2010 Budget Statement

30 November 2009

Minister of Finance, the Economy and Public Administration
Antigua and Barbuda
# Acronyms and Abbreviations

<table>
<thead>
<tr>
<th>Acronym</th>
<th>Description</th>
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<tbody>
<tr>
<td>ABICE</td>
<td>Antigua and Barbuda Institute of Continuing Education</td>
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<td>ABHTI</td>
<td>Antigua and Barbuda Hospitality Training Institute</td>
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<td>ABIIT</td>
<td>Antigua and Barbuda International Institute of Technology</td>
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<td>ABST</td>
<td>Antigua Barbuda Sales Tax</td>
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<td>ADC</td>
<td>Agricultural Development Corporation</td>
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<td>ALBA</td>
<td>Bolivarian Alternative for Latin America and the Caribbean</td>
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<td>ASC</td>
<td>Antigua State College</td>
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<td>AUA</td>
<td>American University of Antigua</td>
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<td>BAICO</td>
<td>British American Insurance Company Ltd</td>
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<td>BoA</td>
<td>Bank of Antigua</td>
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<td>CARDI</td>
<td>Caribbean Agricultural Research and Development Institute</td>
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<td>CARICAD</td>
<td>Caribbean Centre for Administrative Development</td>
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<td>CARICOM</td>
<td>Caribbean Common Market</td>
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<td>CARTAC</td>
<td>Caribbean Regional Technical Assistance Centre</td>
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<td>CARTFund</td>
<td>Caribbean Development Bank’s Aid for Trade Regional Integration Trust Fund</td>
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<td>CDB</td>
<td>Caribbean Development Bank</td>
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<td>CFATF</td>
<td>Caribbean Financial Action Task Force</td>
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<td>CHAPA</td>
<td>Central Housing and Planning Authority</td>
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<td>CIDA</td>
<td>Canadian International Development Agency</td>
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<td>CMC</td>
<td>Central Marketing Corporation</td>
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<td>CPI</td>
<td>Consumer Price Index</td>
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<td>CSM</td>
<td>Caribbean Single Market</td>
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<td>CST</td>
<td>Customs service tax</td>
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<td>CTO</td>
<td>Caribbean Tourism Organization</td>
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<td>EC</td>
<td>European Commission</td>
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<td>Acronym</td>
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<tr>
<td>ECCB</td>
<td>Eastern Caribbean Central Bank</td>
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<td>ECCU</td>
<td>Eastern Caribbean Currency Union</td>
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<td>EDF</td>
<td>European Development Fund</td>
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<td>EPA</td>
<td>Economic Partnership Agreement</td>
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<td>EU</td>
<td>European Union</td>
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<td>FAO</td>
<td>Food and Agricultural Organisation</td>
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<td>FATF</td>
<td>Financial Action Task Force</td>
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<td>FCP</td>
<td>Fiscal Consolidation Programme</td>
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<td>FDI</td>
<td>Foreign Direct Investment</td>
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<td>FSRC</td>
<td>Financial Services Regulatory Commission</td>
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<td>GDP</td>
<td>Gross Domestic Product</td>
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<td>ICAEC</td>
<td>International Chartered Accountants of the Eastern Caribbean</td>
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<td>ICT</td>
<td>Information Communications Technology</td>
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<td>IFC</td>
<td>International Finance Corporation</td>
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<td>IICA</td>
<td>Inter-American Institute for Cooperation on Agriculture</td>
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<td>IMF</td>
<td>International Monetary Fund</td>
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<td>JCI</td>
<td>Joint Commission International</td>
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<td>MDG</td>
<td>Millennium Development Goals</td>
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<td>MSJMC</td>
<td>Mount St. John’s Medical Centre</td>
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<td>NAO</td>
<td>National Authorizing Officers</td>
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<td>NEST</td>
<td>National Economic and Social Transformation.</td>
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<td>NSAB</td>
<td>National statistical advisory body</td>
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<td>OAS</td>
<td>Organisation of American States</td>
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<td>OECS</td>
<td>Organisation of Eastern Caribbean States</td>
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<td>OSFI</td>
<td>Office of the Superintendent of Financial Institutions (Canada)</td>
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<td>PAN</td>
<td>Physical Activity and Nutrition Programme</td>
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<td>PDMC</td>
<td>Policy Design and Management Committee</td>
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<td>Acronym</td>
<td>Description</td>
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<tr>
<td>PRC</td>
<td>People’s Republic of China</td>
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<td>SIDS</td>
<td>Small Island Developing States</td>
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<td>SRU</td>
<td>Single Regulatory Unit</td>
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<td>UHSA</td>
<td>University of Health Sciences Antigua</td>
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<td>UPP</td>
<td>United Progressive Party</td>
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<td>WTO</td>
<td>World Trade Organisation</td>
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1 INTRODUCTION

