuring that all Antiguan and Barbudans have the opportunity to own their own home.

Further Madam Speaker:

We intend to build on this initiative by commencing a Government Homeownership Programme in 2009.

Through this programme, which will be implemented by the Ministry of Social Transformation and Housing, the Government will work with local contractors to construct high quality, affordable housing for our citizens.

The Government will establish a special revolving fund with an initial endowment of \$5 million to commence financing the construction of these homes.

We will engage the Antigua and Barbuda Contractors' Association in discussions in early 2009 in order to finalise the arrangements necessary to implement this Government Homeownership Programme.

Madam Speaker, with the UPP Administration, our people will definitely remain on the fast track to homeownership and owning a piece of this precious rock.

### ***Supporting Energy and Water Conservation***

In 2008, we zero rated solar water heaters and offered similar concessions to businesses seeking to invest in the development of alternative energy sources in Antigua and Barbuda.

In 2009, we will also zero rate the installation of solar water heaters.

As a further step in our effort to encourage conservation we will reduce the duty on fluorescent and energy saving light bulbs and on water saving toilets from 20 percent to 10 percent.

### ***Back Pay***

**Madam Speaker:**

As I pointed out earlier, this Government has spent significant sums over the last four and a half years to liquidate back pay and grant increases to public servants that should have been implemented years ago.

In 2009, the Sunshine Government will continue its efforts to settle outstanding amounts owed to civil servants.

We are currently engaged in negotiations with the various bargaining agents representing public servants of the country.

Once we have mutual agreement on terms that address the needs of public servants and take into account the fiscal position of the Government, we will ensure that pertinent agreements are enforced in 2009.

## CONCLUSION

### **Madam Speaker:**

The UPP Administration firmly believes that it is possible to operate in a fiscally prudent manner without sacrificing the welfare of the populace.

We cannot afford to deprive our children and our children's children of the hope of a vibrant and prosperous future for Antigua and Barbuda.

It is our duty, Madam Speaker, to leave a legacy of economic strength and social advancement, and unshakable confidence that **“each endeavouring, all achieving”** is more than a motto but a guaranteed path to lasting development.

### **Madam Speaker:**

As I have laid out in the foregoing, the UPP Government has stepped up to the plate and taken on the mammoth task of correcting decades of economic corrosion to the social and economic fabric of this nation by a group of wily wolves, cleverly disguised in the garments of sensitivity and compassion for the needs of the people of this nation.

Fortunately Madam Speaker, our people became wise to this guise and stated overwhelmingly in March 2004 that they were sick and tired of the greed, corruption and blatant disregard for the welfare of the citizens of this country.

Our people no longer wanted to hear when they travelled abroad, whether within the region or further afield, that Antigua and Barbuda was a rogue state.

Antiguans and Barbudans are a proud people, known for blazing a trail of excellence and grand achievements.

### **Madam Speaker:**

This UPP Administration determined that it would reclaim the good name of our country and would pursue a set of policies that placed Antigua and Barbuda back on the **Right Track and move the people in the Right Direction.**

When it came to promoting economic growth, the ALP administration was quite skilled at implementing ineffective and downright bizarre policies that failed to produce any positive and sustainable results.

Indeed, the last five years of their so-called leadership clearly demonstrated that they were drowning in incompetence.

Madam Speaker, the blunders and mistakes of the ALP regime could easily fill an encyclopaedia of **“What Not to Do in Economic Policy and Development”**.

With the UPP Administration, however, this country has experienced a wave of economic success the likes of which has made our opponents red hot under their collars.

They better get used to it, Madam Speaker, because this UPP Train is on the move and will not be stopped!

**Madam Speaker:**

The big red machine was no better at managing the public purse.

Instead of securing their rights and ensuring workers in this country were treated in a fair and equitable manner, these purveyors of Amateurism Lip-service and Partisanship took our nation to the edge of bankruptcy.

Madam Speaker, for months, they could not even manage to pay public servants their salaries.

What is interesting, Madam Speaker, they continually say that the UPP is a tax and spend Government.

Our opponents are of the view that using the revenues we generate to enhance public infrastructure, honour obligations to our creditors – including public servants, and pursue programmes that enhance the wellbeing of our people is not a fiscally sound way to manage.

Apparently, the ALP regime still believes that borrowing from local, regional and international creditors and not repaying is a sensible approach to governance.

The people of this country have however experienced governance in the sunshine and realise that the Baldwin Spencer Administration has our twin island nation on the **Right Track and Moving in the Right Direction**.

