



***GOVERNMENT OF ANTIGUA AND BARBUDA***

***BUDGET STATEMENT 2009***

***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 United Progressive Party (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, the Government of 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.

## **WORLD ECONOMIC TRENDS**

Prospects for the global economy have dimmed over the past year. Global economic activity has slowed significantly during 2008, amidst a deepening international financial crisis affecting the advanced economies, the lacklustre growth of the emerging economies and the global rise in commodity prices.

In January 2008, oil prices surpassed US\$100 per barrel for the first time, reaching as high as US\$147 per barrel by July. The price of sulphuric acid, an important chemical commodity used in bioethanol, steel and copper production increased six-fold before it began to fall. For the second half of the year the price of a number of commodities, including fuel, started to fall sharply on wide speculation of a world recession.

The financial crisis, which first revealed itself in the U.S. subprime mortgage market in August 2007, has deepened further in the past six months, manifesting itself as a global phenomenon by September 2008. The result has been the failure of a number of prominent financial institutions and declines in the value of stock indices around the world. Global trade has also been affected, as businesses have found it increasingly difficult to secure letters of credit for export arrangements.

By February 2008, global inflation, led by rising prices in oil and commodity prices, had

climbed to historic levels. Amongst reasons cited for the rise in prices of oil and non-oil commodities are the easing of monetary policy in some of the world's largest economies as a policy response to tightening economic conditions, the escalation in the demand from rapidly growing countries like China and India, and lower levels of food production as increasingly more agricultural land was being used for alternative purposes.

World unemployment is also a concern as the International Labour Organization (ILO) reports that at least 20 million jobs would have been lost by the end of 2009. The sectors likely to be most affected are Construction, Financial Services and Automobile Manufacturing.

The IMF has reported in its global economic outlook published in October 2008, that on average, global growth is expected to moderate from 5.0 percent in 2007 to 3.9 percent in 2008. Further economic slowdown is forecasted for 2009 at 3.0 percent, which would be the slowest rate of growth since 2002. A number of the advanced economies are already in the throes of recession with recovery not anticipated before late 2009. Even then, the anticipated recovery may be exceptionally gradual by past standards. Growth in most emerging and developing economies would be trending below average and the effects of the global financial crisis may linger for sometime. Furthermore, additional credit write-downs are very likely as the global economy decelerates. In these circumstances, financial institutions' ability to raise new capital, as well as their appetites to extend new credit, could remain constrained for the foreseeable future.

The United States has been at the centre of the intensifying global financial storm. The symptoms of a declining housing market, high oil prices, low private savings, large budget and current account deficits and low consumer spending are indicative of a U.S. economy that is possibly in recession.

The latest data as reported by the IMF in October 2008, suggest that GDP rose by 2.8 percent at an annualized rate in the second quarter, as net exports and tax rebate checks buoyed consumption and outweighed the drag from financial turmoil, a continuing downturn in the

housing market, and high commodity prices. However, on average, the most recent three quarters recorded a lethargic 1.25 percent rate of expansion. Additionally, available data for the third quarter suggests that a further slow down is likely, and leading economic indicators, such as business and consumer confidence indices, and the growing evidence of the negative impact on credit of recent financial market disruptions, suggest that the economy is likely to contract in the current quarter and into early 2009. On a year by year basis , growth is projected to moderate from 2 percent in 2007 to 1.6 percent in 2008 and 0.1 percent in 2009

With respect to inflation, the Consumer Price Index (CPI) Compound Annual Rate for three (3) months ended October 2008, recorded an increase of 4.4 percent for all items. For food and energy respectively, the recorded rates were 5.8 percent and -43.1 percent. For all items minus food and energy the rate was a positive 1.1 percent. Given the recent retreat in international oil prices, consumer price indices are expected to continue their downward trend.

In Canada, economic activity has slowed sharply since mid 2007 and growth is projected to decline from 2.7 percent in 2007 to 0.7 percent in 2008 before increasing to 1.0 percent in 2009. Canada's consumer price index fell to 2.6 percent over a twelve month period ending October 2008, down from 3.4 percent as at a similar period ending September 2008. As a matter of monetary policy the Bank of Canada attempts to control inflation between 1 percent and 3 percent with 2 percent as its target. Canada's strong regulatory environment has left it's financial sector relatively unscathed from the global financial fallout, although the impact is being felt in the real sectors of the economy.

In Western Europe, while oil and food price hikes are undercutting real disposable incomes, financial conditions are tightening quickly. European banks are struggling with a confluence of adverse shocks. They have been exposed to losses on their holdings of US mortgage- related assets and overall deteriorating credit quality since 2007. Concerns about liquidity have broadened into concerns about solvency. Confidence in the sector has weakened and highly leveraged banks are struggling to maintain funding in the face of rising creditor concerns about balance sheet risk. The baseline projection thus envisages a significant slowdown in activity



across Western Europe followed by a very gradual recovery beginning in the first half of 2009. Euro area growth is expected to moderate from 2.6 percent in 2007 to 1.3 percent and 0.2 percent respectively in 2008 and 2009 before returning to 1.4 percent in 2010. In the United Kingdom real GDP growth would fall from 3 percent in 2007 to 1.0 percent in 2008 and activity would contract by 0.1 percent in 2009 then accelerate to 2.2 percent in 2010.

Although growth in Japan held up well through the first quarter, rising commodity prices and weakening external demand have started to weigh on economic activity. In the second quarter of 2008, the economy contracted by 3.0 percent at the annualized rate, and growth over the past four quarters was below 1.0 percent. The recent decline was led by a reduction in private consumption and in fixed investment while the contribution from net export fell to zero. Leading economic indicators point to a further weakening of the Japanese economy. Slowing external demand from the US and Western Europe, rising input costs and diminishing profit expectations are weighing on corporate investment plans. At the same time consumer confidence remains low due to high food and fuel prices and weakening wage prospects. Although financial conditions have tightened to a lesser extent than in other countries in the region, the stock markets have fallen sharply, driven by concerns about weaker growth forecasts. Inflation has risen well above the 2007 level to above 2.0 percent owing to higher food and fuel prices. The outlook for Japan envisages that growth in 2008 and 2009 will be well below 1.0 percent.

The economic cycle in emerging Asia started its downturn in early 2008 in response to slowing demands from advanced countries and growing strains in regional financial markets. Growth in China eased to 10.5 percent in the first half of 2008 from 12.0 percent in 2007 partly because of slowing exports.

In India growth in the second quarter of 2008 declined to approximately 8.0 percent owing to weakening investment trends, but was buoyed by private consumption and export growth.

In the newly industrialised Asian economies and the Association for South East Asian Nation economies, activity has also been decelerating. Domestic prices have started to weigh on

consumption, while declining profit margins and weakening demand have dampened production.

The developments in the economy over the past several months have demonstrated the extent of the linkages among the economies of the world. These linkages are an indication of the impact of globalisation and trade liberalisation for all economies – whether large or small. Antigua and Barbuda has a long history in respect of its integration in the world economy. Currently, our nation along with its counterpart CARIFORUM countries having signed the Economic Partnership Agreement (EPA) between CARIFORUM and the European Union (EU) in Barbados on the 15<sup>th</sup> October 2008, must deal with further amalgamation into the global economy. The EPA is a trade and development Agreement that has been structured to contribute to increased trade and development in CARIFORUM Member states like Antigua and Barbuda through, among other things, development assistance in capacity building in response to commitments.

Implementation of its obligations under this EPA will require significant effort on the part of Antigua and Barbuda. As such, the relevant mechanisms are necessary to ensure Antigua and Barbuda is able to meet these obligations and to benefit from the opportunities presented with the EPA. It is critical that these mechanisms focus on public dissemination and articulation of the contents of the EPA and ensure that the capacity of the public and the private sector and civil society stakeholders are enhanced to engage and exploit the Agreement.

While these issues with respect to the EPAs are being addressed, Antigua and Barbuda continues to benefit from EU resources through its 9<sup>th</sup> Economic Development Fund (EDF). Specifically, we received financial assistance which has been allocated for strengthening technical and vocational education and upgrading facilities at the Antigua State College. Currently, an EU consultant is working with the Ministry of Finance and the National Authorization Office (NAO) to develop a programme for the 10<sup>th</sup> EDF support to Antigua and Barbuda.

## **REGIONAL ECONOMIC REVIEW**

The impact of the international financial crisis is already being felt in Caribbean economies. Those that depend heavily on Tourism and on remittances are particularly affected. However, during the first half of 2008 member states of the Organization of Eastern Caribbean States (OECS), Barbados, Trinidad and Tobago, Jamaica and Guyana experienced small but positive growth. Inflation in the region continued to trend sharply upwards as a result of high international oil and commodity prices.

The Central Bank of Barbados has indicated in its quarterly report that growth in the Barbados economy slowed to an estimated 1.3 percent during the first six months of 2008, as compared to an average growth rate of 3.6 percent experienced during the corresponding period of the preceding five years. Growth was driven mainly by the non-trade sectors, led by Business Services, Transportation and Communications.

Growth in the trade sector slowed considerably, primarily as a result of weaker performance in the Tourism industry. Higher cost for imported food and fuel put substantial pressure on the external current account, pushing inflation upward. Nonetheless, foreign reserve outflows associated with these higher import prices were offset by sizeable first-quarter-capital inflows, improved travel credits and a modest improvement in revenue from domestic export, leading to an increase in net international reserves. Unemployment was estimated to have risen marginally, though still remaining in single digits.

Trinidad and Tobago is experiencing the effects of the sharp decline in oil prices and low demand for petrochemicals.

Available data from the Central Bank of Trinidad and Tobago's Monetary Policy Report, indicate that growth in real GDP slowed in 2008, even as there was a sharp rise in inflation. Moreover official projections suggest that GDP growth should slow to 3.5 percent in 2008,

down from 5.5 percent in 2007. The slowdown is attributable to a decline in oil production from maturing oil fields and relatively stagnant output from the petrochemical sub-sector. Growth in the non-energy sector is projected at around 4.8 percent compared to 7.7 percent in 2007.

The unemployment rate was 4.6 percent at the end of the second quarter of 2008 as compared to 6 percent over the same period in 2007.

Inflation jumped from 9.3 percent in April 2008 to 14.8 percent in September 2008. The surge was led by a jump in food prices, but core inflation also continues to rise, indicating that underlying inflation pressures are still strong. Since the peak in food prices, in October, international commodity prices (wheat, corn, soyabean etc) have declined by an average of 45.0 percent. However, the continued increase in food prices in Trinidad and Tobago is due to the adjustment lag as retailers reduced their inventories.

The central bank has projected a slow down in economic growth in 2009 to about 2.0 percent. The slowdown would emanate largely from the energy sector, reflecting the impact of the possible global recession on the output of oil, gas and petrochemicals. The non energy sector is projected to show a modest increase in activity as a small decline in manufacturing and construction is partly offset by an expansion in agricultural production.

The Central Bank of Guyana indicated in its quarterly report that the economy of Guyana recorded a 3.8 percent growth in GDP during the first half of 2008, after achieving a 5.8 percent growth in the corresponding period of 2007. The agricultural, mining, Engineering & Construction and Services sectors were the leading forces for this outturn. The manufacturing sector recorded decline due to high cost of inputs, fuel and imported raw material. Inflation was contained at 5.8 percent in spite of rising international oil and food prices. The overall balance of payments at the end of June 2008, improved to a surplus of US \$47.6 million from a deficit of US\$ 12.3 million for the corresponding period of 2007.

The Bank of Jamaica reported that GDP for the second quarter ending June 2008 is estimated

to have weakened, ranging from between -0.5 and 0.2 percent, compared to growth of 2.2 percent in the corresponding period of 2007. This performance can be attributed to a decline in the tradable sectors coupled with weak growth in the non-tradable sectors. The Bank of Jamaica is targeting an inflation rate of between 15.0 percent and 17.0 percent and a growth rate of between 1.2 percent and 2.2 percent over the period 2008 to 2009.

Preliminary data show that economic activity in the Eastern Caribbean Currency Union (ECCU) expanded by 2.8 percent for 2008 following growth of 5.2 percent in 2007. The growth performance of the ECCU partly reflects a decline of activity in the tourism industry in a number of countries influenced by a downturn in economic activity in some advanced economies partly associated with the global financial crisis

Economic growth in 2008 was fuelled primarily by developments in construction and supported by some of the other service sectors including “banks and insurance”, communication and “wholesale and retail trade”. The growth of output in these areas was partly offset by declines in the “hotels and restaurants” and the manufacturing sectors.

For 2009, economic activity in the ECCU area is projected to expand by 2.6 percent. The construction sector will continue to provide the impetus for growth with support from some service sectors. A decline in output is projected for the tourism industry. This projection reflects the possible effects that increasing levels of unemployment and a decline in consumer confidence in advanced economies could have on the level of activity in the industry. The downturn of the tourism industry could also impact negatively on the outturn of other sectors including transportation and “wholesale and retail trades”.

There are some down side risks to the projected expansion of output in the ECCU region for 2009. The effects of the financial crisis may cause further tightening of credit on the international market which may impact negatively on financing for some construction projects.

The resurgence of oil prices and the prices of key commodities could put upward pressure on domestic prices and impact negatively on the merchandise trade deficit. A prolonged episode of the current global financial and economic crises may have a significant negative impact on the medium-term growth and development prospects of the region.

## **REGIONAL INTEGRATION**

At the Institutional as opposed to the Country level, there have been a number of important developments concerning the CARICOM Single Market and Economy and OECS integration.

### **CARICOM**

The administrative arrangements for the “Free Movement of Skills” regime, Madam Speaker, were officially established on June 13<sup>th</sup>, 2008. In this regard, Antigua and Barbuda is now facilitating the free movement of university graduates, media workers, sports personnel, artistes and musicians. Antigua and Barbuda is also required to facilitate the movement of skilled Community nationals who would have obtained Caribbean Vocational Qualification (CVQ) certificates. With funding from CIDA, the Government will assess the national technical vocational framework to begin the certification of nationals who would qualify under this arrangement. Professionals that may qualify include carpenters, plumbers, welders, masons and so on.

To serve as a support and consultative mechanism for the implementation of the CSME and other trade agreements, to negotiate multilateral and bilateral trade agreements, the Trade arm of the Ministry of Finance and the Economy will constitute, in 2009, an Inter-Ministerial Consultative Committee for both public and private sector stakeholders. The objectives of this committee are: to update stakeholders on the negotiation and implementation processes with respect to trade agreements that Antigua and Barbuda is party to; and to institutionalize a consultative framework on all trade issues with a view to providing a forum for distilling the views of citizens and residents on various issues.

## **OECS**

Madam Speaker, with respect to the affairs of the Organization of Eastern Caribbean States, a meeting of the Sub-Committee on OECS Economic Union was held on 23rd October 2008, in Montserrat. The focus of the gathering was on the status of Economic Union implementation in member states. In this connection, it was agreed that Technical Working Groups should be established to facilitate the forward movement of the integration process at the operational level. It was also agreed that the Director General of the OECS and the Chairperson of the Economic Union Task Force should meet to address matters of timelines and funding.

At the meeting of the Sub-Committee, Madam Speaker, the Secretariat presented to the Authority an enhanced public awareness campaign programme to assist in the sensitization of various interest groups within the Region. The establishment of National Task Forces in respective member states was recommended as best practice in ensuring the engagement of all levels and sectors of society in the integration process.

## **NATIONAL ECONOMY**

### **Madam Speaker:**

Preliminary data indicate that the economy of Antigua and Barbuda is expected to experience broad based economic growth in 2008 fuelled primarily by developments in construction and tourism. Notwithstanding the collapse of a number of major financial markets in 2008 and the resulting negative impact on the real sector in a number of advance and emerging economies output in Antigua and Barbuda is projected to grow by 4.2 percent in 2008.

With respect to real sector developments in 2008, activity in the construction sector remained robust with output expanding by 5.5 percent following annual average growth of 15.8 percent between 2004 and 2007. Activity in this sector was driven by developments in both the public

and private sectors. Public sector activity focused on the expansion of the airport runway, infrastructural development and the Sunshine Community Hub. In the private sector, activity centered on constructing and expanding a number of office complexes, housing and condominium developments. Growth in the construction sector was also supported by an increase in the number of residential properties under construction. The expansion in overall construction activity in 2008 continued to be reflected in the growth in commercial bank credit to construction companies and to households for home construction and renovation.

**Madam Speaker:**

Tourism activity, as measured by the change in value-added in the hotels and restaurants sector, is projected to increase by 4.0 percent in 2008 following growth of 4.9 per cent in 2007, reflecting an increase in the number of stay-over visitors. Growth in stay-over arrivals is expected from Canada (35.1 percent), the USA (10.5 percent), Italy (16.51 percent), Germany (11.8 percent) and the Caribbean (8.1 percent). These increases will be partly offset by declines in arrivals from the UK and some European destinations.

For the first 10 months of 2008 the number of stay-over visitors rose by 3.9 percent to 221,090 compared with the level in the corresponding period of 2007. Stay-over arrivals grew by an average of 7.7 percent per month in the first seven months of 2008 but declined sharply by an average of 6.8 percent per month between August and October. This decline in tourism activity during this three month period reflects a downturn in economic activity and a subsequent increase in unemployment in two major markets; the USA and the UK.

The number of cruise ship passengers is expected to decline by 10 percent to 606,160 in 2008, reflecting 46 fewer cruise ship calls. This downturn in the cruise sub-sector is primarily attributed to a number of cruise lines reducing the number of calls to some ports in 2008 as they struggled to contain increases in their cost of operation resulting from the increase in the price of oil on the world market.



**Madam Speaker:**

Consistent with the expansion in construction and tourism, growth in value added is also projected for a number of the other service sectors. Output of electricity and water is expected to increase by 6.5 percent reflecting continued increases in electricity and water consumption partly associated with the higher level of economic activity. Value added in the “wholesale and retail trades” sector is also expected to increase by 5.5 percent in 2008. The upward trend of output in this sector is largely fuelled by growth in the demand for consumer durables and building materials partly associated with the expansion in construction and tourism. Growth in output is also projected for the “mining and quarrying” (6.0 percent), communications (5.0 percent), “banks and insurance” (4.6 percent) and “government services” (2.5 percent) sectors.

**FINANCIAL SERVICES SECTOR:**

The Financial Services Sector in Antigua and Barbuda continues to be one of the best regulated sectors in the Caribbean. Our effort at ensuring a strong regulatory framework that is in keeping with international standards continues to reap benefits for the sector. Antigua and Barbuda was subjected to its three year Mutual Evaluation Questionnaire (MEQ) assessment in May/June 2007 by the Caribbean Financial Action Task Force (CFATF). At its plenary session in May 2008 the task force adopted the entire report on Antigua and Barbuda. The MEQ report was complimentary in key areas. The report noted compliance with respect to internal controls. Policies and procedures under section 1 of the Money Laundering and Financing of Terrorism guidelines were ranked high among internet casino, gaming and sports betting facilities. The Evaluation also commended the Financial Services Regulatory Commission for the ongoing training of employees in Anti Money Laundering and Combating the Financing of Terrorism (AML/CFT) initiatives.

In an effort to strengthen the monitoring of the non-bank financial services sector, the Money Service Business Act 2007 (MSB) was passed. The Act regulates money remittance services

which are in the primary business of transmission of money or monetary value in any form; cheque cashing; currency exchange; issuance, sale or redemption of money orders or traveller's cheques. Since its enactment the Commission has been able to create new monitoring procedures for the regulation of these entities. Presently there are 12 companies registered to conduct this type of business in Antigua and Barbuda.

The Commission is in the process of drafting legislation for the implementation of a Single Regulatory Unit (SRU). The Act will be called the Financial Services Regulatory Commission Act. This is in keeping with the decision of the ECCU Monetary Council for members to develop Single Regulatory Units. The Commission has requested assistance from the Caribbean Technical Assistance Centre (CARTAC) to develop this single regulatory unit.

In order to provide support for the new and innovative products to be regulated by the Commission, the Government enacted various pieces of legislation, including:

- The Corporate Management & Trust Service Providers Act
- The Insurance Act
- International Limited Liability Company Act
- International Foundations Act
- International Trust Act
- The Payment System Act

Further efforts will be taken in 2009 to enhance the sector and strengthen the regulatory framework through the enactment of new Gaming and Betting legislation, and new Cooperative Societies legislation.