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

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

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

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

We need, for instance Madam Speaker, to be concerned that since our first Independence budget, Antigua and Barbuda has not recorded an overall surplus of Revenue over Expenditure even once, and further, that our major categories of expenditure have been structured and cemented to make such an outcome virtually impossible without fundamental realignment. We need to be concerned, Honourable Members of the House of Representatives, that adequate provisions have never been made to meet our commitments to creditors, who provided critical resources that financed our development programmes. We need to be concerned, Citizens and Residents of Antigua and Barbuda, at the mounting evidence of irregular and illegal practices which were allegedly perpetrated, resulting in significant depletion of State resources. We need to be alarmed, Ladies and Gentlemen, about the health of our social institutions, our unsustainable fiscal position and our debilitating debt burden. These are our Liabilities, Madam Speaker, and although we have tried to ignore them they now weigh too heavily on our shoulders.

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

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

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

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

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

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

Madam Speaker, I would also like to express my Government’s appreciation for all the assistance received from the Eastern Caribbean Central Bank (ECCB), the Caribbean
Development Bank (CDB) and the Caribbean Regional Technical Assistance Centre (CARTAC). These institutions have remained true partners with the Government. On behalf of the Government and People of Antigua and Barbuda I thank the many friendly Governments within the region and beyond for their continued support. Specifically, we thank the Peoples’ Republic of China, the Republic of Cuba, the Bolivarian Republic of Venezuela, the Republic of Trinidad and Tobago, the governments of Jamaica, the United States of America, Canada, Japan and the European Union for their generous support over the past few years. We record too our gratitude to our other Caribbean neighbours and other Governments and institutions.

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

- Mrs. Veronica Brown
- Mr. Raphael Browne
- Mrs. Ernestine Hodge
- Mr. Rowden Selwood
- Mrs. Bernadette Carr-Thompson
- Mr. Carey Thompson
- Mrs. Kerley Whyte
- Mrs. Christine Andre
- Mrs. Goldene Joseph
- Mrs. Joycelyn Roberts

Finally, Madam Speaker, I wish to continue the tradition of delivering to this Honourable House an abridged version of the actual Budget Statement. As was the case in previous years, the full text of the Budget Statement will be available online immediately following this presentation for the leisure reading of all.
2  ECONOMIC DEVELOPMENTS 2009

Madam Speaker

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

Notwithstanding this hindsight consensus as to the underlying cause of the crisis, very few people predicted the scope and depth of the economic recession that would ensue in 2009. At the end of 2008 the IMF had forecast world output to expand by 2.1 percent in 2009. However, world output is expected to decline by 1.1 percent in 2009. Similarly, in December 2008 advanced economies were projected to decline by 0.4 percent. Actual data showed a much steeper decline of 3.4 percent in output.

Madam Speaker

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

Madam Speaker

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

**Madam Speaker**

Small Island Developing States (SIDS) are characterized as having open economies and this reflects their degree of integration into the global economy. This being the case, these economies are not insulated from the effects of this global phenomenon. The effects of this global crisis are transferred to developing economies through a number of different channels.

One of the consequences of the economic recession in advanced economies is the increased level of unemployment and the resulting decrease in the demand for goods and services exported by developing countries. This has had a negative influence on the volume and value of trade between advanced and developing economies and the volume of remittances flowing to developing countries in 2009. Additionally, the downturn in advanced economies, as well as the decline in financial markets, significantly affected the flow of foreign direct investment (FDI) and equity investment to developing countries. There is evidence that in 2009 FDI flows to developing countries for hotel construction declined by approximately 95.0 percent. In the midst of this financial crisis commercial lending to banks in developing economies to boost liquidity for day-to-day operations and credit expansion also declined. The overall effect of this is a more conservative approach to spending by consumers and credit expansion by financial institutions, which further compounded the negative effects of the crisis and depressed growth prospects.

The growth performance of developing countries in general and Caricom countries in particular in 2009 was negatively influenced by a number of the factors mentioned above. The declines in FDI and travel receipts had a devastating impact on the tourism industry and construction sector. Consistent with the contraction in tourism and construction, declines in output were also recorded for a number of the other service sectors including “transportation”, “communication”, “wholesale and retail trades” and “banking and insurance”. The economy of Barbados, for example, is projected to decline by more than 3.0 percent in 2009. Similarly, declines in GDP are expected for Jamaica (4.0 percent), Bahamas (3.5 percent) and Trinidad and Tobago (1.0 percent).

With respect to the OECS sub-region, all countries are projecting declines in output in 2009 except for Dominica, where it is expected that output will remain unchanged compared with the outturn for 2008. In Anguilla output is estimated to contract by 22.0 percent. Economic output
in Antigua and Barbuda is projected to decline by 6.7 percent. Decreases in output are also projected for St Kitts and Nevis (8.5 percent), Grenada (5.0 percent), St Lucia (3.8 percent) and St Vincent and the Grenadines (0.2 percent).