**Madam Speaker:**

The ALP under the leadership of Lester Bryant Bird and my Honourable opponent from St. John's City West as the Shadow Finance Minister has indicated that if they are

successful during the next election they will do two things on the first day of assuming office:

1. Remove the Personal Income Tax and
2. Reduce the rate of the ABST by 50.0 per cent.

**Madam Speaker:**

What my opponents fail to tell the people of this country is what will be the implication of this policy position on the fiscal account. Madam Speaker, I asked the technicians in the Ministry of Finance to make these two adjustments to the taxes to see if there is any merit in this policy position being advanced by the Antigua Labour Party.

The numbers show that this adjustment would reduce current revenue by approximately \$200 million.

Given the current structure of Government's expenditure this would result in a current account deficit of \$190 million and an overall deficit of \$284 million in 2009.

Madam Speaker I am sure my opponents will say that they will reduce expenditure to account for the reduction of revenue, so let's look at that for a minute.

The adjustments to the aforementioned taxes will reduce revenue to about \$623 million in 2009.

At present, expenditure on wages and salaries, goods and services and pensions and gratuities amount to \$635 million.

Keep in mind that we have not accounted for the payment of statutory contributions to Social Security, Medical Benefits and the Board of Education, debt service payments, and capital expenditure.

Madam Speaker, I submit that this mathematical problem has a negative solution and in economics this is referred to as an unsustainable fiscal position the likes of which we have seen under the ALP administration in 2003 and the first quarter of 2004.

Madam Speaker, my opponents can only solve this problem by reverting to the manner in which they managed this country prior to March 2004.

Specifically, if they were to reduce taxes by \$200 million the Government could only close the fiscal gap if it:

- (1) Reduces the wage bill by cutting employment
- (2) Stops paying Contributions to Social Security, Medical Benefits and the Board of Education
- (3) Reduces the level of Capital Expenditure

- (4) Stops servicing the Debt
- (5) Eliminates the School Uniform Programme
- (6) Reduces pensions to pre-2005 levels
- (7) Ends the School Meals Programme; or
- (8) Eliminates grants such as those provided to the Pensioners' Association and the Association of Persons with Disabilities

Madam Speaker, I could go on but I am sure the point is clear.

I challenge my opponents to do the analysis and be honest with the people of this country.

I am hopeful that when they rise to debate this budget they will tell the people of this country how they intend to meet basic social and capital expenditure once they have eliminated the Personal Income Tax and reduced the Antigua and Barbuda Sales Tax.

Finally Madam Speaker, the UPP Administration is certain that once all is said and done, Antiguan and Barbudans will seek to remain on the Right Track and will move in the Right Direction on the UPP Train of success.

**Madam Speaker:**

As we work together to secure a better Antigua and Barbuda for future generations, we will be called upon to make some sacrifices.

When this Administration implemented the Personal Income Tax in 2005, we indicated that it was a sacrifice worth making in order to secure a more stable and prosperous future for this nation.

Madam Speaker, the figures presented above indicate that the sacrifices our people have made are starting to yield some impressive results.

The UPP Administration is very grateful for the patience and perseverance of the people of Antigua and Barbuda and we will ensure that the policies and programmes we implement in the future keep this country on the Right Track and moving in the Right Direction. We are still your Caring Government and we will always Put the People of this country first.

In this regard, Madam Speaker, I am pleased to announce that as we speak, the prices at the pump for gasoline and diesel are being reduced.

As of today, the price per gallon of gasoline and diesel will be reduced from \$13.65 to \$11.95.

This Government will ensure that as international prices continue to decline, we will make the requisite adjustments at the pump in order to pass on the benefits to the population.

Before I take my seat, Madam Speaker, I wish to impart one final bit of information.

In particular, I am pleased to advise that the Government will once again adjust the personal income tax rates and bands in 2009.

The personal income tax structure will be further simplified by having only three rates and three bands.

**Madam Speaker:**

Effective January 2009, the Personal Income Tax rates and bands will be as follows:

<b>Monthly Income Bands</b>	<b>Personal Income Tax Rate</b>
\$0 to \$3,000	0 percent
\$3,001 to \$15,000	10 percent
\$15,001 and above	25 percent

I close, Madam Speaker, by wishing you; the Honourable Prime Minister, the Honourable Leader of the Opposition, and all other Honourable Members of this Honourable House; and most importantly, the citizens and residents of this beloved country, a Blessed and Happy Christmas; and a Peaceful and Joyous New Year.

I thank you, Madam Speaker, and I commend Budget 2009 to the Honourable Members and ask that they endorse the proposals presented therein.