### ***Internet Gaming:***

After an extensive analysis of the regulatory framework, processes, and practices in the interactive gaming and interactive wagering industries, Antigua & Barbuda has recently been included on the United Kingdom's white-list pursuant to Section 331 of the United Kingdom

Gambling Act 2005. The effective date of the white-listing was November 21<sup>st</sup>, 2008. In addition to having in place an appropriate regulatory framework, Antigua and Barbuda was required to demonstrate effective regulatory processes and practices with regard to the exclusion of criminal involvement (including money laundering and financing of terrorism), among other criteria. This new development would permit the existing interactive gaming and interactive wagering companies to expand their customer base from the United States of America to those of the United Kingdom, thus creating the possibility for greater revenue generation.

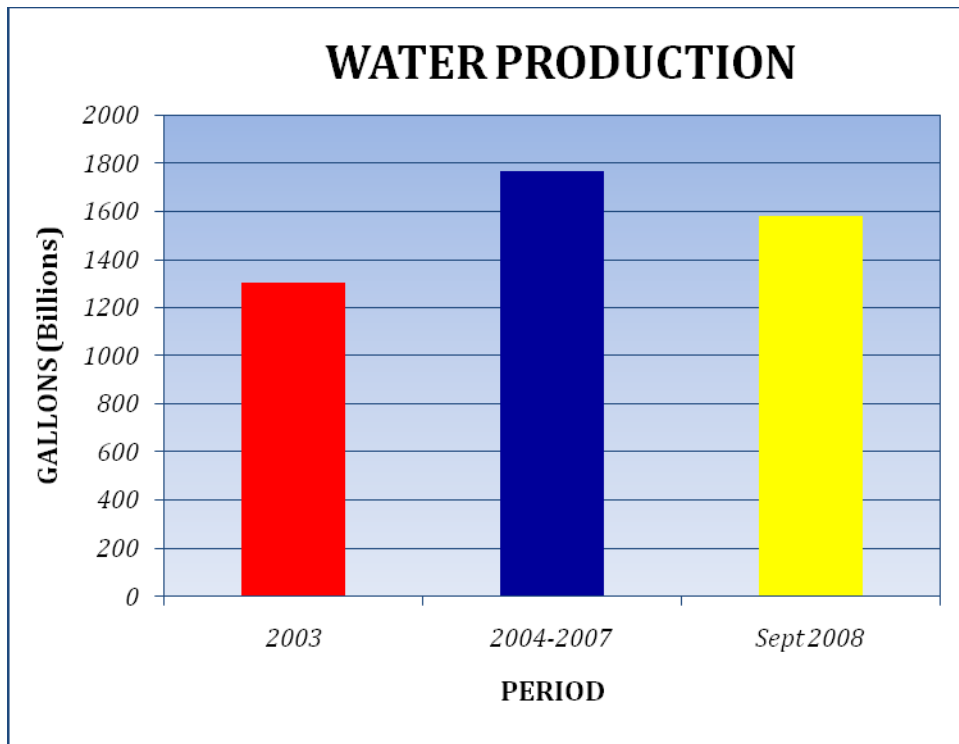
The gaming dispute between Antigua and Barbuda and the United States is ongoing. The Government of Antigua and Barbuda is cautiously optimistic that with a democratic government under the leadership of President-Elect Barack Obama an equitable and amicable solution will be achieved. We are hopeful that such negotiations will allow Antigua and Barbuda to capitalize on the favourable ruling from the WTO. However, based on our assessment of the current status of the negotiations, the USA is likely only to permit access to its market for betting on horse racing. With this in mind the Government of Antigua and Barbuda has positioned itself to capitalize on the potential for a horse racing industry in Antigua and Barbuda that will benefit the economy and generate a high number of jobs.

#### **UTILITIES SERVICES SECTOR:**

##### **Madam Speaker:**

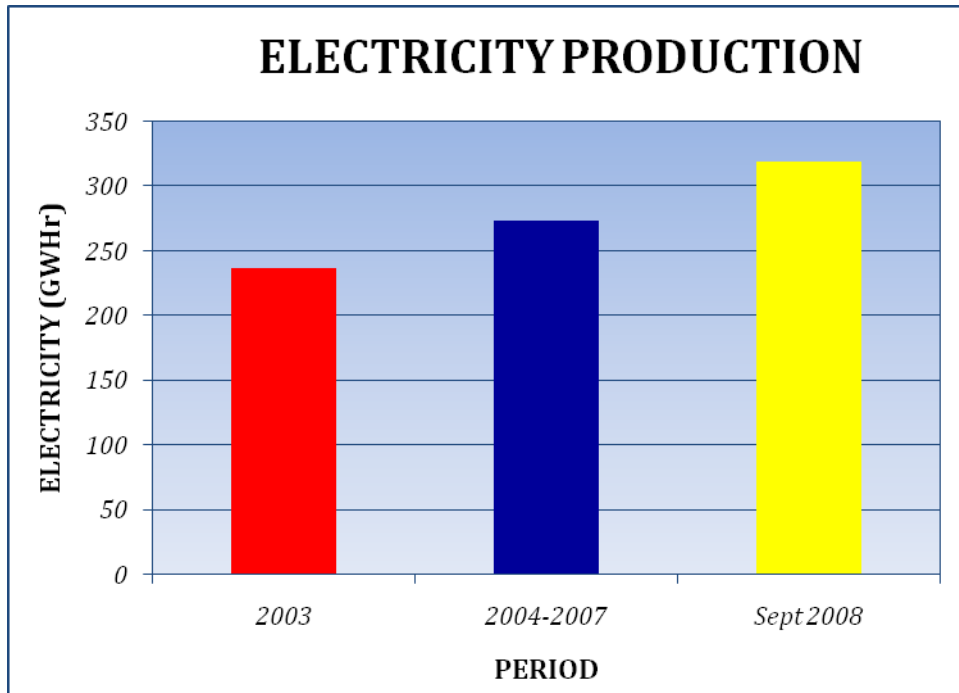
The economic and social development of our twin island nation will depend significantly on the availability of reliable and high quality utility services. In a small, island economy the infrastructure and equipment utilised in the production and distribution of utilities services require tremendous investment. The UPP Administration is of the view that no cost is too great to ensure that the people of Antigua and Barbuda receive the best possible utilities services. In this regard, the Antigua Public Utilities Authority (APUA) has sought to enhance production and improve reliability with respect to the provision of water and electricity services.

In 2003, total water production amounted to 1.3 billion gallons. Over the period 2004 to 2008, the APUA implemented a number of projects, including a 760,000 gallon per day reverse osmosis plant at Camp Blizzard and expansion of Enerserve, to enhance water production. As a result of these interventions, water output is projected to average 1.8 billion gallons per year between 2004 and 2008. This average outturn is 38 percent greater than total water production in 2003.



In an effort to further enhance production capacity, APUA commenced a water development project with financial assistance from the Bolivarian Republic of Venezuela which is expected to be completed in early 2009. The water development project will focus on implementing a 600,000 gallon per day plant at Fryes Beach, development and construction of wells, and construction of storage facilities in Buckleys, St. Phillips, Wallings and Liberta. Recovering the Grays Hill lower reservoir and replacement of mains in St. John's are also priority for 2009. It is expected that with these projects water production for 2009 will increase to about 2.2 billion gallons.

With respect to electricity, there has been a steady increase in output over the past four and a half years. The increase in output was due to enhanced production capacity associated with a 15 megawatt expansion in 2004 by the Antigua Power Company (APC), the commissioning of a temporary 10 megawatt power facility from the Government of Venezuela in 2006, and expansion of the APC facility by 17 megawatts in 2007. As a result of these interventions, electricity output averaged 273.8 gigawatt hours (GWHr) between 2004 and 2007. For 2008, total output is projected at 319 (GWHr), which is about 35 percent greater than the 237 GWHr produced in 2003. To further enhance electricity output, APUA will continue work on the new 30 megawatt power plant funded by the Peoples Republic of China.



## **DOMESTIC AND INTERNATIONAL PRICES**

### **Madam Speaker:**

In 2008 Antigua and Barbuda and other countries in the wider Caricom area experienced significant challenges with respect to increases in international prices of petroleum based products and other key commodities, which are inputs for a number of the products we consume. There are some members of this Honourable House who are either misinformed or are deliberately trying to mislead the public by indicating that these increases in prices are the highest in Antigua and Barbuda and that these high prices are directly related to the taxation policies pursued by this Administration.

### **Madam Speaker:**

A review of the evidence will clearly show that these statements by my opponents are baseless. Further, given that the information I am about to discuss is in the public domain, I am left to wonder if my opponents are not using the current international crisis, which is affecting the real and financial sectors of countries worldwide, to peddle falsehoods in an attempt to score cheap political points.

### **Madam Speaker:**

At the 114<sup>th</sup> meeting of the Board of Directors of the ECCB the research department presented a paper to board members entitled “**Policy Responses to Increases in Consumer Prices in the ECCU**”. One of the issues looked at in this paper is whether the recent introduction of the Value Added Tax (VAT) in Dominica, Antigua and Barbuda and St Vincent and the Grenadines was inflationary. After studying price changes in the countries before and after the introduction of the VAT the researchers concluded that there was little evidence to suggest that the introduction of the VAT in these three countries has been inflationary. The evidence shows that the implementation of the VAT resulted in a one-off increase in the Consumer Price Index, after which prices reverted to “normal” levels and were therefore not inflationary.

**Madam Speaker:**

This report not only vindicated the UPP Administration's position that its taxation policy has not caused the recent increase in domestic prices but went on further to identify the factors that are primarily responsible for the increases we have seen globally. Given that Antigua and Barbuda is a small open economy, these are the same factors that have driven the rise in prices on the domestic market.

**Madam Speaker:**

A perusal of this ECCB report as well as a simple search on the internet will show that it is globally accepted that the following events have accounted for the current global increase in prices.

- (1) An increase in world oil and metal prices. Data obtained from the World Bank's website on Commodity Prices show that, on an annual basis, Brent crude oil averaged US\$54.43/bbl for 2005, US\$65.39/bbl for 2006 and US\$72.71 for 2007. In 2008 the price of oil surpassed US\$100.00 and traded at just under US\$150.00 in the month of July the highest level ever recorded. The price of copper increased by 18.8 percent to US\$8,870.00 per metric tonne in July of this year. The price of a number of other metals followed a similar trend in 2008.
- (2) The depreciation of the US dollar was another factor contributing to the inflationary condition in Antigua and Barbuda and other ECCU countries. For a period of six and one half years including the first half of 2008 the US dollar declined by more than 31.0 percent against most of the other major currencies. Given that our EC dollar is pegged to the US dollar this implies that our currency was also depreciating against these major currencies, thus the prices for all non-US imports automatically increased.
- (3) The third factor cited for the increase in global prices was an excess of demand over supply for grains, animal feed and other agricultural based raw materials. The excess of

demand over supply emanated from increased demand for consumption in emerging economies as well as a growth in demand for agricultural based raw material for bio-fuel production. Further, this demand side shock was exacerbated by supply side shocks including drought in Australia, floods in the USA and the occurrences of animal diseases in China.

**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 soy 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, 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 Liquid Petroleum Gas (LPG), the total subsidy on petroleum products in 2008 surpassed \$55.0m. 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 and the price of diesel would have increased from \$13.95 to \$17.57.

**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.

In 2008, we also reduced the Customs Service Tax (CST) on a wide range of essential items from 10.0 percent and 5.0 percent to 2.5 percent. A number of these items that were already zero rated with respect to the ABST now attract CST of only 2.5 percent. Some of the commodities that fall into this category include: corn beef, sardines, tuna, salt fish, chicken, turkey, toothpaste, soap powder, pasta, cereals, and all types of water.

**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 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 others no taxes are applied. Let me repeat this Madam Speaker, NO TAXES are applied to a 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 number of goods that are exempted from the ABST (VAT) and further, that a number of the items in the basket of essential goods attract no tax whatsoever?

Interestingly Madam Speaker, I heard the ALP candidate for St. Mary's South on a radio talk show a week and half ago discussing this very issue. She indicated to the host that the price of gasoline was too high. The host inquired about the basis for that statement given that the price of gasoline and diesel in Antigua and Barbuda was one of the lowest in the region. To this she had no reply. She then stated that the price of rice had increased significantly and this government was to bear the blame for this increase. The host challenged her again for evidence to support this statement given that there were no domestic taxes on rice. To this she also had no answer. The host then inquired about her party's plans to reduce the cost of living given that the general

increase in prices was caused by external factors and there were no taxes on a large number of basic food items. Her response to this was that her party will find a way.

**Madam Speaker:**

I submit that this Administration has pursued all avenues of relief and I challenge my opponents to articulate any policy that can give further relief given that a large number of these commodities attract no taxes.

But one may ask madam speaker has this strategy worked? To what extent have we reduced the impact of these global price increases? Are we still not seeing increases in prices and in some cases significant increases?

**Madam Speaker:**

Inflation data from ECCU member countries show that for the nine (9) 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 then 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 price of these key commodities and the consequent decline in the price 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 COOPERATION WITH THE UNITED STATES OF AMERICA  
THROUGH THE UNITED STATES AGENCY FOR INTERNATIONAL  
DEVELOPMENT**

The Government of Antigua and Barbuda, the private sector and civil society are extremely appreciative of the work undertaken by the United States Agency for International Development (USAID) through the Caribbean Open Trade Support Programme (COTS) in the areas of Investment Promotion, Trade Facilitation and Investment Climate Enhancement. The COTs has provided invaluable support to the Antigua and Barbuda Investment Authority by preparing an Investment Promotion Strategy and Marketing Plan and a Strategic Plan for the Local Enterprise Development Unit.

Through its trade facilitation programme a technical and feasibility study for the establishment of a Single Window for Trade was conducted. Ongoing training has been provided for the Customs Department. In collaboration with the Caribbean Council for Law Enforcement (CCLEC) they were able to provide basic training for 68 junior customs officers and 32 senior customs officers in 2008. They will continue to work with CCLEC in the upcoming year to provide additional training for the Customs officers.

Through the intervention of the COTs, the World Bank will be conducting a mission to Antigua and Barbuda this month to look at business registration and paying taxes (as per the World Bank Doing Business Reform Memo). They will seek to identify the bottlenecks, challenges and issues

and thereafter make recommendations for implementation. COTS will support the Government of Antigua and Barbuda in implementing the recommendations as agreed by the government.

We anticipate that the activities undertaken by the COTS will continue to strengthen the private and public sector entities that have been directly impacted by its work and that its efforts will further assist Antigua and Barbuda in developing more productive, competitive and growth inducing practices.

### **SOCIAL AND ECONOMIC COOPERATION WITH THE REPUBLIC OF CUBA**

The Government and people of Antigua and Barbuda are very grateful for the more than two decades of support that we have received from Cuba and we look forward to further strengthening and expanding this relationship. We have benefited in the areas of education, health care and infrastructural development among others. Some 160 Antiguan and Barbudan students are currently enrolled at tertiary level institutions in Cuba on full scholarships. A number of Antiguan are also pursuing post graduate studies in medical specialties, sociology and engineering. We expect that in the 2008-2009 school year additional scholarships will be provided for our citizens.

In the area of health care the Government of Cuba has not only provided training, but also Cuban Medical Professionals. Also, through the Milagro Eye Care Programme, over 1200 Antiguan and Barbudans have travelled to Cuba at no cost to the patients or the Government. The Government and people of Antigua and Barbuda are truly grateful for Cuba's assistance in offering this very important service.

In the area of road works Cuba has provided specialists to repair and maintain specialized equipment at the quarries owned by the Ministry of Works while at the same time providing engineers and other professionals for the road programme.

Additionally, Cuba has provided technical assistance to the Ministry of Agriculture, Tourism and Sports. There has been ongoing collaboration with the Ministry of Agriculture in tackling the

problem of fish poisoning and a diagnostic team is being provided to determine areas where they may provide further assistance. In tourism, Cuba has provided technical assistance in restoring heritage sites, whilst in sports we continue to benefit from the expertise of coaches, and sports professionals.

## **SOCIAL AND ECONOMIC COOPERATION WITH THE BOLIVARIAN REPUBLIC OF VENEZUELA**

Antigua and Barbuda continues to benefit substantially from its diplomatic relationship with the Government and people of the Bolivarian Republic of Venezuela. Since the Petro Caribe Energy Cooperation Agreement became fully operational in 2006, we have received ten shipments of fuel from Venezuela. As at May 2008, Antigua and Barbuda received about 269,115 barrels of gasoline 304,147 barrels of diesel and 356,764 barrels of jet fuel valued at \$243 million. The Government has paid 56 percent or \$136.6 million of this amount to Venezuela while the remaining 44 percent or \$106.5 million represents concessionary loans to the Government of Antigua and Barbuda.

The portion of the funds representing concessionary funding has been set aside to undertake social and economic development projects that will benefit the people of Antigua and Barbuda. One such programme, the utility subsidy programme was established in 2008. A total of EC\$1,443,500.00 has been spent from 28th March to 28th October 2008 benefiting 3,327 persons enrolled in the programme. We expect that this and other programmes will be undertaken in 2009.

The Government is very grateful for the support and generosity of the Government and people of Venezuela and continues to explore other avenues for cooperation that will redound to the benefit of the people of this nation. Specifically, we have concluded negotiations in respect of the financing and development of a low income housing project, which will commence shortly.

We engaged in discussions with the Government of Venezuela and secured financing through the ALBA Fund to undertake a water expansion project that would facilitate enhanced water production and greater reliability in the provision of water services. Our discussions were successful and the total amount to be provided through the ALBA Fund is US\$8 million. We are proud to announce that we have already received EC\$8 million for the start of this project.

The Government and People of Antigua and Barbuda are very grateful for the magnitude of support we have received from the Government and People of the Bolivarian Republic of Venezuela over the past years. We look forward to strengthening this relationship in the future and to identifying additional areas where both of our nations could benefit from closer cooperation. In fact, we expect that our relationship with the Government and People of the Bolivarian Republic of Venezuela will be taken to new heights in the coming year. We are currently engaged in negotiations with the Bades Bank that will allow the Government to fulfil its objective of purchasing the West Indies Oil Company.

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

The Government of Antigua and Barbuda continues to enjoy excellent diplomatic relations with the People's Republic of China (PRC). The PRC continues to support the government's initiatives particularly in the areas of health care, education and the development of infrastructure. Antiguan and Barbudans continue to receive full scholarships to pursue studies at the University Level in Beijing. Several exchanges have been made between both countries for technicians to attend conferences, training programmes and seminars.

In 2008, we requested assistance from the Chinese government to address the shortfall in power generating capacity. More specifically we started negotiations for a 30 mega watt power generator. The PRC through the Chinese Exim Bank granted RMB 300 million Yuan loan for the purchase of the generator and the construction of the plant. Construction of the plant is expected to begin in 2009.



The Chinese Government will continue its contribution to a wide range of infrastructure projects. To date construction agreements have been completed for the island wide street lighting project and the Social Centre in Barbuda. In 2009, renovation and restoration work will commence on the Grays-Hill Reservoir which services Grays Farm, Point and Villa. Renovation work will also commence on the Grays Green Gutter.

In the area of tourism we intend to deepen our discussions to encourage Air China to make Antigua and Barbuda a hub. Along with other Caribbean islands Antigua and Barbuda has been proposed as a holiday destination for Chinese nationals. This discussion will cover not only stay-over visitors but also a special arrangement for those visiting by cruise liners. It is estimated that in the first year, 12,000 Chinese tourists will visit the Caribbean.

We have already celebrated 25 years of Diplomatic and friendly alliance with the Peoples Republic of China. We value and cherish this relationship which continues to benefit the peoples of both countries. The Government of Antigua and Barbuda expects to further benefit from its close cooperation with the Peoples Republic of China in 2009. In particular, the government of China has indicated interest in working with Antigua and Barbuda to develop a new airport terminal which will complement the ongoing work with respect to the runway. The plans have already been designed and it is hoped that negotiations would be completed in 2009 to facilitate construction of a new state-of-the-art airport terminal. In addition, the People's Republic of China is presently giving consideration to providing assistance to fund the much needed expansion of the port at the Deep Water Harbour.

## **SOCIAL AND ECONOMIC COOPERATION WITH THE GOVERNMENT OF JAPAN**

Antigua and Barbuda commenced diplomatic relations with Japan in 1982 and has since been the recipient of significant technical support in the areas of Health, Education, Agriculture, Fisheries and Disaster Management.

This relationship has deepened and widened throughout the years. Between 2004 and 2008, 13 public sector workers have participated in short term training programmes at an estimated total cost of EC\$528,450. For the period 2008/2009 5 persons will attend courses in Water Resource and Disaster Management, Police Information and Communications and Agriculture.