3 MONEY AND CREDIT IN ANTIGUA AND BARBUDA

Madam Speaker:

The financial sector continues to show signs of remaining robust notwithstanding declines in the real sectors of the economy. Data for the period January to September 2009 show that the money supply remained stable at $2.98 billion relative to the level at the end of December 2008. The decline of 19.8 percent in the narrow money supply which includes demand deposits and currency in circulation, was offset by a 54.0 percent increase in private sector foreign currency deposits and growth of 5.3 percent in private sector savings deposits. This indicates that there is money in the system but businesses are understandably cautious in the current environment.

During the period under review credit to the private sector declined by 0.8 percent. While credit to households decreased by 17.5 percent, lending to businesses increased by 0.4 percent. The allocation of credit by economic activity was mixed but the overall decline of 1.7 percent mirrored movements in the real sector. The increases in credit for tourism (9.4 percent), distributive trades (5.2 percent) and the acquisition of property (2.9 percent) were offset by decreases in lending for manufacturing (14.1 percent), construction (10.3 percent) and durable consumer goods (6.3 percent).

The net foreign assets of the banking system contracted by 6.1 percent to $516.9 million, reflecting a decline in Antigua and Barbuda’s imputed share of the Central Bank’s reserves. Commercial bank activity resulted in a 1.4 percent increase in their net external assets position. This was largely associated with a build-up of assets and a reduction of liabilities in banks and other financial institutions in other ECCB territories.

4 THE EU AND ECONOMIC PARTNERSHIP AGREEMENT (EPA)

Antigua and Barbuda signed the Economic Partnership Agreement (EPA) between the CARIFORUM States and the European Union (EU) on the 15th October, 2008 and ratified the Accord on 15 December, 2008. The agreement provides for assistance with regional integration, improved governance, social development, regulatory upgrading, environmental sustainability,
and trade negotiation capacity building. Since signing the Agreement, the Government established a dedicated National EPA Implementation Unit specifically tasked with, among other things: disseminating and articulating the contents of the Agreement; and ensuring that the public and private sectors have the capacity to exploit the EPA.

In 2010, the Government will approach the Caribbean Development Bank’s Aid for Trade Regional Integration Trust Fund (CARTFund) to secure the services of three specialized professionals - National EPA Coordinator, Legal Officer and Customs and Trade Officer. The work of these experts will include coordinating activities designed to fulfil national obligations and benefit from the EPA, facilitating adoption of model legislation prepared at the regional level for passage through the national legislature, leading the national effort to create the conditions for market access in both directions – import and export, under the EPA; and to support the efforts of the Private Sector (Trade in Services and Goods) to draw down on the technical assistance and cooperation commitments made by the EU in the Economic Partnership Agreement.

Under the direction of the National Authorizing Officer, the three experts will also liaise with the Regional EPA Implementation Unit to coordinate national inputs to the regional efforts. They will also collaborate with the relevant departments of Government to integrate the deliverables from this process into the national framework.

It is anticipated that with resources from the CARTFund the Government would benefit from assistance that would allow Antigua and Barbuda to develop the capacity to meet its EPA obligations.

In the coming year, the administration will implement a programme of Fiscal and Public Sector Reform financed under the 10th EDF programme in the amount of 3.4 million Euros. The programme will assist with the development of a public financial management and budget expenditure system that achieves fiscal discipline.

In this regard, the administration will implement the recommendations of the Institutional Assessment of the Offices of the National Authorizing Officers (NAOs) conducted by the Delegation of the European Commission to Barbados and the Eastern Caribbean.

4.1 Expansion of the Hospitality Training Institute

During the year, work is expected to commence to further improve the Antigua and Barbuda Hospitality Training Institute (ABHTI) complex located at Dutchman’s Bay as part of regional efforts to build human resource capacity within the OECS.
CARIFORUM Ministers have agreed to make the expansion at the ABHTI a priority project and allocated 6 million Euros to transform the ABHTI into the premier Hospitality and Tourism Training Institute in the sub-region. The project is also part of an attempt to support non-campus territories in levelling the playing field for university level, technical and vocational training in the Caribbean region. It will have multiplier effects across the sub-region, yield economies of scale and make a direct contribution to the very important service sector in the OECS.

4.2 Assistance to the Financial Services Regulatory Commission (FSRC)

Amid the fallout of the Allen Stanford debacle and United States’ indictment of the former head of the Financial Services Regulatory Commission (FSRC), the Government is taking action to review and strengthen the regulatory framework. An FSRC mission travelled to Belgium and held high level talks with the Directorate of Tax and Customs of the European Commission on possible technical assistance to strengthen the regulatory framework of our financial services sector. The EU has agreed to provide assistance in several areas to be determined following the conduct of a study as well as the convening of a CARIFORUM Financial Services meeting to be held in Antigua in early 2010.