In 2005, we benefited from a grant of EC\$35 million to fund the construction of the Point Wharf Fisheries Complex. In 2009 we will receive an additional EC\$16.2 million to construct the Barbuda Artisanal Fisheries Project. The Government is extremely grateful for the willingness of the Government of Japan to support the construction of a number of Fisheries Complexes. The contribution they have made will go a long way toward developing the potential of the fisheries sector in Antigua and Barbuda and promote the 'sustainable use' of our marine resources.

## **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. 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:*

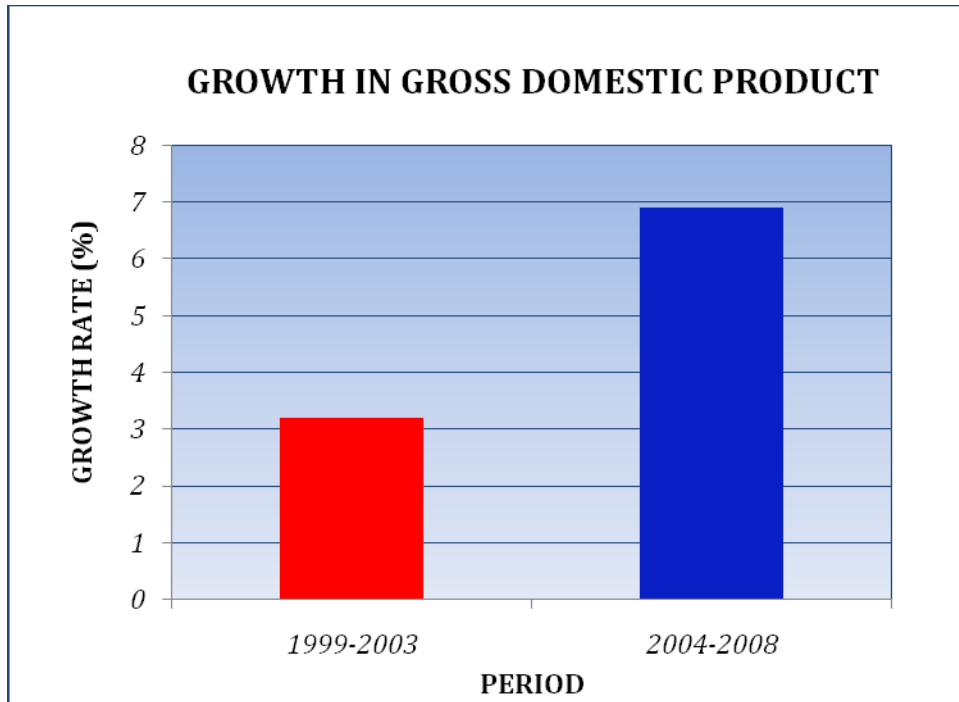
**Madam Speaker:**

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.

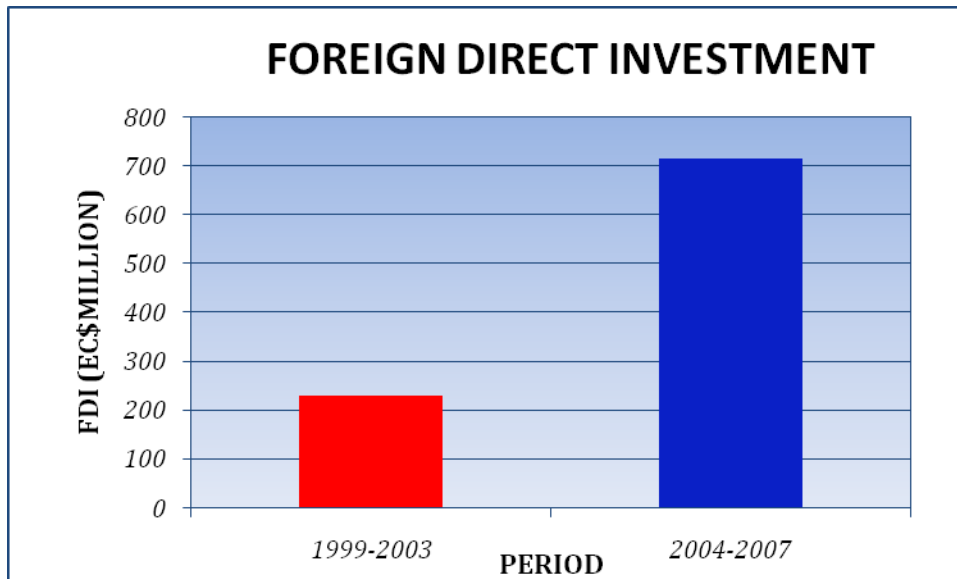
The UPP Administration approached this task of promoting economic growth by pursuing specific policies that were intended to encourage investment and enable private sector development. These policies included reducing the corporate income tax rate, simplifying the tax system, implementing legislation 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. As seen in the following graph, 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.



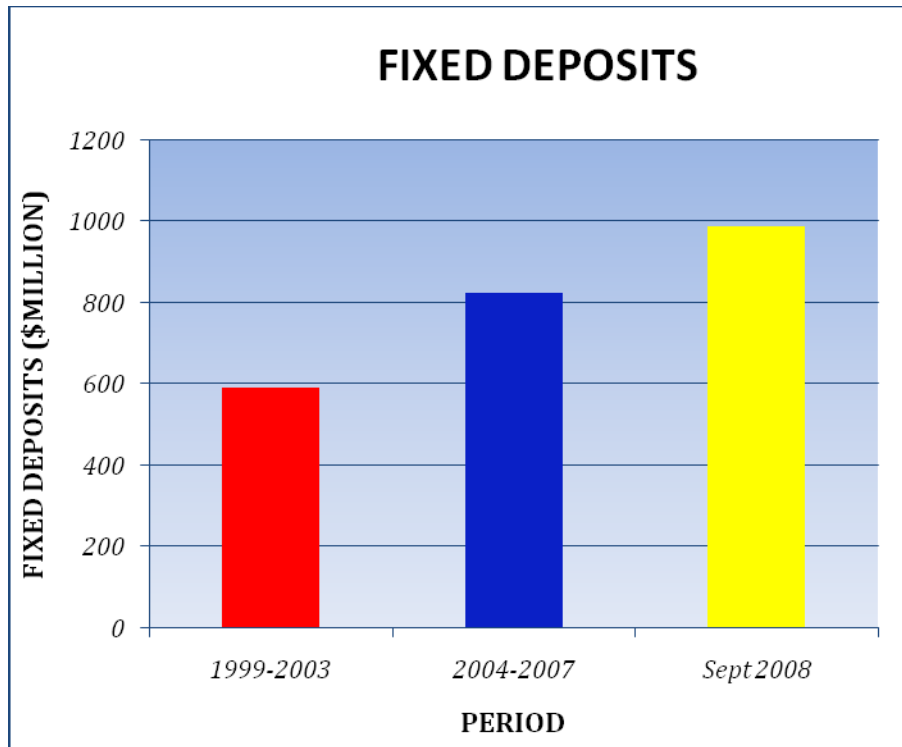
In 2006, when Antigua and Barbuda experienced its highest rate of growth ever, the total level of foreign direct investment exceeded \$1 billion and was more than two times greater than total direct investment in 2003. This significant inflow of Foreign Direct Investment over the past four and a half 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:**

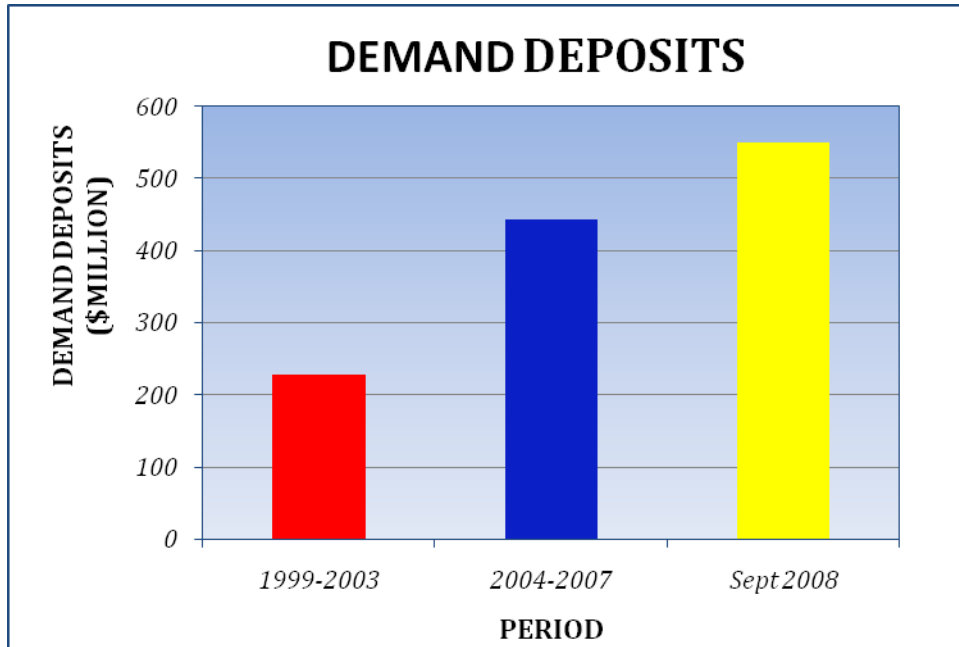
Clear evidence of the strong economic performance over the past four and a half years is the considerable growth in savings and credit. These two sets of monetary statistics are critical indicators of the health of an economy and the degree to which individuals in the society are benefiting from growth in output. Madam Speaker, let us look briefly at the level of savings in Antigua and Barbuda between from 2004 to 2008 and compare this to the period 1999 to 2003.

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. This is depicted in the following graph, which also shows that 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. It should be noted also that by the end of 2008, the level of fixed deposits in Antigua and Barbuda is expected to surpass \$1 billion.



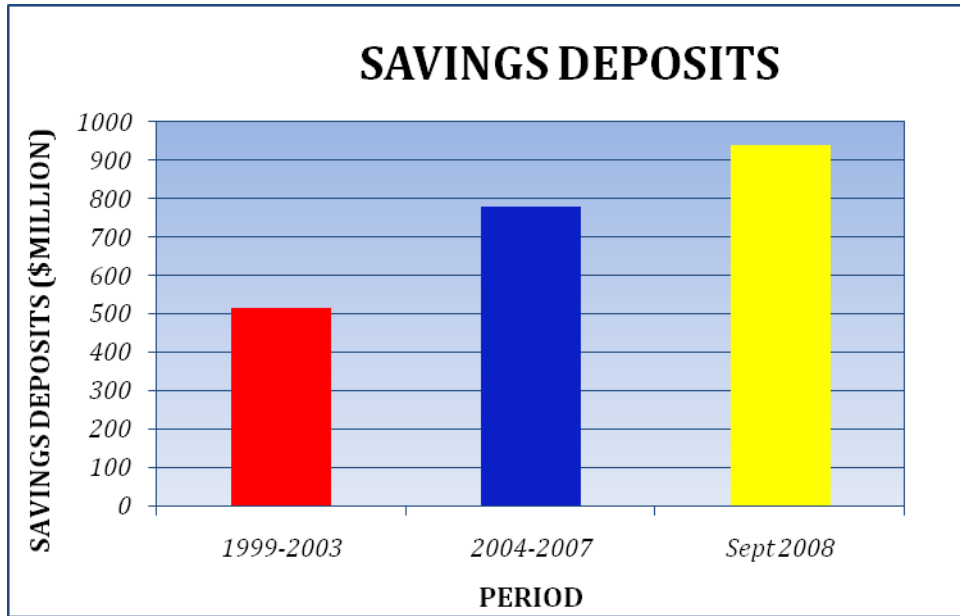
With respect to demand deposits, Madam Speaker, the picture is even more impressive. The following graph shows that for the period 1999 to 2003, demand deposits - essentially the disposable income available to the population for daily consumption activity – averaged \$227.4 million. For the period 2004 to 2007, the average level of demand deposits was 95 percent higher than for the period 1999 to 2003 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.

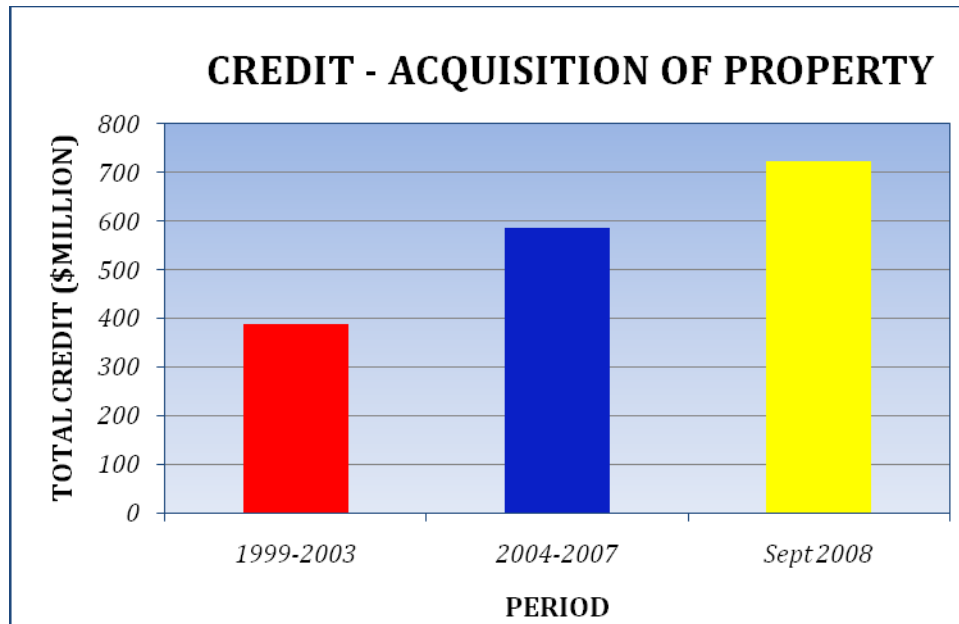
Finally, we turn to savings deposits. How has the level of savings for the everyday man and woman of this country performed? The ECCB Monetary Survey shows that for the period 1999 to 2003, savings deposits averaged \$513.7 million. For the period 2004 to 2007, the average level of savings was 52 percent higher at \$779.8 million. This is depicted in the following graph which also presents the level of savings deposits as at September 2008. 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. Again, we can expect that by December 2008, the total level of savings held by the people of this nation will approach \$1 billion.



**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. I speak here of credit performance over the past four and a half years and I'm happy to report that there has been considerable expansion in credit for the acquisition of property, credit for consumer durables and credit for commercial activity.

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. The following graph shows that over the period 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, 2800 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. Over the last few years, we have seen residential mortgage rates decline from over 11 percent to an average of 8 percent. In some cases, the mortgage interest rate has also fallen below 8 percent. 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. As indicated in the following table, which shows the total stamp duty payable at the \$6 per thousand and the \$4 per thousand, the

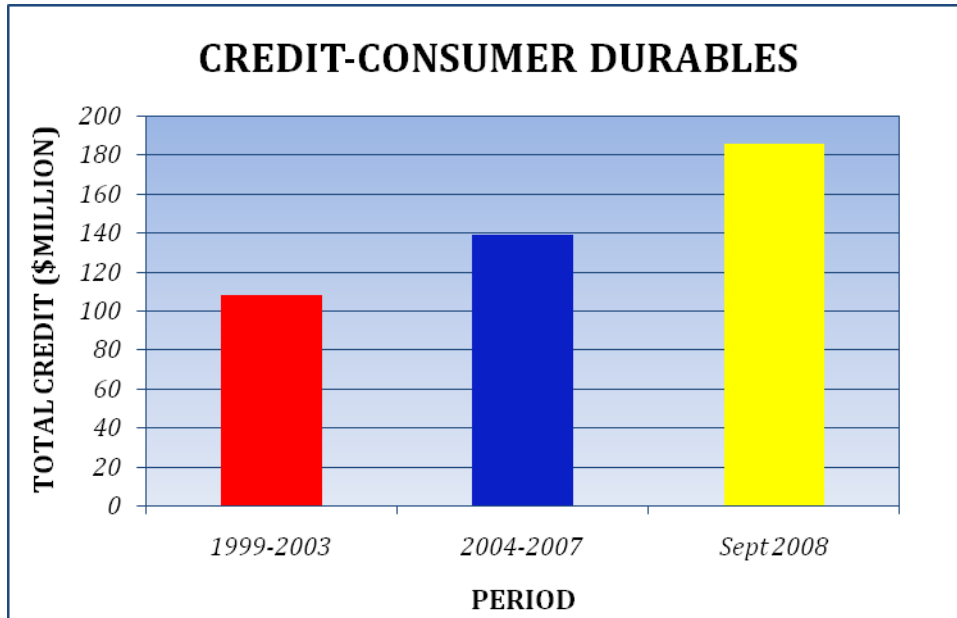
level of savings realised in 2005 amounted to \$1.12 million. In 2006 and 2007, the savings amounted to \$1.21 million and \$1.36 million respectively and, as at September 2008, total savings by persons acquiring homes amounted to \$1.45 million. Overall, the reduction of the stamp duty has generated total savings for persons acquiring residential mortgages between 2005 and 2008 of some \$5.15 million.

<b>Year</b>	<b>Value of Residential Mortgage</b>	<b>Stamp Duty - \$6 per Thousand</b>	<b>Stamp Duty - \$4 per Thousand</b>	<b>Savings</b>
2005	\$562,303,000	\$3,373,818	\$2,249,212	\$1,124,606
2006	\$607,538,000	\$3,645,228	\$2,430,152	\$1,215,076
2007	\$681,274,000	\$4,087,644	\$2,725,096	\$1,362,548
2008 (Sept).	\$724,005,000	\$4,344,030	\$2,896,020	\$1,448,010
<b>TOTAL</b>	<b>\$2,575,120,000</b>	<b>\$15,450,720</b>	<b>\$10,300,480</b>	<b>\$5,150,240</b>

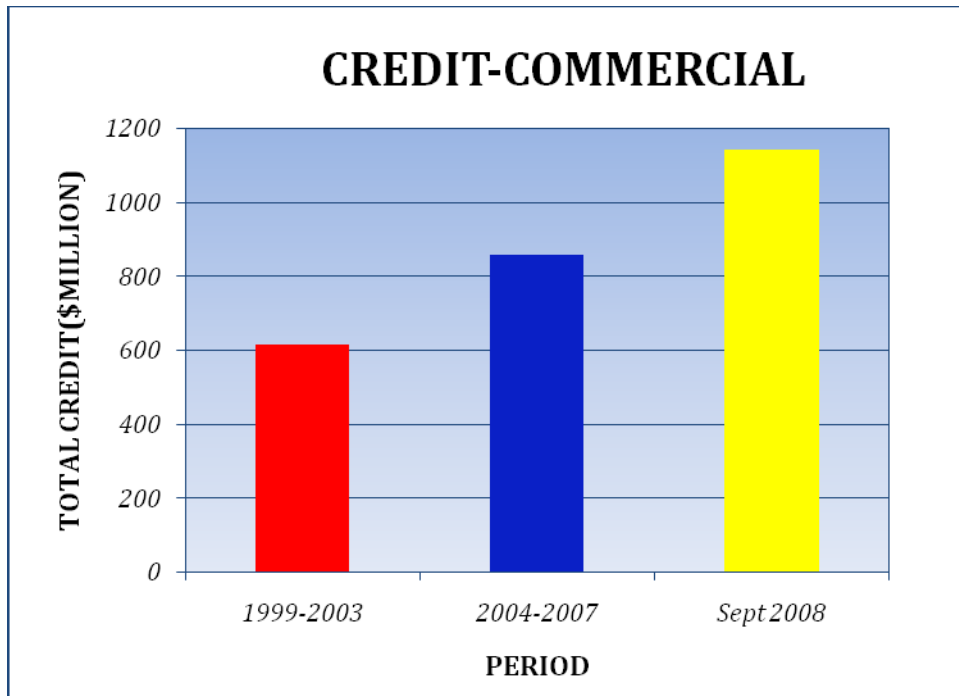
This, Madam Speaker, represents another glaring difference between the policies of this Administration and those of our predecessors.

With respect to credit for consumer durables, the ECCB Monetary Survey also shows robust growth in the period 2004 to 2008. Consumer durables are products with a life expectancy of at least three years and include items such as automobiles, appliances and household furnishings. Growth in expenditure on these products is a key indicator of consumer confidence and the strength of an economy. In this regard, Madam Speaker, the data confirm that the people's confidence in the economy of Antigua and Barbuda has grown markedly over the past four and a half years. As indicated in the following graph, credit for consumer durables averaged \$107.9 million for 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.