5 REGIONAL INTEGRATION

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

5.1 Free Movement of Skilled Community Nationals

The question of the movement of people across borders has elicited vigorous responses across the length and breadth of Antigua and Barbuda. In the coming weeks, a comprehensive analysis of the movement of CARICOM Nationals into Antigua and Barbuda will be undertaken by Professor Andrew Downes, of the University of the West Indies. The scope of work of this assignment is to assess the impact of the free movement on the labour market and social services in Antigua and Barbuda; to ascertain the level of other forms of migration into Antigua and
Barbuda before and after the introduction of the free movement of persons; and to analyse the impact of other forms of migration on the labour market and social services in Antigua and Barbuda.

The desired outcome of this technical study is that Antigua and Barbuda will be positioned to develop a policy to guide the formulation of a Protocol on Contingent Rights. Article 239 of the Revised Treaty of Chaguaramas mandates the development of this Protocol which relates to the rights contingent on movement of CARICOM Nationals, spouses and dependents under the provisions of the right of establishment, temporary service providers and the movement of skilled nationals.

5.2 Regional Projects to support the Implementation of the CSM

In 2010 Antigua and Barbuda will benefit from the development of various policies and projects that will support the implementation of the Single Market. Many of these projects will assist in guiding the national policy on the treatment of goods and the regulation of the services sector. Outlined below is a summary of the projects that will be undertaken in 2010 to support the implementation of the CSM and other international trade obligations.

a) Establishment of an on-line registry for the Intellectual Property and Commerce Office – This pilot project will be implemented in Antigua and Barbuda and St. Vincent and the Grenadines. The overall objective of this project is to strengthen the regional integration process by enabling Registrars of Companies and other legal entities to exercise the Right of Establishment within the CSME. The infrastructure that this project will build in the Registrar of Companies Office will enhance the ease with which business is conducted in Antigua and Barbuda while facilitating the registration and searches of business names and intellectual property.

b) Measures to Protect Consumers’ Interest and Welfare - The objective of this Project is to advance the regional integration process by harmonising and strengthening, the national and regional regulatory framework on consumer protection. This project will identify the national gaps in existing legislative and policy framework as they pertain to three critical areas: Dangerous Goods and Goods Unfit for Human Consumption; Sustainable Consumption and a Safe Environment; and Electronic Commerce at the national level.

c) Building capacity for trade remedies relating to dumped and subsidized goods from Member States of CARICOM - The Revised Treaty of Chaguaramas sets out in Parts Three, Four and Five of Chapter Five a detailed regime which enables industry in any
Member State to be protected from subsidised or dumped goods which may be imported into that Member State, regardless of the origin of the goods. The Treaty requires Member States to harmonise the laws and administrative practices relating to dumping, and subsidies and countervailing measures. As a member of the WTO Antigua and Barbuda is required to take action against dumped or subsidised goods in accordance with Article IV of the GATT 1994, and the WTO Agreement on Subsidies and Countervailing Measures.

The overall objective of this project is to contribute to the deepening of Regional Economic Integration through the building of capacity for Trade Remedies relating to dumped and subsidized goods and imports, and to assist countries in meeting their WTO obligations.

d) Review of the National Services sector – following the Regional Symposium on Services held in Antigua and Barbuda from 15 – 17 July 2009, Antigua and Barbuda will benefit from an audit of the services sector which will assist the government in the formulation of policies and strategies to enhance our competitiveness.

5.3 CARICOM-Canada Negotiations

The first round of the CARICOM-Canada trade negotiations commenced on 10 November 2009. As the region seeks to expand its market for the export of goods and services, Antigua and Barbuda must reposition itself to take advantage of the market opportunities provided by this agreement. In this regard, the Trade, Industry and Commerce Division of the Ministry of Finance and the Economy will consult with public and private sector stakeholders and civil society on the scope and process of the negotiations.

5.4 OECS Economic Union

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

The implementation of the elements of the OECS Economic Union will deepen the integration among the economies, markets, people, resources and administrative institutions of the OECS. The benefits to be derived from the sub-regional integration process have been highlighted by the success of the coordinated approach of the ECCU to the financial crisis posed by the run on the Bank of Antigua and the collapse of the British American Insurance Company. While the intervention is still ongoing, it has succeeded in galvanizing action to protect the interest of
depositors and investors of both institutions. It is expected that the further deepening of the OECS integration movement will reinforce the existing institutional, legislative and administrative arrangements within the OECS.