Another critical indicator of the confidence in an economy is the level of activity in the private sector. Any decision to invest in commercial activity – whether it involves starting a new business or expanding an existing operation – will be highly influenced by the entrepreneur’s belief that he or she will recoup his or her investment. 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, the total credit for commercial activity at the end of September 2008 amounted to \$1.14 billion, which is about 48 percent greater than the \$770 million recorded in 2003.



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. These two sets of statistics indicate that under the Sunshine Government, there have been major investments in development of property for business purposes. 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.

In addition to stabilising and strengthening our economy, this Government's policies have enhanced Antigua and Barbuda's performance with respect to some key international economic and social indicators. Specifically, the policies and programmes of the UPP have ensured that Antigua and Barbuda has remained in the category of high development in the United Nations Human Development Index (UNHDI). The UNHDI measures the overall level of human development in a country by assessing performance with respect to:

- (1) Life expectancy at birth;
- (2) Adult literacy; and
- (3) Standard of Living

Based on these criteria, the most recent UN Human Development Report indicates that Antigua and Barbuda has achieved and maintained high human development for its population. Antigua and Barbuda's ranking among 177 countries is 57. This represents an improvement over our ranking of 59 in 2006. It should be noted, Madam Speaker, that the UN Human Development Report for 2003 indicates that Antigua and Barbuda was, at that time, among the countries at the medium development level.

That this Administration has managed to improve our country's level of human development over so short a period of time is yet another illustration of our superior ability to implement effective policies that improve the well being of the people of this nation.

**Madam Speaker:**

In addition to our consistently high levels of growth and strong performance with respect to human development, Antigua and Barbuda has been a leader in the Caribbean region when it comes to facilitating private sector activity. Since its initial inclusion in the World Bank Doing Business 2007 report, Antigua and Barbuda has consistently maintained a high ranking. The

Doing Business report assesses the business environment in developing and developed economies and ranks countries according to the ease with which private business can be conducted. In the 2009 Doing Business report, Antigua and Barbuda ranks 42<sup>nd</sup> of 181 countries and, apart from St. Lucia, is the highest ranking economy in the Caribbean.

The Sunshine Government is very pleased that our beloved nation continues to perform at exceptional levels on the regional and international stage. We also wish to thank the World Bank and the USAID Country Open Trade Support (COTS) for making it possible for Antigua and Barbuda to participate in the Doing Business survey. We are also grateful for the continued support of these agencies in helping Antigua and Barbuda improve the regulatory environment and move toward international best practices. Their assistance will certainly help to improve our competitiveness and facilitate our ability to maintain a high ranking both regionally and globally.

**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.

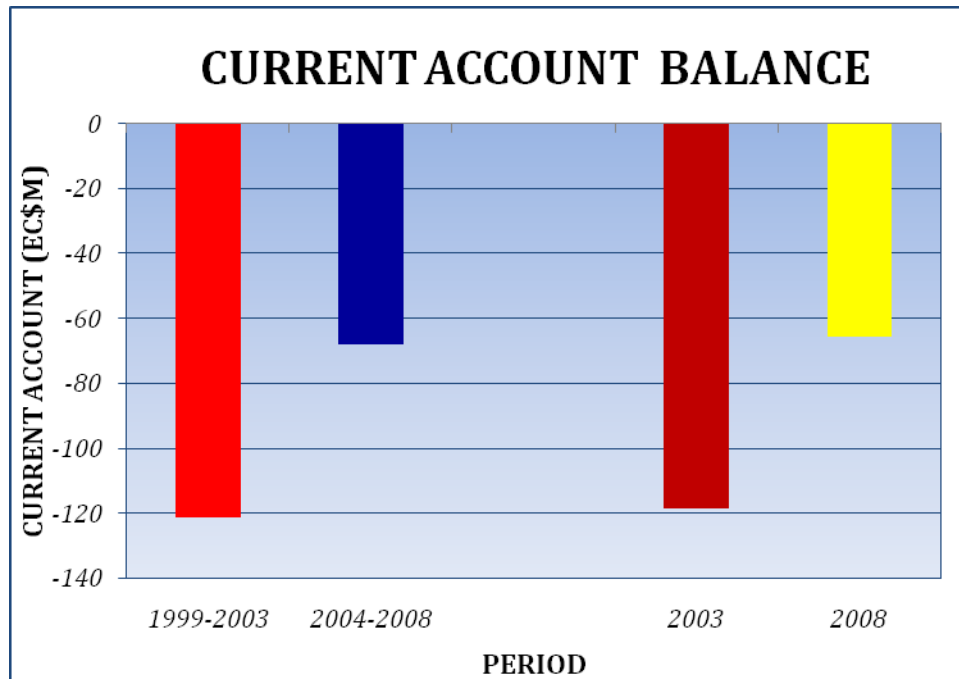
***Fiscal Performance with the UPP Administration:***

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 of 2008 are indisputable evidence that the Sunshine Government is a caring Government. One 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.

In addition to these changes to the tax system, the Government strengthened the capacity of the Customs Department and the Inland Revenue Department to enable these critical agencies to bring about administrative efficiencies and improve revenue collection. These agencies benefitted from additional equipment, increased human resources, and significant training for the officers who are charged with enforcing the various tax policies. Further, Madam Speaker, the staff of these agencies received long overdue upgrades in their pay packages, which no doubt helped to induce even greater efforts to improve revenue performance.

In order to support the gains realised due to the tax reform initiatives, the Government then enacted the Finance Administration Act in 2006. This new piece of legislation allowed for the integration of modern technology into the management and control of public expenditure. As a result of this new and modern legislation, the Government has been able to change the approach to expenditure management by introducing the FreeBalance System. The FreeBalance Integrated Financial Management System (IFMS) comprises various components including a Performance Budgeting Module, Financial Accounting Module, and Human Capital Accountability Module. All of these are intended to advance the Government's public sector reform programme and to ensure the maintenance of fiscal discipline, operational efficiency, transparency and accountability across all Government Ministries and Departments. Through this new legislation and the technical efficiencies brought to bear with the FreeBalance system, we have computerised key operations at the Treasury. In fact, we have implemented the mechanisms in the Treasury that have allowed it to make electronic payments and issue electronic cheques.

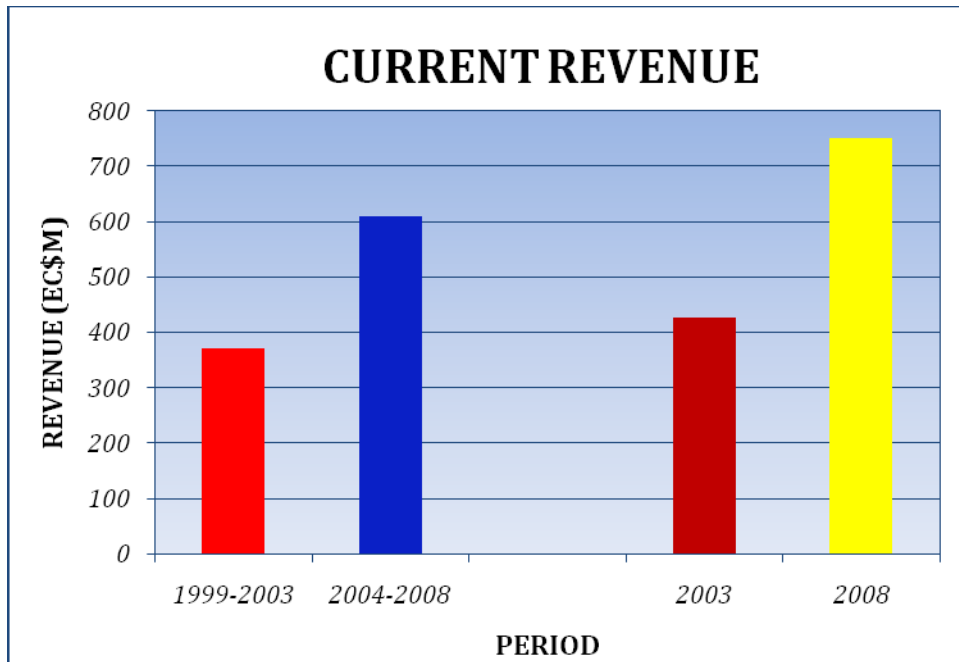
**Madam Speaker:**

It would take a most cynical individual to deny that these developments represent a significant move towards the transformation of the way in which business is conducted in the public sector. In any event, there are many facts and figures that demonstrate the effectiveness of this fiscal reform programme.

***Growth in Revenue***

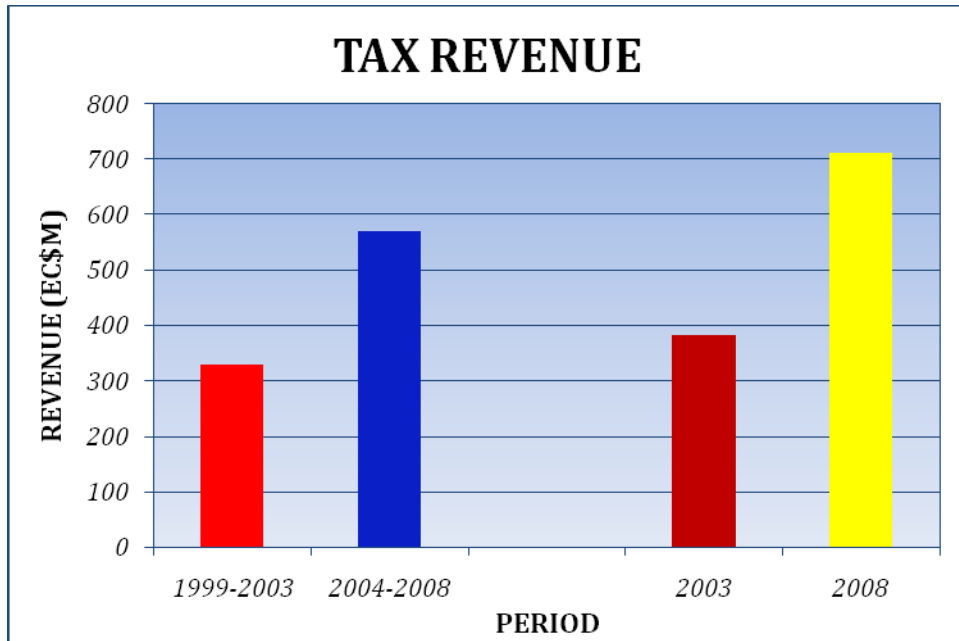
On the revenue side, there has been considerable growth in the level of Government revenue under this administration compared to the period 1999 to 2003. In order for any Government to successfully provide essential services to its people, it must generate the requisite revenue to do so. Indeed, the 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 Antiguans and Barbudans.

The following graph shows that 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. As shown in the following graph, average tax revenue was over 73 percent greater for the period 2004 to 2008 at \$570.2 million.



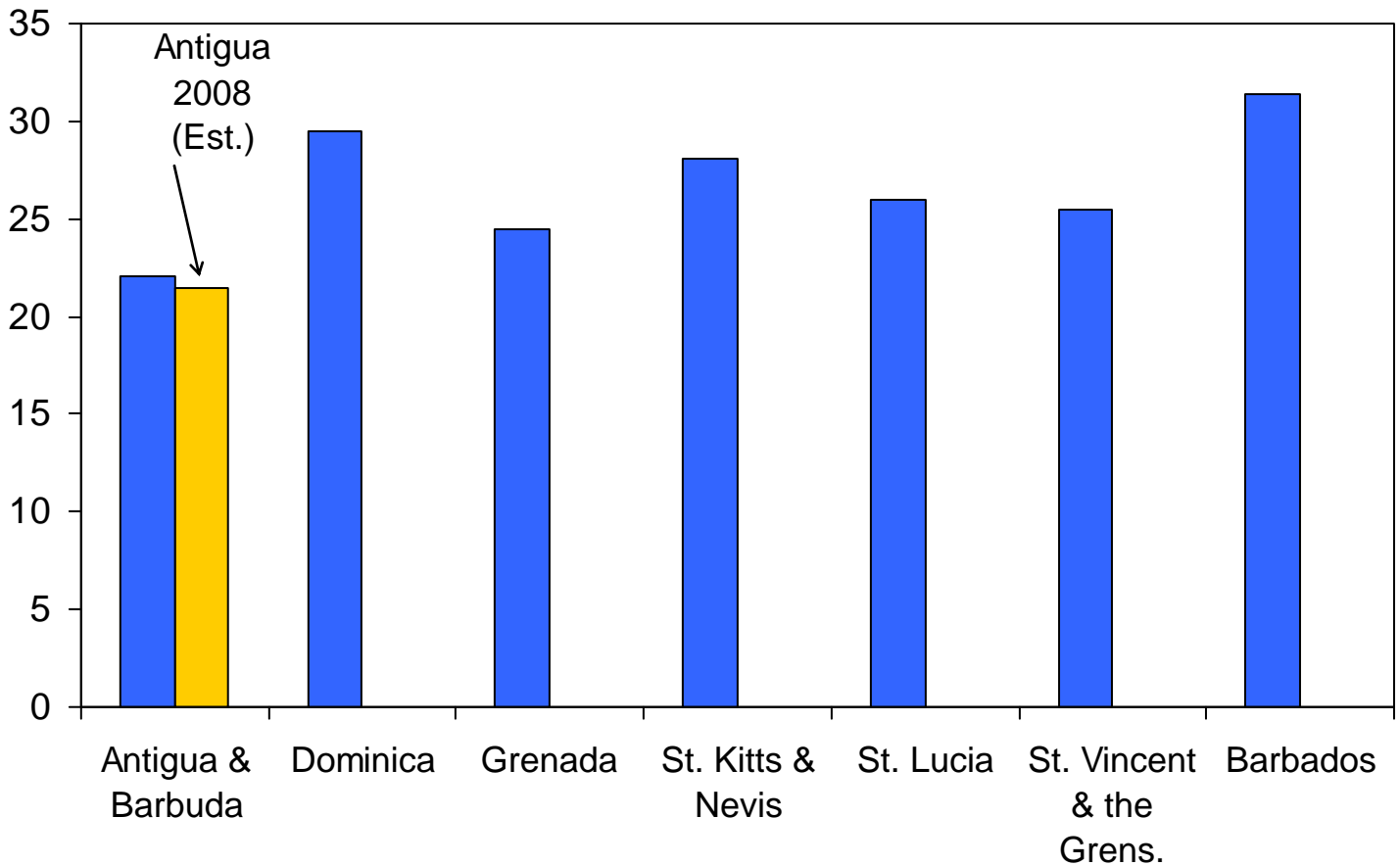
Further, at the end of 2003, tax revenue amounted to \$382.6 million. By the end of 2008, tax revenue is expected to be \$710.9 million which is about 85 percent or \$328.3 million greater than tax revenue collected in 2003.

**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. As seen in the following graph, the tax to GDP ratio for Antigua and Barbuda remains below the ratios for other ECCU countries and Barbados. The blue bars represent the tax to GDP ratio across the countries for 2007. In Antigua and Barbuda, the tax to GDP ratio is about 22 percent, St. Lucia is 26 percent, Dominica about 30 percent and Barbados is about 31 percent. What is also instructive, Madam Speaker, is the fact that for 2008 – represented by the yellow

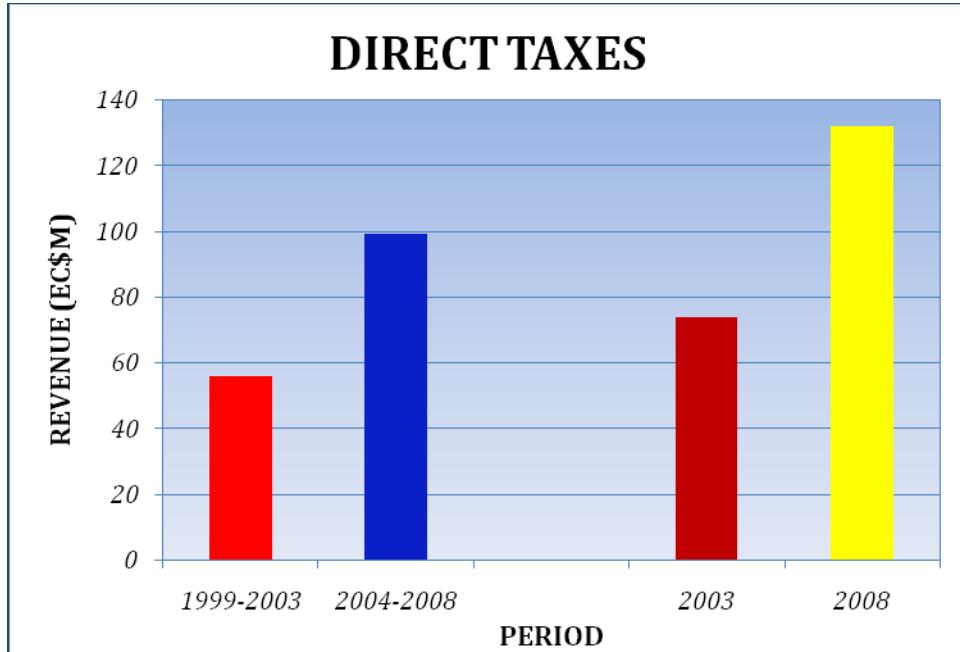
bar – the tax to GDP ratio for Antigua and Barbuda is estimated at about 21 percent which is below its 2007 ratio and the ratios for the other Caribbean countries represented.

**Tax Revenue: Selected Countries – 2007 (percent of GDP)**



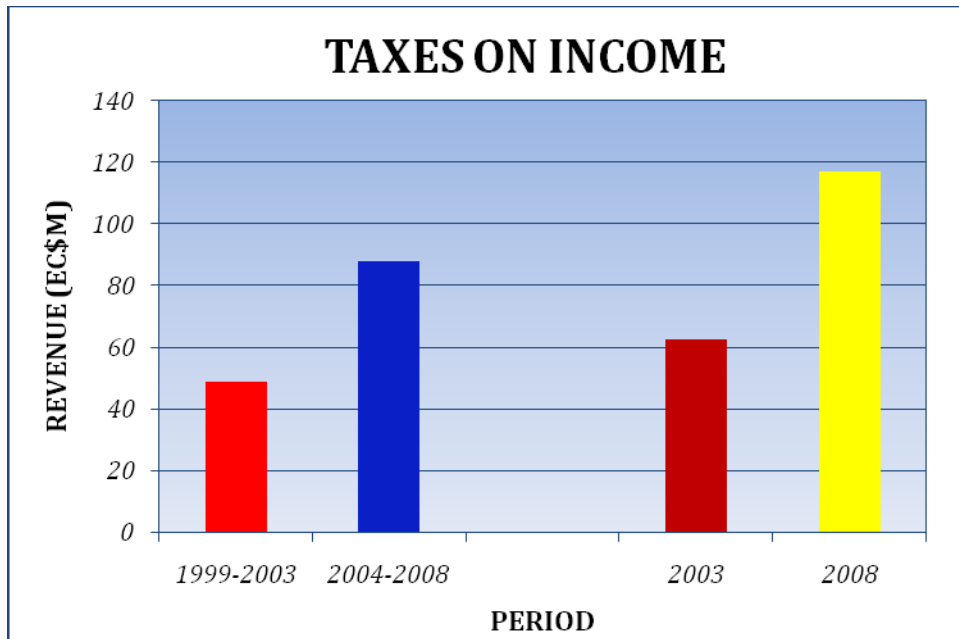
**Madam Speaker:**

Tax revenues comprise direct taxes which include taxes on income and taxes on property and indirect taxes, which consist of taxes on domestic production and consumption and taxes on international trade and transactions. As shown in the following graph, direct taxes for the period 1999 to 2003 averaged \$55.7 million. For the period 2004 to 2008, this average increased by about 78 percent to \$99.0 million. For 2003, direct taxes amounted to \$73.7 million while, for 2008, this source of revenue is projected to be 79 percent higher at \$131.9 million.



In Antigua and Barbuda, there are two types of direct taxes – taxes on income and taxes on property. As seen in the following graph, taxes on income averaged \$48.9 million for the period 1999 to 2003 and \$87.9 million for the period 2004 to 2008. In 2003, taxes on income amounted to \$62.6 million while, for 2008, revenue from these sources is projected to increase by about 87 percent to \$116.8 million.





The personal income tax is one of the key measures in this category of taxes. It 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 in each successive year. As seen in the following graph, the PIT generated \$23.4 million in 2005. This amounts to \$2.6 million per month. In 2006, PIT revenue increased by 79.5 percent to \$42 million, which means that revenue from the PIT grew to \$3.5 million per month. Revenue from the PIT increased further in 2007 by 19 percent to \$50 million or about \$4.2 million per month.



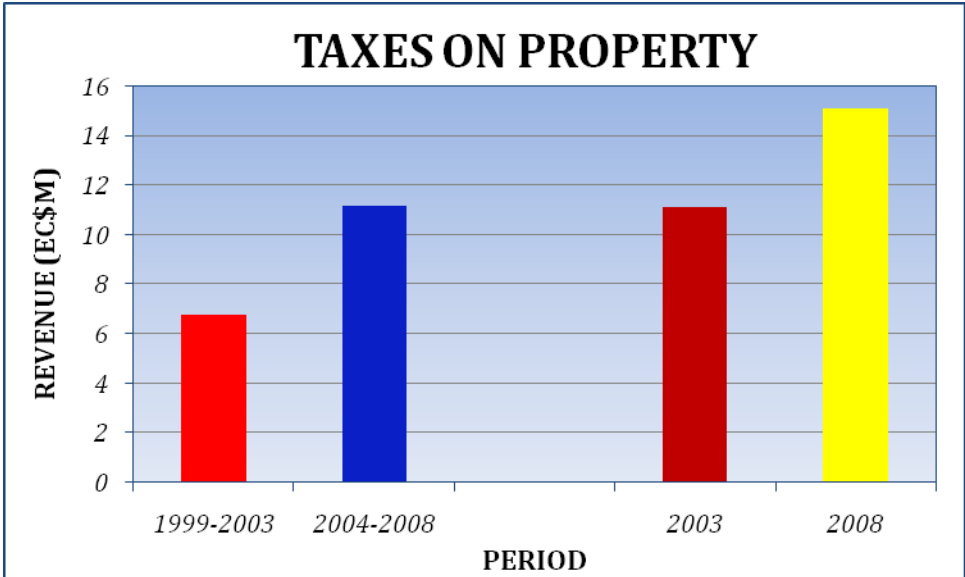
For 2008, revenue from the PIT is projected to remain at roughly the same level as in 2007. Revenue from the PIT remained flat due to the Government’s decision to widen the income tax bands and add an additional rate to the PIT structure. In 2005, the structure of the PIT was as follows:

<b>Bands – Monthly Income</b>	<b>Rates</b>
\$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

With respect to taxes on property, the following graph indicates that average revenue generated between 1999 and 2003 amounted to \$6.8 million. For the period 2004 to 2008, revenue from this source increased by 65 percent to \$11.2 million. At the end of 2003, taxes on property amounted to \$11.1 million. For 2008, this is projected to increase by 36 percent to \$15.1 million.

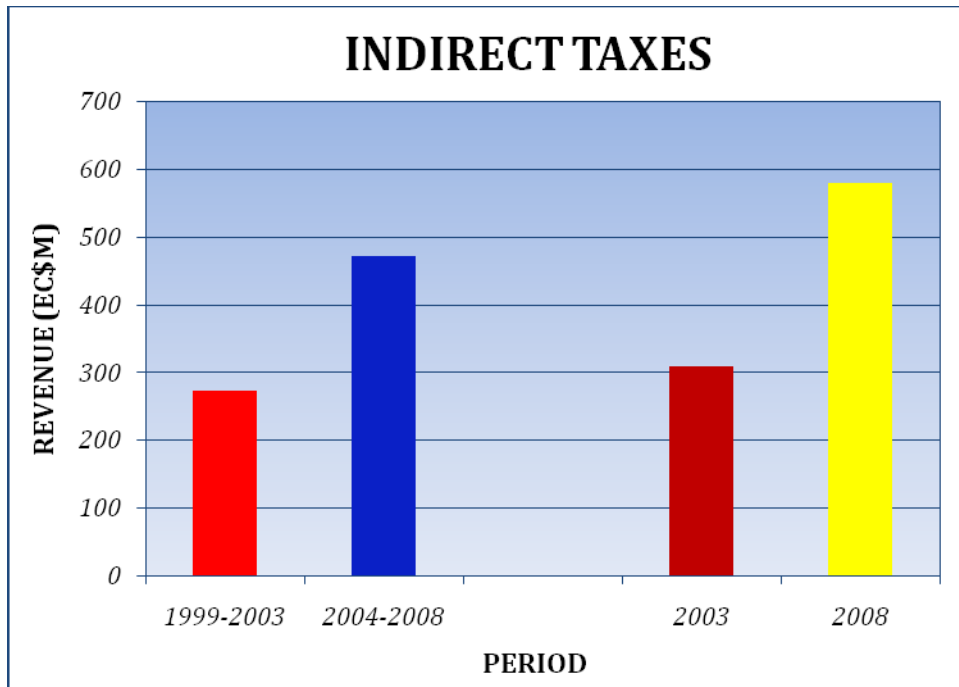


It should be noted, Madam Speaker, that this growth in revenue from taxes on property was not due to increased property tax rates. In fact, in some cases, when this Government introduced the new, modern property tax system in 2007, we focused on correcting a number of grave anomalies in the system. One such anomaly was caused by an incredibly irrational and inequitable system. This system was implemented in 2000 and essentially increased the tax on an acre of land by 9,900 percent.

The new property tax system implemented by this Government uses market value to assess tax liability and provides major concessions to property owners. Despite these concessions, there still has been an overall increase in revenue from this source. This, Madam Speaker, is due mainly to the increase in the number of registered land parcels from 32,000 to 56,000. Essentially, we generated additional revenue from this source by enhancing efficiency in tax collection and widening the tax net to capture properties that for many years were inexplicably missing from the property tax register.

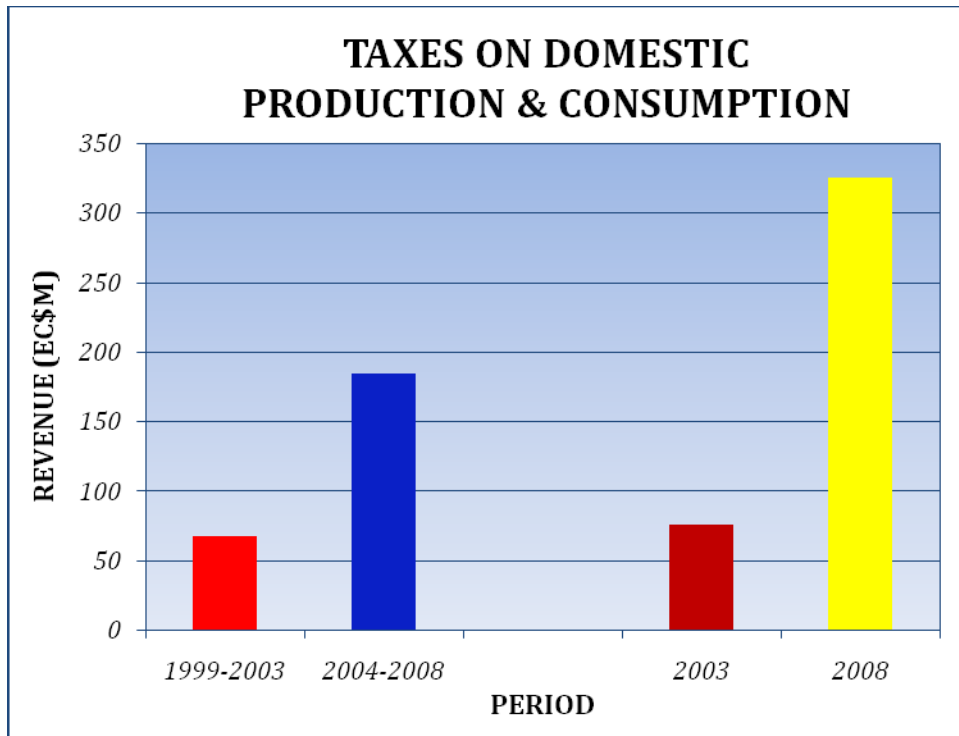
**Madam Speaker:**

I turn now to indirect taxes, which generate the lion's share of Government revenue. The following graph shows that average revenue from indirect taxes grew by over 72 percent from \$273.3 million for the period 1999 to 2003 to \$471.2 million for the period 2004 to 2008. At the end of 2003, revenue from indirect taxes amounted to \$308.9 million. For 2008, revenue from this source is expected to be over 87 percent higher at \$579 million.

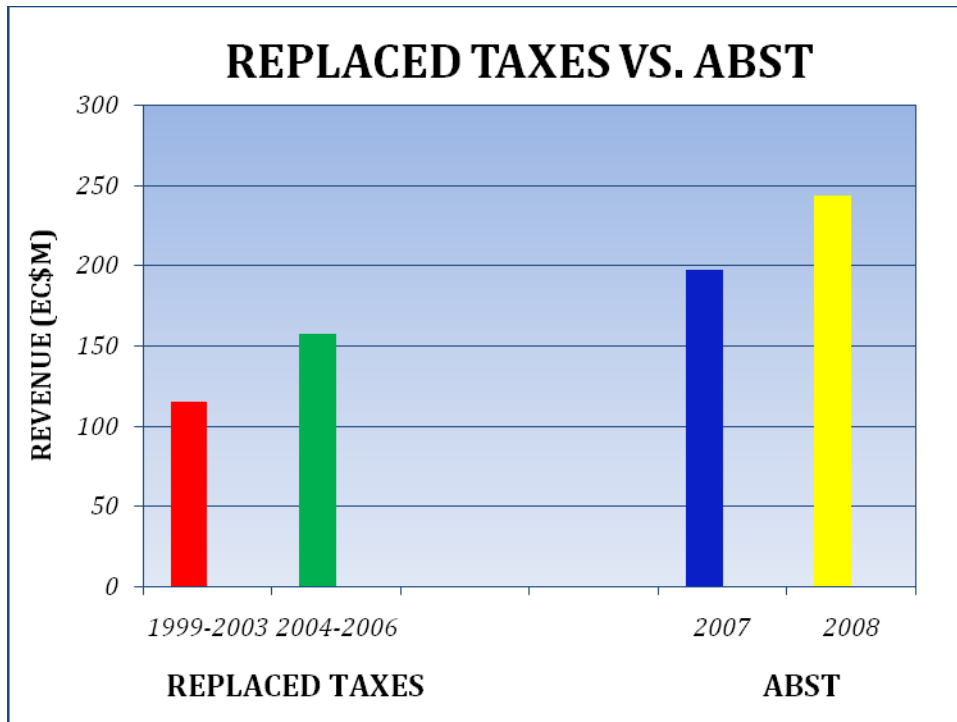


Our opponents have stated time and time again that this growth in revenue was the result of additional tax measures and increased tax rates. However, as indicated earlier, this Government has actually reduced the number of tax measures on the books by eliminating over a dozen – the majority of which were indirect taxes. Basically, Madam Speaker, the growth in indirect tax revenue for the period 2004 to 2008 was made possible by strong economic performance and increased efficiencies in tax collection.

Indirect taxes include taxes on domestic production and consumption and taxes on international trade and transactions. The following graph compares the average revenue generated from taxes on domestic production and consumption for the periods 1999 to 2003 and 2004 to 2008. Revenue from taxes on domestic production and consumption averaged \$67.4 million between 1999 and 2003. For the period 2004 to 2008, the average revenue increased by 174 percent to \$184.4 million. At the end of 2003, revenue from taxes on domestic production and consumption amounted to \$75.4 million. By the end of 2008, revenue from this source is expected to amount to \$325.1 million.

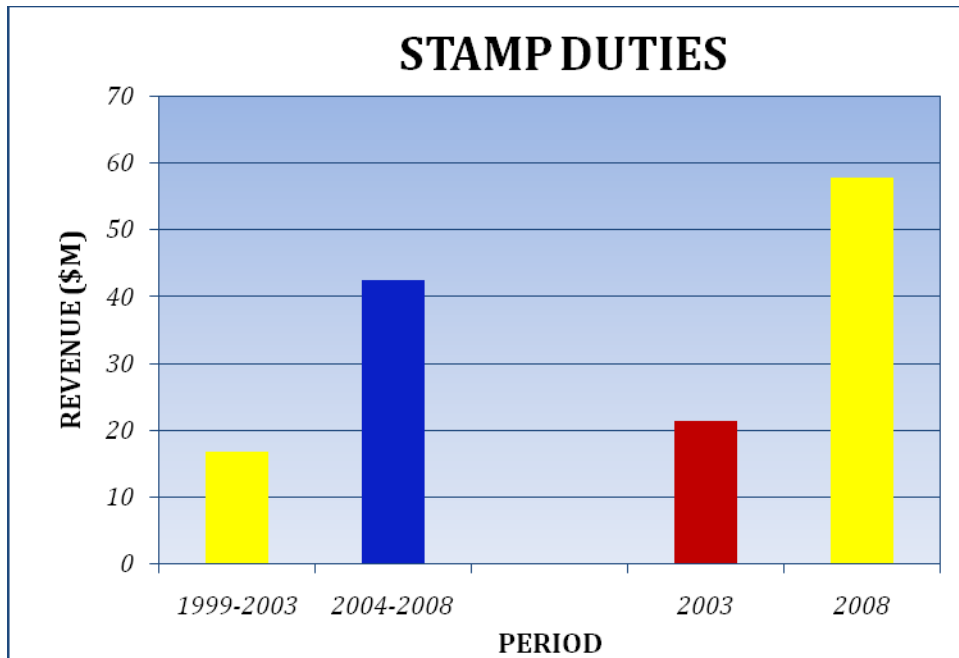


The main source of revenue from taxes on domestic production and consumption is the Antigua and Barbuda Sales Tax (ABST), which was implemented in 2007. As indicated earlier, the ABST replaced six taxes, including the consumption tax. The following graph demonstrates how this move to restructure the tax system by consolidating six major taxes into a single measure has 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.

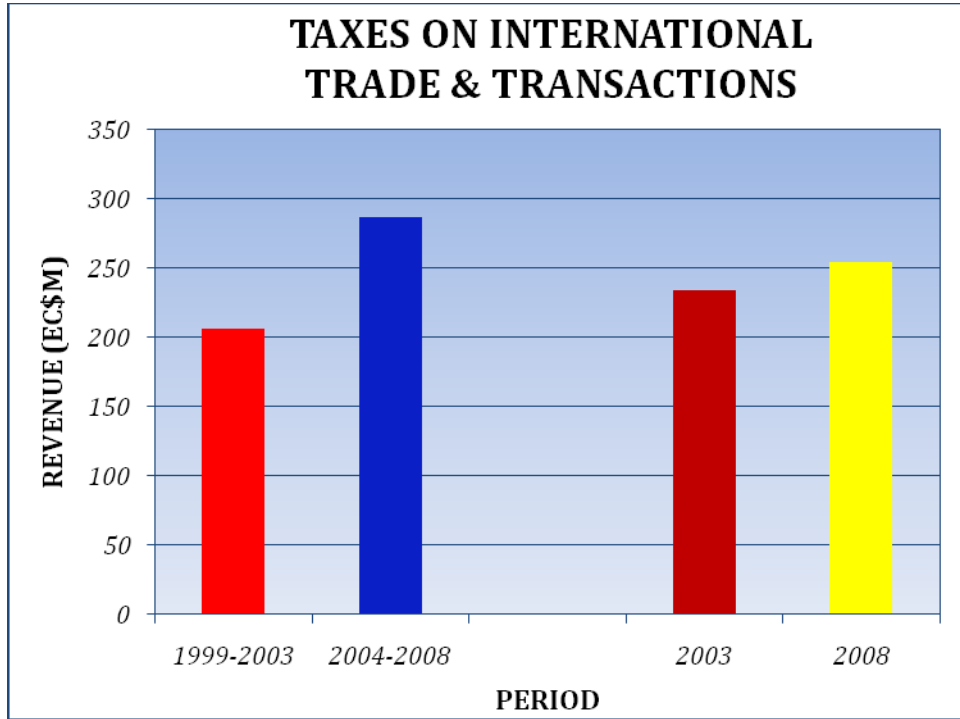
Another key revenue source in the category of taxes on domestic production and consumption is stamp duties. This revenue measure generated an average of \$16.7 million in revenue for the period 1999 to 2003. On the other hand, average revenue from this measure was 155 percent higher for the period 2004 to 2008 and amounted to \$42.5 million. At the end of 2003, revenue from stamp duties amounted to \$21.4 million. By the end of 2008 revenue from this source is expected to be 170 percent higher at \$57.8 million.



Again, this growth in revenue from stamp duties was a direct result of economic growth, especially in the construction and real estate sectors and enhanced efficiencies in the revenue collecting agencies. In fact, this phenomenal growth in revenue from stamp duties occurred despite this Government's decision to reduce the stamp duty on various transactions to which it is applicable.

In terms of taxes on international trade and transactions, the graph below shows that average revenue from these measures is 39 percent greater for the period 2004 to 2008 than in the period 1999 to 2003. Between 1999 and 2003, average tax revenue from taxes on international trade and transactions amounted to \$205.9 million. For the period 2004 to 2008, this average is estimated at \$286.8 million. In 2003, revenue from taxes on international trade and transactions amounted to \$233.7 million while, for 2008, revenue from this source is projected to amount to \$254.0 million.





Key taxes in this category include import duties, customs service tax and the cruise passenger tax. As seen in the following graph, revenue from these sources was markedly higher in the last four and a half years compared to the period 1999 to 2003.



Import duties generated average revenue of \$56.3 million between 1999 and 2003. For the period 2004 to 2008, average revenue from import duties increased by 45 percent to \$81.7 million. In terms of the customs service tax, average revenue grew by 95 percent from \$39.4 million for the period 1999 to 2003 to \$76.8 million for the period 2004 to 2008. Finally, average revenue from the cruise passenger tax increased by 47.5 percent from \$4 million for the period 1999 to 2003 to \$5.9 million for the period 2004 to 2008.

**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 the Accountant General, Mrs. Ernestine 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 feign ignorance of the existence of these documents, I take this opportunity to once again remind them of some of the specific areas of Government expenditure.

### Police

This Government has spent over \$132 million on the Royal Antigua and Barbuda Police Force over the past four and a half years. These resources have been utilised to upgrade a number of police and fire stations, to recruit additional constables, provide equipment and vehicles, and facilitate training in areas such as criminology, forensic science and physiology.

In addition, this Government provided the resources necessary to finance increases in the remuneration of the men and women who serve in our police force. This Government also liquidated over \$5 million in arrears to the State Insurance Corporation in respect of premiums for insurance coverage of police officers. By settling these arrears, which were owed from as far back as 1998, this Government made it possible for families of police officers to access benefits to which they were entitled.

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

Essentially, Madam Speaker, under this Administration, significant resources were spent to improve the working conditions of the police force, to enhance the number of officers and to provide the tools and equipment they need to carry out their mandate to meet the security needs of the population.

### Healthcare

The UPP Administration is very cognisant of the need to provide modern and affordable healthcare for the people of this nation. We view access to quality healthcare as a fundamental requirement for the economic and social sustainability of a society. Therefore, this Government

is committed to improving the healthcare infrastructure and increasing the range of healthcare services available in Antigua and Barbuda. In an effort to achieve these goals, the Sunshine Government spent over \$446 million on healthcare over the past four and a half years.

These resources were used to recruit and train additional nurses, provide additional equipment to the Holberton Hospital, implement the Vector Control and National Beautification Programmes, construct and rehabilitate clinics in various communities, purchase new ambulances, and undertake essential work needed to complete the Mount St. John Medical Centre.

### Information and Communication Technology

#### **Madam Speaker:**

Antigua and Barbuda's ability to thrive economically will depend on how it can adapt to changes in the global economy and compete on a world market that increasingly demands a highly skilled, digitally minded work force. The UPP Administration is adamant that this nation will not be left behind and has therefore spent more than \$26 million over the past four and a half years to implement its Digital Agenda. The focus of the Digital Agenda is to increase access to computer technology in schools and in communities. In this regard, there has been significant focus on upgrading computer labs in primary and secondary schools. The Government has also established Community Access Centres across Antigua and Barbuda. These centres are furnished with state-of-the-art equipment and are operated by experts in computer technology who provide training and support to persons utilising the Community Access Centres.