5.5  Trade Consultative Mechanism

The Industry and Commerce Division of the Ministry of Finance and the Economy, which has portfolio responsibility for all trade matters, will embark on a consultative process with all public and private sector stakeholders and civil society on the trade agreements to which Antigua and Barbuda is a signatory. The consultative mechanism will include the following:

- The launch of a website dedicated to “Trade Issues”;
- Providing updates on the status of trade negotiations and progress with implementing the agreements;
- Conducting a series of focus group workshops and meetings on various aspects of our trade portfolio;

6  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 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.

In respect of education, some 190 Antiguan and Barbudan students are currently enrolled at tertiary level institutions in Cuba on full scholarships. A number of Antiguans are also pursuing post graduate studies in medical specialties, sociology, architecture, agronomy and engineering. We expect that additional scholarships will be provided for our citizens in the 2010-2011 school year.

In the area of health care, we wish to acknowledge the generosity of the Government of Cuba with respect to the Milagro Eye Care Programme. Since the inception of the programme, more than 1200 Antiguans and Barbudans have travelled to Cuba for surgery at no cost to the patients or our Government. Our health care system also continues to benefit from the presence of Cuban doctors, nurses and other health care technicians who continue to provide high quality service to our citizens and residents.
Regarding road works, Cuba continues to provide specialists to repair and maintain equipment at quarries owned by the Ministry of Works while at the same time providing engineers and other professionals to assist with road works.

Additionally, Cuba has provided technical assistance in the sectors of agriculture, tourism and sports. There has been ongoing collaboration with the Ministry of Agriculture and a diagnostic exercise will be undertaken in 2010 to determine areas where there might be capacity for further collaboration. In tourism, Cuba has provided technical assistance in restoring heritage sites, while in sports we continue to benefit from the expertise of coaches and sports professionals.

Finally, we wish to acknowledge the strong collaborative association forged between Antigua and Barbuda and Cuba in international fora. We wish especially to thank the Government of Cuba for its unwavering support in the halls of the Bolivarian Alternative for Latin America and the Caribbean (ALBA).

7 THE BOLIVARIAN ALLIANCE – BILATERAL RELATIONS WITH VENEZUELA

The cordial relations between Antigua and Barbuda and the Bolivarian Republic of Venezuela grew from strength to strength in 2009. Further expansion on this solid foundation is expected to take place in 2010 and beyond with additional areas of collaboration to include tourism, culture, education, sports and agriculture. Special recognition must be given to the great demonstration of friendship extended to the Government and people of Antigua and Barbuda, by the Government and people of the Bolivarian Republic of Venezuela through a very concessional loan of US$50 million from the Bolivarian Republic. This generosity is in addition to the provision of resources for various purposes over the past few years. These include a US$8 million grant for a water expansion project. This project is currently being implemented by APUA and is expected to facilitate enhanced water production and greater reliability in the provision of water services. Hundreds of Antiguans and Barbudans will also soon begin to benefit from the US$10 million loan that was provided in 2008 for the North Sound Housing project.

Our nation continues to benefit substantially from its diplomatic relationship with the Government and People of the Bolivarian Republic of Venezuela. One of the avenues of assistance has been the Petro Caribe Energy Cooperation Agreement which became fully operational in 2006. Building on the strong foundation established since its incorporation in
2005, PDV CAB will continue to serve as one of the executing arms for the Government’s social policy.

In keeping with its mandate to execute social projects aligned with the Government’s policy objectives, PDV CAB has established a reputation for the effective execution of two hallmark projects – namely the Senior Citizens Utility Subsidy and the People’s Benefit Programme. During the current fiscal year expenditure in respect on these two programmes will be $4.5 million and $1.3 million respectively. To date, three thousand six hundred and seventy eight senior citizens have benefitted from the utilities subsidies programme and nearly one thousand disabled and disadvantaged individuals are receiving the food and LPG subsidy through the Peoples Benefit Programme.

Of the seven stated development priorities for 2010 and beyond, PDV CAB will focus on improving the condition of vulnerable groups within the society. In this context, the Senior Citizens Utility Subsidy will continue to provide much needed relief for pensioners, widows and widowers of pensioners; the People’s Benefit Programme will continue to assist persons with disabilities and the economically disadvantaged to purchase food and selected personal items from the Central Marketing Corporation, the Antigua Fisheries Department and Nedd’s Supermarket in Barbuda; farmers and fisher folk will continue to benefit from the expanded market associated with the People’s Benefit Programme; residents of Barbuda will benefit from the transportation subsidy on cooking gas; and new community-based projects will be introduced.

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.

8 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 education and the development of infrastructure.
In 2009, ten (10) Antiguans and Barbudans received full scholarships to pursue studies at University level in the People's Republic of China. In addition, various exchanges were made between both countries for technicians to attend conferences, training programmes, and seminars.

A number of ground breaking ceremonies were held in 2009 for infrastructural projects. Sod was turned on 8th January 2009 to mark the Island-wide Street Lighting Project. Work is already advanced in some areas inclusive of Cedar Valley, Friars Hill Road, and Old Parham Road.