### Agriculture

#### **Madam Speaker:**

Over the past four and a half years, the Sunshine Government has spent more than \$102 million to develop the agriculture sector. Some of the priority areas have been the provision of training to farmers to increase crop production, facilitating certification of exporters of fruits and

vegetables to international markets, and enhancing the quality of our fisheries product. We have also focused on the development and maintenance of agricultural stations, improving agricultural extension services, promoting agro processing, revitalising the Central Marketing Corporation, and encouraging the cultivation of the Antigua Black Pineapple as a quality, world renowned product. The Government also embarked on a land development and distribution programme in an effort to afford Antiguan and Barbudans the opportunity to own their “piece of the rock”. During the last five years of the previous administration, 375 parcels of land were made available to the people of this nation. Madam Speaker, over the past four and a half years, we have been able to increase this amount by over 55 percent to over 580 land parcels distributed.

### 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 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.

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, 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.

This was just the first step in a journey that moved Antigua and Barbuda from a debt to GDP ratio of over 140 percent to under 100 percent.

Even with this success, the mountain of arrears, which was more than 50 percent of the total outstanding debt stock, demanded further intervention in order to bring about lasting change to the debt portfolio. Servicing of the country’s long outstanding debt obligations, dating as far back as the 1960s, required allocation of a large portion of the Government’s revenue. This meant that after the provision for the required debt service obligations, very little resources would be available for other important expenditures, including infrastructure development, education and social entitlements.

While we remained committed to changing the way in which Antigua and Barbuda treated its creditors, we were also cognisant of the need to ensure that the revenues generated helped to provide better infrastructure and social services for our people. The task ahead of us, therefore, was to promote economic and social development and at the same time seek to lower the debt over time. In order to ensure this gradual approach produced success, the Government focused on developing a comprehensive debt strategy. The purpose of this strategy was to bring the

public sector debt burden to a sustainable level, to normalise relations with creditors and to rehabilitate the country's credit standing.

**Madam Speaker:**

Our debt strategy was developed in 2005 with financial assistance from the Canadian International Development Agency (CIDA). It is a multi-pillared strategy which focuses on reducing the overall public sector debt burden, reforming institutional debt management procedures and creating a new payment culture within the public sector.

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, the UPP Administration was able to begin the process of rehabilitating Antigua and Barbuda's credibility among creditors. 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.

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. The following table presents the total debt owed to these statutory bodies.

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.

	Principal	Penalties	Total
Social Security	368,640,975	210,986,862	579,627,837
Medical Benefits	250,067,477	23,870,084	273,937,561
Board of Education	19,655,790	84,793,401	104,449,191
State Insurance Corporation	28,000,000	-	28,000,000
<b>Total Owed by Government</b>	<b>666,364,242</b>	<b>319,650,346</b>	<b>986,014,588</b>

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:**

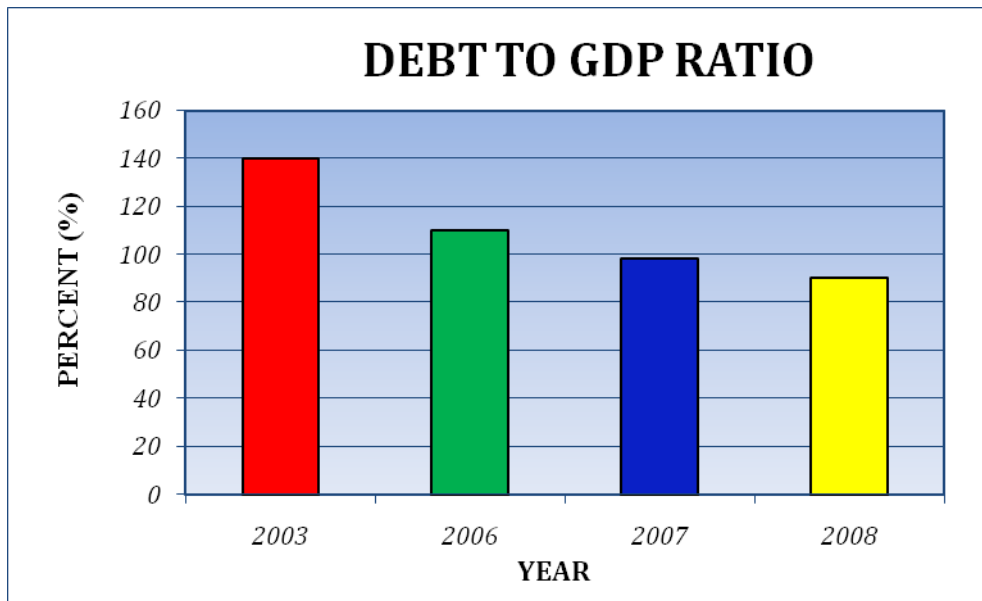
Permit me to draw your attention to a few facts. From 1979 to 2003 the previous administration made cash payments to these organisations totalling only \$7.02 million. If we were to be generous and include the parcels of land given to the Social Security Scheme which was valued at \$5.45 million, they 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 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:**

The road 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:***

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 2005, 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.

In order to access these benefits, the taxpayer will need to fill out a tax return form and indicate in this form that he or she wishes to make a personal income tax claim in respect of the above categories. The tax return forms may be collected from and, once completed, returned to the Inland Revenue Department with the relevant documents supporting the claim. In respect of the deductions for interest paid on residential mortgages, pension contributions or health insurance premiums, the tax payer will be eligible for an allowance or refund of up to \$2,000 for the relevant income year.

Further, in respect of the deduction applicable where a taxpayer is supporting a child who is studying full time, the total allowance or refund would be up to \$1,000 if there is one child in the household and up to \$2,000 where there are multiple children in the household. To be eligible, the child must be between the age of 18 and 25 years.

*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 Antiguans 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 master's 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.

## **ECONOMIC PROSPECTS 2009**

### **Madam Speaker:**

Economic activity is projected to expand in 2009, fuelled primarily by developments in construction and supported by the other service sectors. New and ongoing projects are expected to contribute to the increase in construction activity in 2009. In the public sector, work will continue on the Sunshine Community Hub – expected to be completed in February 2009, the Airport Development Project, roads and other infrastructural development. The Government is also expected to begin a low income housing project valued at US\$10.0 million in 2009.

The Antigua and Barbuda Investment Authority approved 13 new construction projects in 2008 and a number of these projects are expected to begin in 2009 and thus fuel the expansion of construction activity in the private sector. These new projects, valued at \$1.23 billion, will add an additional 942 rooms to the current stock of hotel rooms in Antigua and Barbuda. In addition, work is projected to intensify on a number of current projects including American University of Antigua Campus, Jumby Bay Resort Ltd, the further development of Jolly Harbour by the La Perla Group and a number of housing and condominium developments.

### **Madam Speaker:**

Our most conservative forecast of activity in the tourism industry for 2009 indicates that the number of stay-over visitors expected in 2009 will equal the level attained in 2008. However, given the level of marketing planned for 2009, the additional airlift secured from a number of international airlines operating out of the USA and Europe and the completion of phase one of the airport development project it is likely that activity in the tourism industry will expand in 2009 particularly in the second half of the year. 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.

Consistent with the expected development in construction and tourism in 2009 growth in output is expected in the other service sectors including “wholesale and retail trade”, transport, communication and “banking and Insurance”.

In the Financial sector, moderate growth in monetary liabilities and domestic credit are projected as economic activity expands. In the external accounts, the merchandise trade deficit is likely to contract, resulting from a fall in payments for imports associated with the decline in oil prices. Gross travel receipts are expected to increase, driven by growth in stay-over arrivals. Consumer prices are forecast to decline in line with the fall in prices of key commodities and the decline in the price of oil on the world market.

These projections are contingent on some improvement of conditions in the international economy in 2009. A further weakening of consumer confidence in the USA and the UK could result a downturn in tourism activity. Additionally, the further tightening of credit internationally may reduce the supply of credit to the construction sector and weaken the sector’s outturn in 2009. Other developments in the global economy, including an increase in oil prices and interest rates, could have an adverse impact on the merchandise trade balance, consumer prices and central government’s fiscal position.

## **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 difficulty 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 ABST transitional rate of 10.5 percent 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 Hotels and Tourist Association.

**Madam Speaker:**

This collaborative approach between the government, hoteliers and unions will undoubtedly allow Antigua and Barbuda to effectively meet any challenge 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. In due course the Government will move towards a national social compact between the Government, the Private Sector and Trade Unions (a formal tripartite arrangement) for the overall development of Antigua and Barbuda.

**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 connections 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 1 and Livingston Space will start a weekly service on Saturdays from Milan, Italy on December 20 2008.

**Madam Speaker:**

The expansion of the Airport facility to accommodate eight wide-bodied aircraft 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 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. In addition, plans are on the

drawing board for the execution of a partnership agreement between the Government and Royal Caribbean Cruise Lines for the expansion and enhancement of the waterfront in St. John's.

*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 have 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 2009 and is expected to initially generate employment for at least 200 Antiguans 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 of 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 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 (ABIA) 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 specific details on the investment climate, legislative and regulatory framework and the various incentives and concessions that they may access. One of the main objectives of the ABIA is facilitating wealth creation in Antigua and Barbuda. It does this by pursuing activities aimed at:

- Increasing investments
- Generating Employment
- Diversifying the economy
- Promoting enhancement of business capacity
- Increasing exports

- Promoting a supportive environment for business growth and competition
- Implementing reforms to enhance the climate for doing business

Another key component of the Authority's mandate is providing support and guidance to new investors and existing businesses. The range of services that have been rendered by the ABIA includes:

- providing investors with a comprehensive guide on establishing and doing business in Antigua and Barbuda;
- offering assistance and after-care services to facilitate business operations;
- Monitoring projects to ensure the investor complies with the conditions under which concessions were granted;
- Promoting and facilitating the development of indigenous businesses and providing technical assistance for micro, small and medium enterprises (SME);
- Developing and promoting Antigua and Barbuda's investment image

**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.

**Madam Speaker:**

In addition, the Antigua and Barbuda Investment Authority has identified and is spearheading the establishment of the International Medical Support Industry in Antigua and Barbuda. A start has been made with Medical Transcription which is the process whereby voice dictation by doctors (diagnoses, etc.) is converted to an electronic text format. Over 100 students are presently being trained in Medical Transcription at the Antigua and Barbuda International Institute of Technology (ABIIT). The aim is to train 360 transcriptionists in 3 years. Indigenous and International Transcription Companies will be set up to employ the transcriptionists. A strategy to introduce further international services in Medical Coding, Medical Billing, Bio-medical Sciences and Healthcare Informatics and manufacture of Medical Devices, is being developed.

The Antigua and Barbuda Investment Authority and a reinvigorated Free Trade and Processing Zone are collaborating on the establishment of an International Services (Technology) Park to

include call centres, international technical support services, business process outsourcing, light engineering, plastics and medical devices. The Free Trade and Processing Zone Act will be reviewed and updated to ensure it conforms to World Trade Organization (WTO) Rules.

ABIA, in conjunction with the International Trade Centre in Geneva will seek to develop a National Export Strategy for Antigua and Barbuda.

The Antigua and Barbuda Investment Authority, in collaboration with local stakeholders will commence efforts to attract investment in the Offshore Financial Sector, i.e. Internet Gaming, Offshore Banks, Limited Liability Companies, Trusts and Foundations. A Strategy to develop Antigua and Barbuda as an International Centre for Foundations and Charities is being considered. The government will introduce legislation for additional offshore products to include Mutual Funds, Captive Insurance Charities and Limited Liability Partnerships.

The performance of the ABIA would not have been possible without the contributions made to the Investment Authority by regional and international counterparts, including USAID COTS. Further, I wish to commend the Board, Management and Staff of the Antigua and Barbuda Investment Authority for their diligence and hard work. These achievements could not have been realized without them.

***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 through the Antigua and Barbuda Investment Authority for small business owners and Antiguan and Barbudans with a dream, or a creative spark that can result in a new business and additional employment.

**Madam Speaker:**

This legislation offers relief in respect of customs duties for inputs and vehicle importation, reduction of property tax, reduction of income tax, reduction of withholding tax, reduction in stamp duty on documents required for loans for the business or security for those loans, and reduction of stamp duty under the Non-Citizens Land Holding Regulations Act on the transfer or sale of property for the business. The Act also gives life to an important Government policy by enshrining into law the policy that as far as practicable, 25 percent of Government procurement contracts are to be reserved for small businesses registered under the Act.

**Madam Speaker:**

We recognize that once the decision is made to invest in the development of a new business or to expand an existing business, it is critical that the relevant processes be expedited to keep a certain momentum. This is perhaps more so in respect of small business operators. In this regard, mechanisms have been put in place to allow for a one-stop shop approach for investors in small business. This means that an investor wishing to establish a small business in Antigua and Barbuda will be able to enjoy a fast track system for the registration of the business and the grant of concessions to the business.

**Madam Speaker:**

The provision of assistance to small businesses through advisory services is a critical aspect of the work being undertaken by the Small Business Unit of the Antigua and Barbuda Investment Authority. Specific areas of intervention include:

1. Providing in conjunction with other organizations and line Ministries the requisite technical assistance as stipulated in the Act to small business operators. To date partnerships have been forged with various organizations such as Credit Unions, National Development Foundation, Gilberts Agricultural and Research Development Centre (GARDC), Chamber of Commerce, and line Ministries to undertake the delivery of technical assistance.
2. The ongoing local Business Directory survey will provide a complete listing of all businesses presently operating within Antigua and Barbuda. The directory also identifies sectors and various stakeholders. The Directory is a multipurpose tool to be used by the local and foreign business community and the Authority. It will allow the local business community to have greater visibility and foster greater business relationships. To ensure maximum exposure, the directory will be listed on the ABIA website to allow for the promotion of goods and services that are available locally.
3. There will be the continued provision of seminars in the areas of business, insurance, marketing, accounting, record keeping and human resource development targeted specifically to address the day to day management of a successful business. These modules are developed to allow for specific use by not only groups and organizations but any association that is involved in business development.
4. Specialized sector specific workshops will be undertaken in conjunction with the HUBS and Spokes Project from the OECS Secretariat, to provide guidance on the implementation of the Economic Partnership Agreement (EPA) between Cariforum and the European Union and how local businesses can access the European market.
5. The provision of assistance to small businesses as per the Act engages a multitude of disciplines which are necessary to ensure development is timely and growth is



encouraged. In the spirit of the Act the development process must be one that allows for an upgrading and expansion of goods and services being offered, and the incorporation of technology allowing for the creation of linkages within the local market and beyond. Projects will therefore be undertaken with the IT Department of the Government to allow for the incorporation of technology use within business strategy development.

6. The provision of commercial space for the start up and expansion of new and existing businesses will be undertaken with the renovation of the Coolidge factory shells and implementation of management policy to aid in the incubation process for business development.
7. Throughout the programmes outlined the building of linkages to supplement and complement the foreign direct investment component is closely interwoven to ensure that local businesses are given the opportunity to actively participate in the development of the economy.

**Madam Speaker:**

In addition to all these interventions, 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 low interest loans up to \$75,000 to open a new business or expand an existing business.

During the period of its existence, Madam Speaker, the Initiative has assisted over 180 entrepreneurs to pursue their dreams of achieving business independence while helping to create growth and jobs in the economy of Antigua and Barbuda. As at September 30, 2008, over EC\$ 6.5 million at the below market interest rate of 6.75 percent has been approved by the initiative's Loans Committee and the sum in excess of EC\$1.6 million in principal repayments have been made by these businesses.

The Empowerment for Ownership Initiative is committed to ensuring that the businesses it supports become successful small businesses and in this regard, will continue the workshop series "Strategies for Successful Entrepreneurs" in 2009. In addition, discussions will be held among the partners as well as international development agencies to identify the required funding for the establishment of a technical assistance program within the Small and Medium Enterprise Unit of the Development Bank that would provide borrowers with accounting, marketing and business preparation services at a nominal cost to the businesses.

**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.

**Madam Speaker:**

These efforts by the UPP Administration will not only strengthen the small business sector but will also encourage diversification into new areas of economic activity that are not directly dependent on tourism. We anticipate that in 2009, small businesses will demonstrate in a major way just how pivotal a role they play in securing the economic future of an economy such as ours.

***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.

**Institutional and Legislative Reforms - 2009**

**Madam Speaker:**

The Government will continue its fiscal reform initiatives in 2009 in order to generate even greater improvement in macroeconomic performance. We have completed all major work in respect of our tax reform programme and will focus on implementing mechanisms to further enhance efficiency in tax administration. This Administration's top priority in the coming fiscal year will build upon existing reforms and introduce additional institutional and legislative reforms. These interventions should boost revenue performance, rationalize public expenditure and ensure tighter controls on spending and procurement. Specifically, the Government will continue its customs renewal programme, press ahead with its expenditure management programme and enact the requisite legislation that will further transform the way we do business in the public sector.

There has been significant progress with respect to customs renewal, a programme which is intended to radically transform the way in which the Customs and Excise Department operates. Following months of preparation, consultations and training of customs staff, brokers, importers and traders, the Customs Automated System (CASE) was implemented on June 30th, 2008. Madam Speaker, there is tangible evidence that this new system has begun to yield positive results and we expect that in the coming fiscal year, we will observe improved public confidence in the Customs Department. Further, the CASE system will enhance the availability of more timely trade statistics, allow for more transparent and accountable operations, ensure faster and more efficient service, and increase voluntary compliance with Customs laws.

In 2009, we plan to continue the customs renewal programme with particular emphasis on making CASE the foundation of a major thrust to fully automate and modernize every trade related area within Government. Madam Speaker, we will also implement the E-payment module of the CASE system to facilitate online payments by traders and other users of customs. This will undoubtedly reduce the time spent at the Customs Department and help to expedite the process of clearing goods from the port.

The Government of Antigua and Barbuda is extremely appreciative for all the assistance received from the donor community in the implementation of this Customs Renewal Programme. In particular, we would like to thank the Government and People of Jamaica, USAID through the Country Open Trade Support (COTS), Gateway Foundation and CARICAD, the Caribbean Technical Assistance Centre (CARTAC) and the Organisation of American States (OAS).

**Madam Speaker:**

Our efforts with respect to enhancing expenditure management will continue to focus on building capacity in the Treasury and rolling out the FreeBalance Integrated Financial Management System (IFMS) software across other Government ministries and departments. A major achievement with respect to this system has been the automated processing of the Government Payroll at the Treasury. This means that all salary cheques and direct deposit

payments are now processed through the Human Capital Accountability (HCA) module of the IFMS.

The strategic objective of rolling out IFMS to all Government entities is to promote operational efficiency of data processing and increase Government's effectiveness in managing information for decision making. The FreeBalance IFMS software is used as a tool to accomplish this objective and to ensure fiscal discipline, operational efficiency, transparency and accountability. Effective change management and human resource capacity development are important for the success and sustainability of the FreeBalance system. Therefore, we will focus on improving management procedures and updating systems and procedures within the public sector to take full advantage of the Integrated Financial Management System.

In order to maximise the benefits from the FreeBalance system and to allow for the automation of procedure in the Treasury, we enacted the Finance Administration Act. Additional legislative reforms will be undertaken in 2009 to further strengthen the legal framework within which the modern and automated Treasury and Ministries will function. Specifically, the Regulations of the Finance Administration Act and a new Procurement Act will be passed early in 2009. Madam Speaker, both pieces of legislation will revolutionise the way in which government procures its goods and services and replace the outdated accounting procedures and stores rules currently used to conduct government business, thereby tightening the circle of fiscal efficiency.

Finally, the positive results we have realised to date were made possible by significant technical and financial support from regional and international donor and development agencies. We are very grateful for their unwavering support and look forward to the continued contribution of these agencies to our fiscal reform initiatives. We appreciate the interest of the various regional and international agencies, including the CDB, in seeing the implementation of strategies that will transform the macroeconomic landscape in Antigua and Barbuda.

## **Debt Management - 2009**

### **Madam Speaker:**

As indicated earlier, this Government has made tremendous strides in improving debt management. This success has been made possible with the financial support of the Canadian International Development Agency (CIDA) and the technical expertise of our debt advisors - Houlihan Lokey Howard and Zukin. Over the past four and a half years, we have managed to reduce the debt to GDP ratio by more than 50 percentage points from over 140 percent in 2003 to 90 percent in 2008. While this is a remarkable achievement, much more still needs to be done to fully eliminate a stock of arrears that has accumulated over more than thirty years, to secure debt sustainability in Antigua and Barbuda. Our intent in the coming fiscal year is to further reduce the debt to GDP ratio, improve our ratio of debt service to budget revenues, and strengthen procedures for acquisition, monitoring and reporting on public debt.

With financing from the Canadian International Development Agency (CIDA) we were able to fund two phases of our debt management project. We are very grateful for the invaluable contribution of CIDA towards the successes realized to date in respect of improving debt management in Antigua and Barbuda.

In 2009, Antigua and Barbuda will again benefit from the generous support of CIDA by participating in an Eastern Caribbean Currency Union (ECCU) project that will be funded by this agency. The project will provide approximately CAD\$7.2 million in funding over the next five years to facilitate the implementation of debt strategies in the ECCU countries. The project will be managed by a steering committee comprising representatives from each of the ECCU member countries.

### **Madam Speaker:**

While participating in this regional project, we will also continue our reconciliation efforts to ensure that all liabilities are properly recorded. This is an essential component of the

Government's plans to resolve all remaining domestic and external arrears. On behalf of the people and Government of Antigua and Barbuda I would like to once again thank CIDA for providing funding for our debt management project and the consultants from Houlihan Lokey Howard and Zukin for their hard work in facilitating the development and implementation of our debt management strategy.

## **BUDGET PROJECTIONS – 2009**

### **Madam Speaker:**

The government experienced some setbacks with respect to its fiscal programme in 2008. The outturn on the revenue side was below the projected level. This resulted from the Government subsidising the retail price of gasoline and diesel as well as to reduce or remove the duty and CST on a number of food items. The total value of these subsidies is approximately \$70.0 million. Some challenges were also experienced on the expenditure side. The implication of this on the overall fiscal account is that the primary balance is expected to deteriorate to about 4.2 percent of GDP at the end of 2008.

Notwithstanding the challenges of the global financial crisis and the impact this may have on the fiscal account the overall fiscal objective over the next three years will be to realize an annual reduction in the primary fiscal balance of no less than 1.0 percent. The budget revenues and expenditures for 2009 can be seen as the first step towards achieving this fiscal objective.

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 \$50,530,916.



### **Recurrent Expenditure:**

Recurrent expenditure for 2009 is budgeted at \$851,973,852 compared to revised budgeted expenditure of \$883,737,222 for 2008. The decline in expenditure in 2009 is primarily due to certain outlays on personal emoluments, good and services and transfers that occurred in 2008 but are not recurring in 2009.

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 \$358,119,290 compared to \$368,051,010 for the revised estimate for 2008.

Government's Social Security and Medical Benefits contributions are budgeted at \$25,345,720 compared to \$25,387,011 in the revised estimates for 2008.

For Pensions and Gratuities a budgetary allocation of \$56,225,844 is included in Budget 2009. This compares to \$55,410,819 in the revised estimates for 2008.

We have budgeted \$220,703,104 for expenditure on Goods and Services in 2009. This compares with \$229,703,104 in the revised estimates for 2008. The growth in the level of expenditure in 2008 and 2009 reflects increased expenditure on road construction. Given the increase in the price of oil and the price of steel the cost of materials for road construction increased significantly in 2008 and is expected to continue in 2009. The budgeted amount in 2009 also

reflects additional allocations to the Ministry of Tourism to ensure it can effectively market Antigua and Barbuda in the coming year.

In terms of Transfers and Grants, we budgeted \$115,165,860 for 2009 compared with \$111,124,611 in the revised estimates for 2008.

Finally, Debt Service payments are budgeted at \$198,732,712 for 2009 compared to a budgeted total of estimate of \$184,937,891 in 2008

## **RECURRENT EXPENDITURE**

### *Expenditure in the Prime Minister's Ministry*

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 and to increase its capacity to meet its very important mandate of 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.

In 2009, Barbuda will benefit from the construction of the Barbuda Artisanal Fisheries Project. This is made possible by a grant from the Government of Japan valued at EC\$16.2 million. The complex will go a long way towards strengthening the fisheries sector in Barbuda.

### *Information and Communication Technology (ICT)*

#### **Madam Speaker:**

The Digital Agenda of the Government has been empowering our young people and adults alike to become enabled with information technology. In 2009, we will continue the expansion of the Community Access and Empowerment Centres by equipping 12 additional public primary schools with state of the art computer labs. We will also continue to deploy life enhancing technology for the certified visually challenged as well as the hearing impaired. In order to position Antigua and Barbuda on the cutting edge of technology, the Ministry of Information, Broadcasting, and Telecommunications has developed a policy that will result in the deployment of personal computers and broadband internet access in every home in Antigua and Barbuda by 2012. The first phase of this policy will be initiated by providing laptops for lease to students and teachers at institutions of higher learning in Antigua and Barbuda. These new initiatives have received a combined allocation of \$2.9 million.

The new ICT headquarters to be constructed in 2009 will serve as the home for a Tier Three Data Centre that will significantly propel the State's e-government, e-education and e-business thrust. It will also allow for the convergence of Government's central ICT and ICT related staff.

To facilitate these and the many other areas of work of the Ministry of Information, Broadcasting and Telecommunications, a total of \$27,770,358 has been allocated in Budget 2009.

In the Department of Immigration a Naturalization and Facilitation Unit will be established in 2009 to facilitate processing of applications for work permits and residency for bona fide applicants. This Unit will also assist in integrating new residents and work permit holders into the country's education and social services network.

Finally, Madam Speaker, we have allocated \$750,000 in Budget 2008 to allow the National Economic and Social Council to become fully operational in 2009.

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

#### **Madam Speaker:**

For a small, island economy that lacks natural resources such as fossil fuels, precious stones, metals and mineral deposits, attaining high and sustainable levels of development is no easy task. A nation such as ours is even more disadvantaged when we find ourselves having to compete on a global stage with economies that are much larger and possess an abundance of natural resources. Despite these challenges, any possibility of our survival in the global economy demands that we make the best use of the resources that are at our disposal. In Antigua and Barbuda, to say that our people are our most valuable resource is no empty platitude. This nation's success has been and will continue to be dependent upon how effective we are at harnessing the talents and skills of our people in order to realise our development goals.

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. An important goal is to have one university graduate per household. Already over 1000 students are currently on scholarships throughout the world through the Government's Programme of building a knowledge based society.

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 further development of education 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:**

While the recruitment of additional teachers is critical, this is merely one element of a multifaceted approach to transforming the education system in Antigua and Barbuda.

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 negotiated to commence construction of another school in Antigua and Barbuda.

In addition to the construction of new schools, the Government will seek to expand some existing facilities and assess the feasibility of converting a primary school facility into a secondary school.

**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. In order to facilitate the transition to universal secondary education, it is imperative that the right infrastructure and programmes are in place to meet the educational needs of all children. Hence, the construction of the new schools and implementation of plans to convert and equip existing plants to absorb the greater numbers of children who will be accessing secondary education must be a priority now if we are to attain our goal.

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 and Barbuda 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.

Other areas of focus will be the development of an Early Childhood Learning Centre, the establishment of a Measurement and Evaluation Unit to enhance the secondary school product, advancing work towards converting the Antigua State College into a full degree granting institution, and strengthening the Antigua and Barbuda Institute of Continuing Education

(ABICE) and the National Training Agency (NTA) to further improve technical and vocational education in Antigua and Barbuda.

**Madam Speaker:**

In 2009, the Government will work along with all relevant stakeholders to identify the modalities through which an Education Commission may be established in Antigua and Barbuda. This Commission should facilitate a more broad-based approach to the development of policies and strategies that are intended to address the education and training needs of the nations. Overall, it is expected that this Education Commission will better position Antigua and Barbuda to respond to challenges in the education sector and exploit opportunities that will create an education system in Antigua and Barbuda that is second to none.

Madam Speaker:

In an effort to move Antigua and Barbuda one step closer to attaining the objective of having at least one university graduate per household, the Sunshine Government will build on the National Student Loan Fund, which was initiated in 2008. This National Student Loan Fund complements a number of existing initiatives which all serve to promote education at the highest levels in Antigua and Barbuda. Through these various programmes, there are more than 1,000 Antiguan and Barbudans studying on scholarships at institutions all over the world.

Finally, the Government will continue to upgrade sporting facilities in Antigua and Barbuda. It is expected that the Sports Complex and Community Centre in Barbuda will be completed in 2009 and work will commence shortly on the Grays Green Community Centre. Other areas that would benefit from work on sporting facilities include Buckleys, Five Islands, Old Road, Jennings, Powells, Pares and Urlings.



### *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:**

We will continue to focus on providing the necessary crime fighting equipment and vehicles to the Police to better enable them to carry out their mandate. Our investment in new and modern equipment has allowed the Police to have the capacity to digitize fingerprints for the first time. This initiative will continue in 2009 and will facilitate further strengthening of the criminal database. With this digital database, the Police will be able to process and identify fingerprint data collected at the scene of a crime in a much more efficient and timely manner.

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.

**Madam Speaker:**

This Government is also cognisant of the need for a comprehensive rehabilitation programme that especially targets young offenders. Our criminal rehabilitation programme will provide training to prisoners in a number of areas including computer literacy, various trade related skills and farming.

**Madam Speaker:**

Other areas of focus for the Ministry will include increasing access to the Public Legal Aid and strengthening the Prices and Consumer Affairs Division to carry out its mandate of consumer safety and protection. With respect to the Prices and Consumer Affairs Division, emphasis will be on enhancing human resource capacity, providing training and revision of the Price Control Act.

In particular, Government will continue to provide training for high ranking 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. All these interventions should better enable the Police in collaboration with other crime fighting agencies such as the Customs and Excise Division, the Immigration Department, the Defence Force and the Office of National Drug Control and Money Laundering Policy (ONDCLP) to create a safe and secure environment for all citizens, residents and visitors in Antigua and Barbuda.

### ***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:**

A budgetary allocation of \$8,829,282 has been made in Budget 2009 to facilitate the work of the Ministry of Social Transformation and Housing.

#### **Madam Speaker:**

You will recall that this Government, with the assistance of the Caribbean Development Bank, embarked on a comprehensive Country Poverty Assessment and Survey of Living Conditions to determine the extent, severity, characteristics and geographical status of poverty and other pertinent social imperatives. Armed with the necessary statistical information, the UPP Administration sought to intensify its programmes through which tangible and meaningful support could be provided to vulnerable and disadvantaged groups in Antigua and Barbuda. These interventions were particularly important if we were to achieve equitable and sustainable development and meet the relevant milestones in respect of our Millennium Development Goals (MDGs).

#### **Madam Speaker:**

Of the \$13.8 million, an amount of \$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:**

We are very cognisant of the problem of vagrancy and its impact on the society as a whole. As a first step in addressing this problem, we commenced a programme through which meals and other services are offered to vagrants. The Government recognises that a more comprehensive approach is required in order to tackle the problem of vagrancy. In this regard, we will finalise a Vagrancy Control Programme in 2009 which will allow the Government to implement more long term solutions to the problem.

Special emphasis will also be given to legislative reform in the area of child protection to ensure that our children remain safe from abuse and discrimination in all forms. The Ministry will work closely with UNICEF and other key stakeholders on this critical issue of Child Protection Reform.

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 model 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.

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.

To ensure that farmers are able to meet demand, the Ministry will provide long term leases to farmers which may be used by farmers to access credit. In addition, the relevant training, equipment services and technical support will be provided to farmers through the agriculture extension services. Further, there will be particular focus on upgrading the livestock division, developing agriculture infrastructure and repairing damage caused by Hurricane Omar and other storms. This will include repairing dams and farm feeder roads.

A critical component of this drive to enhance agriculture production will be the revitalisation and recapitalisation of the Central Marketing Corporation (CMC) so that it can effectively meet the needs of farmers at every level of the production scale. The CMC will receive the requisite

support so that it can enhance its ability to provide essential inputs to farmers across Antigua and Barbuda. Also, 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 in order to facilitate greater activity in agro processing. This facility will allow the CMC to boost its marketing and distribution efforts on behalf of the farmers, thereby allowing them 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.

The Ministry also plays an important part in ensuring the food provided for consumption, whether domestically produced or imported, is safe for the population. In light of this, the laboratory in the Department of Analytical Services will be upgraded and the requisite equipment provided to promote food safety and compliance with international standards and certification requirements. Further, emphasis will be placed on ensuring the existence of adequate food safety legislation to better protect the people of this nation.

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. The Ministry will also continue its work to make land available to Antiguan and Barbudans through its land distribution programme. The Land Department is currently completing surveying work that will allow for the provision of an additional 550 parcels of land for 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 Tourism, Civil Aviation, Culture and the Environment***

A total of \$96,644,388 has been allocated to support the work of this Ministry in 2009.

These resources will allow the Ministry to continue to roll out its strategic marketing plan which is aimed at ensuring that the country receives maximum benefit from the increase in airlift and the investment in other key infrastructure. Further, the Government will enhance its efforts to partner with key stakeholders to market the destination worldwide. In this regard, the marketing budget for tourism will be increased to \$12 million for 2009 and this will assist the ministry in achieving a number of objectives. The marketing strategy for 2009 will include:

- Targeting those regional and international market segments that hold good potential for business to Antigua.
- Promoting Antigua and Barbuda as a distinctive and preferred destination through public relations programmes and through advertising in the electronic and print media.
- Securing adequate scheduled and chartered air seats to Antigua and Barbuda from targeted airlines and tour operators in the international markets.
- Collaborating with the private sector: hoteliers, attractions and transportation operators etc., to effectively market Antigua and Barbuda and to ensure that the product is in alignment with recognized consumer needs.

- Exploiting the advantages of Internet technology to market the country.

In essence, Madam Speaker, the framework that is necessary for the continued expansion of activity in the industry is in place; and notwithstanding the possible challenges facing the industry in 2009 the Government through the Ministry of Tourism will continue to play its role to support the overall growth and development of the industry.

Further, Madam Speaker, the Government has undertaken significant work on the design and preparatory stages that will allow construction to commence on the Caribbean Festival Park in 2009. Once completed, the Caribbean Festival Park will showcase the cultural diversity that makes Antigua and Barbuda the Caribbean melting pot. This Park will operate year round and should play a major role in attracting additional visitors to Antigua and Barbuda.

*St. John's Development Corporation*

**Madam Speaker:**

The St. John's Development Corporation will continue the maintenance and upkeep of the areas under its jurisdiction. In keeping with its Mission which is "to make St. John's City the model of the Caribbean by providing amenities for the development and benefit of its Stake holders, while creating an environment of excellence", in 2009, the Corporation will work towards the finalization of a City Renewal and Revitalization Plan for the City of St. John's.

A number of the areas of focus for the St. John's Development Corporation will include:

1. Installation of Parking Meters to reduce traffic congestion in the City. This project will be done in collaboration with the Transport Board, Police and other Stakeholders.
2. Bringing into operation the City Maintenance Unit.

3. Bringing into operation the “Green Area” and the Tourist Information Centre at the junction of High Street and Corn Alley. This project will enhance the aesthetics and ambience of this area of the City, and add life and vibrancy to the City.
4. Continuing the programme for improvement of the infrastructure in the physical environment in the City.
5. Development of the Waterfront Area – to include enhancement of the facilities for Cruise Visitors, Shopping Malls, Hotels and other facilities for the enjoyment of tourists and locals. It is expected that the project will ensure that there is vibrancy, and enhanced social and economic activities on the Waterfront. At the moment, the Quay is dormant when there is no Cruise Ship in port. (This project will be a collaborative effort between the Government of Antigua and Barbuda (GOAB) and the Royal Caribbean Cruise Lines (RCCL).
6. Installation of Closed Circuit Television cameras for the security of business owners in the Quay, and for their clients, (tourists and residents) who patronize the stores in the Quay.

Madam Speaker:

The Government commends the Board of Directors under the leadership of Senator Lenworth Johnson, Chairman of the Board, and the Management and Staff of the Corporation for their sterling efforts in the transformation of the Corporation and its significant accomplishments in respect of City Improvement during the period 2004 - 2008. Further, the Government also expresses appreciation to various private sector partners who have supported the Corporation's efforts in the City upgrade.

***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.

These resources will facilitate the enhancement of the Inland Revenue Department, the Customs and Excise Division, and the Treasury Department. With respect to the Inland Revenue Department, emphasis will be placed on strengthening the Property Valuation Unit and the ABST Unit to allow for further improvements in revenue collection.

**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 National Economic Commission of 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.

Other areas of focus for the Ministry in 2009 will be the continuation of the debt management project, and advancement of the work of key departments such as the Bureau of Standards, Industry and Commerce, and Cooperatives.

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, a tax payer 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 indicated that the Programme generated as much as JM\$6.5 billion in additional revenues. Moreover the programme led to an increase in the level of voluntary tax compliance as they were able to register an additional 3,000 companies and self employed persons.

### *Expenditure in the Ministry of Health*

#### **Madam Speaker:**

Stakeholders continue to believe, and rightfully so, that good health care is a fundamental pillar on which a resilient country must be built. As such, Budget 2009, shall cater for the imminent transition from Holberton Hospital to Mount Saint John Medical Centre. The opening of Mount Saint John Medical Centre will mark a seminal event in the history of Antigua and Barbuda and will represent an important forward step on the road to securing our future.

In this regard, an allocation of \$85,848,545 has been made for the Ministry of Health to undertake its very critical mandate in 2009.

To facilitate the transition from Holberton to Mount St. John, an allocation of \$3,000,000 has been made in Budget 2009. Further, the necessary arrangements have been made in Budget 2009 to facilitate the transfer of any resources allocated to Holberton Hospital in Budget 2009 to the Mount St. John Medical Centre at the time it commences operations.

The resources provided in Budget 2009 will also allow the Ministry to continue work related to enhancing primary health care facilities across the country and continuing the National Beautification Programme being undertaken by the Central Board of Health.

#### ***Expenditure in the Ministry of Labour, Public Administration and Empowerment***

This Ministry has been allocated \$11,857,526 in Budget 2009.

These resources will be utilized by the Ministry to continue work in relation to the issuance of Skilled National Certificates to Antiguan and Barbudans. This will allow our nationals to take advantage of the opportunities presented in the CSME and seek employment across the region.

Madam Speaker, the Ministry will also continue to assist qualified nationals to attain employment in the private sector through the Job Placement Department's efforts.

#### **Madam Speaker:**

This Government condemns any incidence of sexual or other violence in our society and will, through the Gender Affairs Division of the Ministry will seek to advocate on behalf of those affected by these and other challenges. To complement these efforts, a two year programme to be funded by UNIFEM will commence in 2009 and will focus on strengthening state accountability and on community action to end Violence Against Women.

Further, Madam Speaker, the Ministry will enhance its Youth Empowerment Programme in 2009 with the intent of enhancing the availability of adequate training and employment opportunities for our young Antiguan and Barbudans.

**Other Budgetary Allocations:**

***Expenditure for Democracy and Governance***

The Budget 2009 allocation for the Governor General's Office is \$1,227,057.

For the Legislature, the allocation is \$2,266,565.

The allocation for the Cabinet Office is \$3,471,900.

***Expenditure for the Justice System***

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

For the Office of the Attorney General and Ministry of Legal Affairs, an allocation of \$9,778,018 is made available to allow the Government to continue the implementation of its legislative agenda in 2009.

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

The 2009 Budgetary allocation for the Services Commissions is \$649,129.

The provision for the Audit Department is \$1,490,341.

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

The provision for Charges on the Account of the Public Debt is \$198,732,712.

The 2009 provision for the Electoral Commission is \$3,839,761 and \$132,645 has been allocated for the Office of the Ombudsman.

### *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 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 trying 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 the 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 decade 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 just a little longer. I have every confidence that the Minister of Works, the Honourable Wilmoth Daniel will get the job done.