A ceremony was also held for the construction of the new 30 Megawatt Power Plant on 5th June 2009 at the Crabbs Peninsula. This US$40 million project is being financed through the China Exim Bank and is expected to be completed in 2010.

The Renovation of the Grays Hill Reservoir is also being addressed with the assistance of the People's Republic of China. This reservoir has a capacity of two million gallons and was damaged in the hurricane season of 1998. The grant amount in this regard is about US$3.5 million.

With respect to Barbuda, construction drawings have been approved for the construction of a Social Centre with financing from the People’s Republic of China. It is expected that work on this project will commence by the end of the year.

We wish to congratulate the People's Republic of China on achieving the milestone of 60 years since its founding. To mark this occasion, a Photo Exhibition was arranged at the Museum of Antigua and Barbuda on 24th September 2009 and a dinner reception held on 30th September 2009. Both events were hosted by the Chinese Embassy.

We value and cherish the relationship with China which continues to benefit the peoples of both countries. In 2010, the Government of Antigua and Barbuda expects to further benefit from its close cooperation with the People’s Republic of China. Specifically, the government of China has indicated its interest in working with Antigua and Barbuda to provide assistance in addressing financial sector issues and on development of the seaport and the airport terminal. We expect to see the fruit of these engagements early in 2010.

The Government and People of Antigua and Barbuda have had the honour of more than twenty five years of friendship and cooperation with China. Our nations have celebrated together in times of joy and success and have supported each other during difficult periods. This is undoubtedly a relationship rooted in mutual respect and solidarity. We look forward to many more years of this close collaboration.
9  FISCAL PERFORMANCE 2009

The downturn in economic activity in 2009 had a significant impact on fiscal performance in 2009. With the slowdown in the tourism sector and the collapse of the Stanford Financial Group, Government revenues from taxes on economic activity are projected to decline by more than twenty percent in 2009. In response to the expected reduction in revenue, the Government took decisive steps to curtail recurrent expenditure. Ministries and departments were required to cut spending by twenty five percent. With the adjustment to recurrent expenditure, the current account balance, which represents the difference between recurrent revenue and recurrent expenditure, is projected to be twenty seven percent lower than if no adjustment were made.

Chart 1 below shows the movement of the current account balance between 2006 and 2009. Between 2006 and 2008, the current account balance improved markedly. At the end of 2006 the current account deficit amounted to $89.82 million and declined seventy three percent to $24.58 million in 2007. In 2008, despite a reduction in the rate of growth in revenue, the current account deficit declined further to $15.04 million. The projected current account deficit for 2009 is $172.46 million. Without the adjustment to recurrent expenditure, the current account deficit for 2009 would have amounted to $237.51 million.

This deterioration in the fiscal accounts in 2009 was driven by the significant decline in revenue that accompanied the slowdown in economic activity. During its first term, the UPP
Administration commenced a comprehensive fiscal reform programme which focused initially on improving revenue administration. The impact has been a more streamlined tax system and an increase in revenue generation. Chart 2 shows current revenue collections for the period 2006 to 2009. Current revenue grew steadily from $602.68 million in 2006 to $747.91 million in 2008 and was expected to continue along this trend in 2009. In Budget 2009, current revenue was estimated at $786.71 million. However, current revenue for 2009 is expected to be twenty two percent less at $614.46 million.

**Chart 2: Current Revenue**

This decline in current revenue is reflected in a fall-off in revenue generated from all major taxes. Tax revenue, which accounts for about ninety four percent of current revenue, was originally estimated to amount to $740.10 million in Budget 2009. Revenue from taxes in 2009 is now projected to be twenty two percent less at $579.46 million. Tax revenue for 2009 is also expected to be eighteen percent below the $704.26 million in tax revenue collected in 2008. Chart 3 below presents tax revenue collected between 2006 and 2009.
Non-tax revenue, which contributes the other six percent of current revenue, is projected to be $35.0 million for 2009, which is twenty five percent lower than the $46.61 million estimated in Budget 2009. Revenue from non-tax sources amounted to $43.65 million in 2008 and was twenty percent more than the revenue expected from these sources in 2009.

In 2009, direct tax revenue is expected to be $113.23 million, which is seventeen percent lower than the $136.36 million estimated in Budget 2009. Of this, taxes on income are expected to yield revenue of $97.23 million in 2009 instead of the $118.36 million estimated in Budget 2009. In 2008, direct tax revenue amounted to $125.48 million, which is ten percent greater than the level of revenue expected from these taxes in 2009. Also, the outturn for taxes on property is expected to be $16.0 million instead of the $18.0 million estimated in Budget 2009. Direct tax revenue between 2006 and 2009 is presented in Chart 4.
Chart 4: Direct Taxes

Chart 5: Indirect Taxes
Indirect tax revenue is also projected to be twenty three percent lower than estimated in Budget 2009. Indirect taxes were estimated to generate $603.74 million in revenue but are now expected to yield $466.24 million in 2009. At $578.78 million, revenue from indirect taxes in 2008 was nineteen percent above revenue expected from these sources in 2009. Revenue from indirect taxes for 2006 to 2009 is presented in Chart 5.