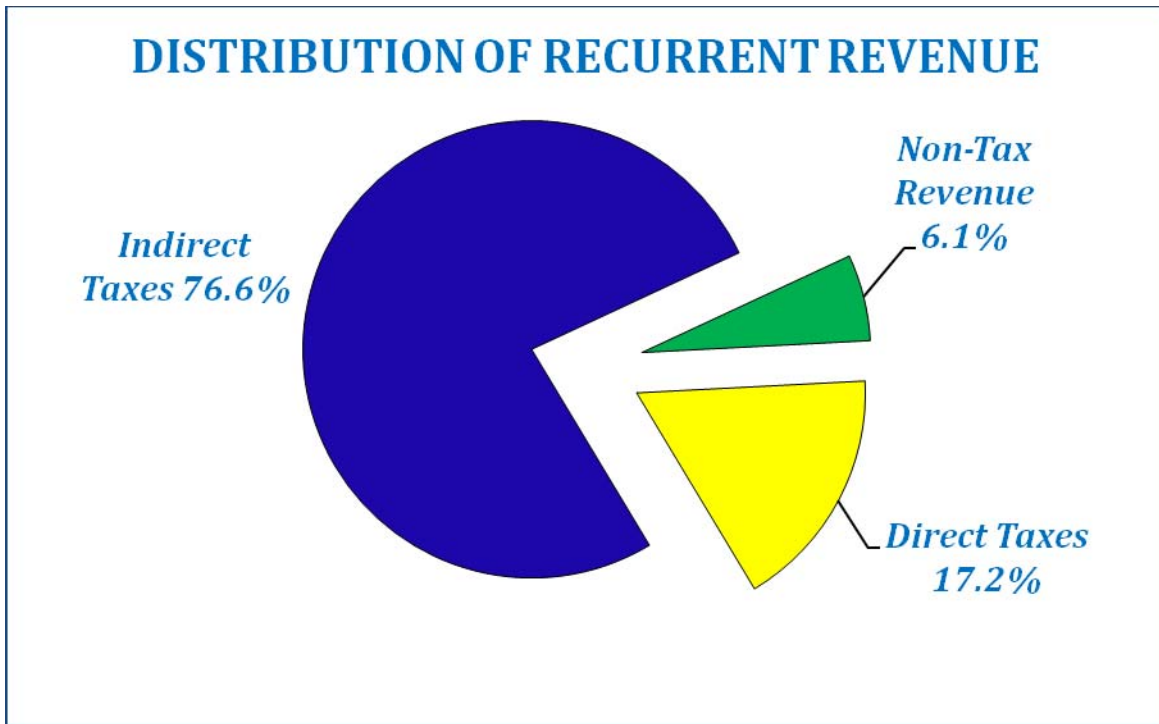
**Madam Speaker:**

Over the coming year, this Government will continue to implement its road programme. Every community will benefit from the road programme and will have proper roads.

**RECURRENT REVENUE**

**Madam Speaker:**

Recurrent revenue for fiscal year 2009 is budgeted at \$799,521,864. 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.



*Direct Taxes*

**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.

The main source of the projected revenue from taxes on income will be corporate income tax revenue which is expected to yield \$65,123,000. This represents a 21 percent increase in revenue from the corporate income tax compared to last year's budgeted figure.

Further, the personal income tax, which generates about 39.5 percent of revenue from taxes on income, is expected to yield \$54,500,000 in 2009.

In terms of revenue from the property tax, this measure is expected to yield revenue of \$18,000,000 in 2009. As the Inland Revenue Department continues to retool and adopt new mechanisms to improve efficiency in their operating procedures the Government expects to enhance compliance and generate additional revenue.

**Madam Speaker:**

Pieces of the legislation relating to the Corporate Income Tax, the Personal Income Tax and the Property make provision for the establishment of mechanisms through which tax payers may seek relief in respect of their tax liability. These mechanisms include the Income Tax Appeal Board, the Valuation Appeal Board and the Property Tax Relief Committee. With respect to the corporate and personal income taxes, an individual may challenge an assessment of their income tax liability by making use of the Income Tax Appeal Board. For the property tax, a tax payer may challenge a valuation upon which his tax liability is based through the Valuation Appeal Board. On the other hand, where a taxpayer does not query the valuation and the related tax liability but is unable, for whatever reason, to pay his property tax, the taxpayer may apply to the Property Tax Relief Committee. This Tax Relief Committee is vested with the power to grant relief of tax for a year in respect of owner-occupied residential property. These various Boards have been established in order to ensure that the tax system is fair and balanced in terms of the treatment of all taxpayers.

*Indirect Taxes*

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). The ABST is a VAT-type tax applied at a rate of 15 percent on goods and services. As indicated earlier, there is an extensive basket of essential goods for which the ABST rate is zero percent. In addition to the list of zero rated goods, water and electricity used for residential purposes are also zero rated. The ABST legislation also exempts the supply of a number of services including education services, the sale of residential

property, the provision of prescription medications, and the supply of medical, dental, nursing, optical and other health services.

**Madam Speaker:**

During this year's pre-budget consultations, a number of suggestions were made in respect of items that may be added to the basket of essential goods and thereby face an ABST rate of 0 percent. One suggestion which was accepted was that personal computers and all related products should be fully zero rated. This would vastly simplify the existing process which requires individuals to receive authorisation through various Government departments before they can access the benefit of an ABST free computer for personal use. By zero rating the personal computer and the products related to its use, individuals will no longer need to seek authorisation from Government departments. This, Madam Speaker, is just another aspect of our ongoing Digital Agenda and should take us one step closer to realising the goal of having a computer in every household in Antigua and Barbuda.

Another recommendation that we have taken on board is the need to zero rate certain food items in order to support more healthy eating habits and lifestyles. We started this process when the basket of essential goods was first established by zero rating all fruits and vegetables, juices, soya products and similar items. 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 that no ABST will be applied to these items. 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:**

A critical provision in the ABST legislation is the exemption of the supply of inputs for the agriculture sector – including fisheries. This provision was made to facilitate the development of the sector and to ensure that the objectives of food security and agricultural production for

exportation were attained. 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 Agricultural operators. 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

As indicated above, 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 refund payments 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.

**Madam Speaker:**

The improved performance with respect to tax collection and tax administration in Antigua and Barbuda was due to the tireless efforts of the Comptroller of Customs, the Commissioner of Inland Revenue, and all of the staff of the Customs and Excise Division and the Inland Revenue Department. In addition, the successful transformation of the tax system in Antigua and Barbuda was made possible by the significant financial and technical assistance received from a number of regional agencies and governments, and international organizations. I wish to take this opportunity to once again thank these governments and agencies for their invaluable support.

Further, I am extremely grateful to the management and staff of the Customs and Excise Division and the Inland Revenue Department for their commitment to the tax reform initiative and for their hard work and dedication to the vision of ensuring greater tax efficiency in Antigua and Barbuda.

## **DEFICIT FINANCING AND DEBT SERVICING**

### **Madam Speaker:**

Total revenue inclusive of grants and transfers for 2009 is estimated at \$895,548,726 while total expenditure is estimated at \$1,145,811,844. The result is an overall deficit or a financing gap of \$250,263,118. The Government will continue its prudent approach to budgeting and maintain its steady track towards debt sustainability. This means that to bridge this financing gap, the Government will seek to raise funds at the cheapest cost and to continue access financing available through the issuance of securities on the Regional Government Securities Market (RGSM), and assistance of friendly nations and multilateral agencies.

As of the end of September 2007, Central Government's total outstanding debt stood at \$2.67 billion. This amount includes arrears accumulated to a number of creditors over many years that have not yet normalised. Of that amount, Domestic Debt represented approximately 52 percent of the total, or \$1.4 billion. Government continues to borrow only for projects deemed essential.

For 2008, Government is budgeting approximately \$198,732,712 in total debt service payments to honour its obligations to both domestic and external creditors. This is an increase of approximately \$14 million, over the amount of debt service that is expected to be spent during 2008 as old liabilities coming near to maturity would require additional principal allocations.

## **SUPPORT/RELIEF MEASURES – 2009**

**Madam Speaker:**

The Sunshine Government has a proven track record of Putting People First. Over the past four and a half years we have provided meaningful relief to the people of Antigua and Barbuda by reducing and in some cases removing taxes in respect of hundreds of essential goods. We have also adopted policies and implemented measures that made homeownership more attainable for many of our nationals. In addition, this Government has reduced the financial burden on thousands of families through its School Uniform Grant and National School Meals Programmes. We ended years of mistreatment of civil servants by implementing long awaited increases in remuneration and liquidating back pay that accumulated for more than a decade. In recognition of the special needs of vulnerable groups such as pensioners and the disabled, this Government has allocated resources and implemented measures that have brought significant relief to these vulnerable segments of society.

**Madam Speaker:**

If one were to listen to our devious detractors, it would appear that the Sunshine Government had not done one iota of good for the people of this country. In fact, they, like the silver tongued serpent in that most famous of gardens, would try to convince you that the UPP Administration was responsible for the global financial crisis and the resultant economic challenges. They are some crafty blokes who will say and do anything to regain control of the public purse. And, Madam Speaker, the people of this country are all too aware of the havoc they can and will wreak if given the chance. Indeed, the wounds inflicted on Antigua and Barbuda by the lumbering big red machine, though healed by the soothing balm of this caring Government, are not easily forgotten by the people of this nation.

**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 Antiguans 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 they 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 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. 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 of 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.

As stated earlier, we have used resources from the grant portion of the financed fuel received through the Petro Caribe arrangement, to provide senior citizens across Antigua and Barbuda with relief in respect of their utilities bills. To date 3,327 senior citizens have enrolled and benefitted from this Senior Citizens Utilities Subsidy Programme.

This is just the first social programme to be funded with these resources. In fact, Madam Speaker, we are about to embark on another programme that will provide relief to many needy persons across Antigua and Barbuda. Through the People's Benefit Programme, the Government, through PDV Caribe Antigua and Barbuda Limited, will provide a \$200 per month benefit to the disabled and to the economically disadvantaged. This benefit will be provided by way of a special debit card which will be used to purchase food and personal household items. Madam Speaker, this is yet another social programme made possible by the Sunshine Government, a programme that will provide real and meaningful relief to approximately 2000 persons.

### *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 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 system 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 conjunction with the Association of 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 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 year 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.

***Discount on APUA Electricity Bills***

**Madam Speaker:**

Antiguans and Barbudans, like other residents of oil importing developing countries across the region, were faced with significant increases in electricity bills due to the escalation in the international price of oil. Recognising the impact that these high prices may have had on families across the nation over the past several months, the UPP Administration announced on November 1<sup>st</sup> 2008 that a 15 percent rebate would be provided on electricity bills. Madam Speaker, this programme will last for six months and will allow every subscriber to receive the discount on his or her electricity bill. For a family where the electricity bill for the month of December is \$250, at the point of payment of that bill, the individual will receive the 15 percent discount and therefore pay \$212.50 instead of \$250.

Further, Madam Speaker, the APUA has commenced an assessment of the existing formula for calculating the fuel variation charge. It is expected that the assessment will be completed in early 2009 and that recommendations for a new formula will be put forward for consideration by the Government. The intent of this new formula is to provide further relief for the population in 2009.

***No ABST on Construction of New Homes***

**Madam Speaker:**



The UPP Administration has been on a campaign to make home ownership a reality for every Antiguan and Barbudan. To facilitate this, we have sought over the past four and a half years, to reduce the cost of home construction. In 2008, this Government made amendments to the Antigua and Barbuda Sales Tax and included a provision which offers relief in respect of materials utilised in the construction of new homes. Essentially, Madam Speaker, we have zero rated the supply of construction services and materials in respect of the construction of a new home.

To access this benefit, an individual may use the services of an ABST registered contractor to carry out the construction. In this case the homeowner would not pay ABST on the construction service on the building materials.

Secondly where a person opts to purchase materials directly from a builders' merchant or hardware store then he or she will be charged ABST at the time of purchase. In this case, the individual should obtain an ABST receipt in respect of his/her purchases. This receipt should contain the name of the individual, a description of the goods, the amount paid and the ABST showed separately. The individual would then obtain forms ABST 007 and 008 from the Inland Revenue Department and, having completed the forms, submit a monthly claim in respect of the amounts paid in ABST on building materials. Inland Revenue will then arrange for a refund of the ABST amounts to be paid to the individual.

The ABST Unit at the Inland Revenue Department will provide the necessary support and information to persons undertaking new residential construction to ensure that they can effectively access this benefit.

## **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. Antiguan 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 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:**

Under the firm and steady hand of the UPP Administration, this nation has faced a number of external economic challenges. However, these challenges did not faze us. You see, Madam Speaker, the UPP Train is travelling on a set of tracks that are rooted in a bedrock of sound fiscal, economic and social policies. So, whether our country must face the gale force winds of

external economic challenges or the fury of some natural disaster, this train, though it may be shaken will not be derailed. The UPP will continue to move Antigua and Barbuda forward to a future that is gleaming with economic prosperity and social advancement. Madam Speaker, it is clear to us that even the slightest wind of external economic difficulty will easily topple the dilapidated, big Red House from its feeble foundation.

Madam Speaker, the members of the former administration can weave as many 'Nansi' stories as they like, but the people of this nation will never again return to their house of horrors.

**Madam Speaker:**

The ALP under the leadership of Lester Bryant Bird and my Honourable opponent from St. John's Rural 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 \$200.0m. Given the current structure of Government's expenditure this would result in a current account deficit of \$190.0m and an overall deficit of \$284.0m 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 \$623.0m in 2009. At present, expenditure on wages and salaries, goods and services and pensions and gratuities amount to \$635.0m. 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 payment, and Capital expenditure. Madam speaker I submit that this mathematical problem has no 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 \$200.0m the Government could only close the fiscal gap if they:

- (1) Reduced the wage bill by cutting employment
- (2) Stopped paying Contribution to Social Security, Medical benefits and The Board of Education
- (3) Reduced the level of Capital Expenditure
- (4) Stopped servicing the Debt
- (5) Eliminated the School Uniform Programme
- (6) Reduced pensions to pre-2005 levels
- (7) Ended the School Meals Programme
- (8) Eliminated 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 moving in the Right Direction on the UPP Train of success. As we work together to secure a better Antigua and Barbuda for future generations, we will be called upon to make some sacrifices. Indeed, to achieve any objective, one must forego something of value in the present.

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. However, the former administration made a massive mess of the public purse and, while this Administration intended the Personal Income Tax to be a temporary measure, we are not yet in a position to remove it. Though this may be the case, Madam Speaker, the Sunshine Government does intend to make future adjustments to the personal income tax whenever feasible.

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.

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- Ms. Donna Sandy



## APPENDICES

### **The Basket of Essential Goods:**

**There is NO ABST on the following items:**

#### **Baby Products**

Baby Bottles  
Baby Nipples  
Baby Wipes  
Diapers  
Baby Formula  
Baby Foods  
Baby Juices

#### **Fruits & Vegetables**

Apples  
Apricots  
Bananas  
Cherries  
Plantains  
Coconut  
Dates  
Figs  
Pineapple  
Avocados  
Oranges  
Lemon  
Grapefruit  
Limes  
Grapes  
Guavas  
Mangoes  
Melons  
Passion fruit  
Soursop  
Golden apple  
Papaws  
Peaches  
Pears  
Plums  
Strawberries

Raspberries  
Potato  
Tomato  
Carrot  
Peas  
Beans  
Onions  
Garlic  
Broccoli  
Eggplant  
Spinach  
Cauliflower  
Cabbage  
Lettuce  
Pumpkin  
Other Vegetables

### **Dry Goods & Oils**

Sugar  
Black Pepper  
Cocoa Powder (unsweetened)  
Ovaltine  
Milo  
Other Cocoa Powder  
Cornmeal  
Pasta  
Corn Oil  
Olive Oil  
Soybean Oil  
Sunflower Oil  
Canola Oil  
Other Cooking Oil  
Margarine  
Rice  
Salt  
Shirley Biscuit  
Other Sweetened biscuits  
Crackers  
Other Unsweetened Biscuits  
Tea  
Tofu  
Soya Chunks

## **Bread, Dairy & Cereal**

Local Bread  
Local Bun  
Butter  
Corn Flakes  
Raisin Bran  
Oats  
Cream of Wheat  
Other Cereals  
Cheese  
Margarine  
Milk  
Powdered Milk

## **Dried Fish & Canned Meats**

Corn beef  
Salt Fish  
Ling Fish  
Sardines  
Smoked Red Herring  
Luncheon Meat  
Mackerel (pickled)  
Canned Sausages  
Tuna

## **Household Sundries**

Dish washing liquids

### **Insecticides**

Mosquito coil  
Powdered Detergent  
Liquid Detergent  
Toilet paper  
Soap  
Liquid Soap  
Toothpaste

### **Other Items**

Lumber  
Medicine (retail)  
Adult Bed Pads  
Adult Diapers  
Newspaper  
Pharmaceutical goods  
Plywood

### **Beverages**

Malt  
Mineral Water  
Bottled Water  
Apple Juice  
Grapefruit Juice  
Grape Juice  
Lime Juice  
Orange Juice  
Passion Fruit Juice  
Pineapple Juices  
Tamarind Juice  
Tomato Juice  
Vegetable Juice  
Juice Mixtures  
Fruit Drinks  
Mineral Water  
Soya Milk

### **Meat & Poultry**

Eggs  
Chicken  
Pork  
Beef  
Mutton  
Turkey  
Sausages

## The Basket of Essential Goods:

### Items at 0% Customs Service Tax:

#### Baby Products

Baby Bottles  
Baby Nipples  
Baby Wipes  
Diapers  
Baby Formula  
Baby Foods  
Baby Juices

#### Fruits & Vegetables

Apples  
Apricots  
Bananas  
Cherries  
Plantains  
Coconut  
Dates  
Figs  
Pineapple  
Avocados  
Oranges  
Lemon  
Grapefruit  
Limes  
Grapes  
Guavas  
Mangoes  
Melons  
Passion fruit  
Soursop  
Golden apple  
Papaws  
Peaches  
Pears  
Plums  
Strawberries  
Raspberries  
Potato  
Tomato

Carrot  
Peas  
Beans  
Onions  
Garlic  
Broccoli  
Eggplant  
Spinach  
Cauliflower  
Cabbage  
Lettuce  
Pumpkin  
Other Vegetables

### **Dry Goods & Oils**

Sugar  
Black Pepper  
Cocoa Powder (unsweetened)  
Ovaltine  
Milo  
Other Cocoa Powder  
Cornmeal  
Pasta  
Active Yeast  
Corn Oil  
Olive Oil  
Soybean Oil  
Sunflower Oil  
Canola Oil  
Other Cooking Oil  
Margarine  
Rice  
Salt  
Shirley Biscuit  
Other Sweetened biscuits  
Crackers  
Other Unsweetened Biscuits  
Tea  
Tofu  
Soya Chunks

## **Bread, Dairy & Cereal**

Local Bread  
Local Bun  
Butter  
Corn Flakes  
Raisin Bran  
Oats  
Cream of Wheat  
Other Cereals  
Cheese  
Margarine  
Milk  
Powdered Milk

## **Dried Fish & Canned Meats**

Corn beef  
Salt Fish  
Ling Fish  
Sardines  
Smoked Red Herring  
Luncheon Meat  
Mackerel (pickled)  
Canned Sausages  
Tuna

## **Household Sundries**

Dish washing liquids

### **Insecticides**

Mosquito coil  
Powdered Detergent  
Liquid Detergent  
Toilet paper  
Soap  
Liquid Soap  
Toothpaste  
Sanitary Towels  
Tampons

### **Other Items**

Lumber  
Medicine (retail)  
Adult Bed Pads  
Adult Diapers  
Newspaper  
Pharmaceutical goods  
Plywood

### **Beverages**

Malt  
Mineral Water  
Bottled Water  
Apple Juice  
Grapefruit Juice  
Grape Juice  
Lime Juice  
Orange Juice  
Passion Fruit Juice  
Pineapple Juices  
Tamarind Juice  
Tomato Juice  
Vegetable Juice  
Juice Mixtures  
Fruit Drinks  
Mineral Water  
Soda  
Soya Milk

### **Meat & Poultry**

Eggs  
Chicken  
Pork  
Beef  
Mutton  
Turkey  
Sausages



## **The Basket of Essential Goods:**

### **Items at 0% or Reduced Import Duty:**

Active Yeast  
Baby Formula  
Baking Powder  
Canned Beef  
Cheddar Cheese  
Salt Fish  
Ling Fish  
Herring  
Other Dried Fish  
Pineapple Juice for Infants  
Apple Juice for Infants  
Grape Juice for Infants  
Grapefruit Juice for Infants  
Other Citrus Fruit Juice for Infants  
Other Fruit Juice for Infants  
Other Juice Mixtures for Infants  
Corn Canola Oil  
Olive Oil  
Sunflower, Safflower Oil  
Other Oils Vegetable fats and Oils  
Raisin Bran  
Corn flakes  
Other Dried Breakfast Cereals  
Sardines  
Soups and Broths and preparations thereof  
Green Tea  
Black Tea  
Tuna  
Meat of Bovine Animals, Salted or Brine  
Meat of Swine – Pig trotters fresh or chilled  
Meat of swine – salted or in brine  
Chicken Breast  
Chicken Drumsticks  
Chicken Thighs  
Whole Chicken  
Turkey  
Cream of Wheat  
Oatmeal  
Potatoes  
Yellow Peas  
Green Peas  
Beans  
Red Beans  
Pink Beans