Indirect taxes include taxes on domestic production and consumption and taxes on international trade and transactions. In Budget 2009, taxes on domestic production and consumption were estimated to yield revenue of $317.47 million. However, with the downturn in economic activity, revenue from these taxes is now expected to amount to $246.63 million. Further, revenue from taxes on domestic production and consumption is expected to be twenty six percent less than the $333.57 million collected from these sources in 2008. Chart 6 presents revenue from taxes on domestic production and consumption for the period 2006 to 2009.

**Chart 6: Taxes on Domestic Production and Consumption**

![Chart 6](chart6.png)

Included in taxes on domestic production and consumption are Stamp Duties and the Antigua Barbuda Sales Tax (ABST). Chart 7 presents revenue from Stamp Duties and from the ABST for 2008 and 2009.
Revenue from stamp duties was estimated at $50.82 million in Budget 2009 and reflected an expectation of growth in the construction sector at the time of preparing the budget estimates. Since then, activity in the sector has been forecast to contract by fifteen percent. The slowdown in activity in the construction sector has therefore contributed to an anticipated forty two percent decline in revenue from stamp duties to $29.3 million for 2009. Revenue from the ABST was originally estimated to amount to $250.0 million in Budget 2009. Projections for the performance of this revenue stream have since been revised with the ABST now expected to yield $195.0 million for 2009.

Another factor contributing to the lower yield from the ABST is the significant level of non-compliance among registered businesses. The level of compliance has declined markedly from above seventy percent in 2007, the first year of the ABST, to about fifty percent in 2009. Decisive action will be taken by the Government over the coming months to ensure that businesses comply with the ABST legislation and submit revenues collected to the Inland Revenue Department.

Taxes on international trade and transactions also fall under the category of indirect taxes and were estimated to yield revenue of $286.26 million in Budget 2009. In light of economic developments in 2009, revenue generated from these taxes is expected to be twenty three percent lower at $219.61 million. These taxes yielded $245.21 million in 2008, which is ten percent
greater than revenue expected from these sources in 2009. Chart 8 presents revenue from taxes on international trade and transactions for the period 2006 to 2009.

**Chart 8: Taxes on International Trade and Transactions**

![Bar chart showing revenue from taxes on international trade and transactions over years 2006 to 2009.](chart)

Taxes on international trade and transactions include import duties, the customs service tax, embarkation tax and travel tax. Import duties were estimated to yield $105.0 million in Budget 2009 and are now expected to generate revenue of $75.0 million. Revenue from the customs service tax was originally estimated at $87.99 million. This revenue stream is now expected to yield $61.0 million in 2009, which is about thirty one percent below the amount estimated in Budget 2009. In 2008, revenue from import duties and the customs service tax amounted to $97.52 million and $82.40 million respectively. Revenue for 2008 and 2009 from these taxes is presented in Chart 9.
The embarkation tax is projected to yield $10.6 million instead of the $13.58 million estimated in Budget 2009. Revenue from the travel tax is also expected to be forty two percent less than estimated in Budget 2009. This measure is projected to generate $5.3 million instead of the anticipated $9.13 million. In 2008 revenue from the embarkation tax and travel tax amounted to $12.72 million and $8.55 million respectively. Chart 10 presents revenue for these taxes in 2008 and 2009.

With the decline in revenue from all major revenue streams, revenue for 2009 is expected to be in the region of $170 million less than was originally anticipated. Such a shortfall in revenue would likely impact the Government’s ability to meet its day-to-day obligations. In an effort to mitigate the impact of the shortfall in revenue on the overall fiscal outcome, the Government implemented steps to reduce expenditure. These steps included reducing expenditure on goods and services, limiting expenditure on overtime, curtailing employment, and delaying the start of new programmes and the expansion of existing programmes. As a result of these interventions, recurrent expenditure is expected to amount to $786.92 million for 2009 instead of the $851.97 million estimated in Budget 2009.
Of the $786.92 million, approximately $304.87 million is projected to account for expenditure on wages and salaries instead of the $358.12 million that was estimated in Budget 2009. This fifteen percent reduction in expenditure on wages and salaries was achieved by restricting new employment and limiting expenditure on overtime.

Expenditure on goods and services is another major component of recurrent expenditure. In Budget 2009, $220.70 million was allocated for expenditure on goods and services. With the efforts to reduce recurrent expenditure in 2009, it is estimated that expenditure on goods and services will amount to $160.0 million at the end of 2009.

Other areas of recurrent expenditure include $84.3 million for debt service payments to domestic banks, $32.4 million for contributions to statutory corporations, and $211.0 million for transfer payments which include pensions and gratuity payments and $42 million to help finance the operations of Mount St. John Medical Centre. Between January and October 2009, our actual expenditure on pensions amounted to $37.6 million while some $5.5 million was spent on gratuities.
Investors in treasury bills and bonds that were issued between the 1980s and 1990s were paid nearly $2 million in interest. It should be noted that many of these investors had received little or no payment on their investment in treasury bills and bonds issued before March 2004. This Government has made it a priority to ensure that some payments are made towards what represents another stock of debt that had been left unpaid. Finally, despite the very difficult financial circumstances, we have managed to pay more than $56 million to contractors between January and October 2009. We wish to thank all contractors and suppliers for their patience over the past several months. The challenges faced by a number of local businesses as a result of the Government’s cash constraints could not have been easy. However, the UPP Government will do all that is necessary to ensure that its obligations to local contractors and suppliers are settled at the earliest opportunity.

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

This US$50 million was provided even before the terms and conditions of the financing arrangement were finalised. We can confirm that the US$50 million loan is being provided at an interest rate of 2.6 percent and is to be repaid over a period of twenty years. In addition, a grace period of four years has been granted to allow Antigua and Barbuda to commence its recovery from the impact of the economic crisis before starting to service this loan. A grant element was also presented for consideration, however, higher interest rates and shorter repayment and grace periods would accompany such an arrangement. The Government determined that the US$50 million at an interest rate of 2.6 percent to be repaid over a twenty year period with a 4 year moratorium was the more advantageous alternative.

While this financial support from Venezuela has been of tremendous benefit to the Government, it is not sufficient to address the financing gap for 2009. It should be noted that even after the budget support is taken into account, there remains a primary deficit of $312.5 million. This means that for 2009, the Government would need to find an additional $312.5 million to cover all primary expenditure this year. Government’s primary expenditure represents all expenditure
excluding debt service payments. After taking into account the interest and principal payments that are due on the national debt, the total financing gap for 2009 amounts to more than $450 million.

This financing gap represents the difference between all the revenues and the total obligations of the Government in the fiscal year. Closing this financing gap would require additional borrowing by the Government, which will increase the debt stock and thereby increase debt service obligations for the coming year. Continuing a cycle of running large fiscal deficits and borrowing to close the financing gap from year to year is not a sustainable approach to financial management. In fact, what such an approach has produced in Antigua and Barbuda is a large and unmanageable debt stock, more than half of which represents arrears.

The failure to make fiscal adjustments so that the Government could generate some surpluses on the fiscal accounts has meant that in times of economic crisis, there are limited options available to the Government. Further, a mounting stock of arrears and an inability to service all existing debt have significantly reduced borrowing options for the Government. If the Government is unable to access new resources to close the financing gap, the unpaid obligations will become a part of the stock of debt in the form of arrears. Since it is unlikely that the Government will be able to access $450 million in financing to close the funding gap in 2009, the debt stock is likely to increase further through the accumulation of additional arrears.

**Chart 11: Fiscal Path 2006 to 2014**
Without an adjustment to the fiscal accounts the outlook for the period 2010 to 2014 indicates that fiscal deficits will remain large and unmanageable. Average revenue will amount to $755.8 million while average expenditure is projected to amount to $1.1 billion. This translates into an average overall deficit of $325.4 million. Chart 11 shows the movement in the revenue and expenditure profiles as well as the overall deficit for the period 2006 to 2014.

As seen in Chart 11, revenue and expenditure will continue to diverge, thereby worsening the overall fiscal balance and generating substantial financing gaps. The average financing gaps would amount to nearly $500 million each year and the debt stock is expected to grow to more than $6 billion by 2014 if decisive action is not taken. The expected growth path of the debt is presented in Chart 12.

![Chart 12: Public Debt 2008 to 2014](image)

What this means is that the Government will continue to face difficulties in meeting all its obligations. Despite our best efforts, the Government will continue to accumulate arrears by not making payments to contractors, creditors and local businesses. In addition, due to the large fiscal deficits and unsustainable stock of public debt, local and foreign investors would be unwilling to invest resources where there is significant uncertainty about the likelihood of future taxation when the Government is forced to make the long delayed fiscal adjustment.

The Government has determined that the continuation of this scenario is not a path that Antigua and Barbuda will take. The UPP Administration recognises the importance of fiscal and debt
sustainability to ensure a macroeconomic environment that is conducive to growth. We also recognise that attaining fiscal and debt sustainability would require changes to the Government’s expenditure profile. While we focused on the revenue reform element of the comprehensive fiscal reform programme in our first term, it was always our intention to focus on expenditure reform in this term. This expenditure reform initiative was to be implemented in a phased approach in order to minimize any fallout as the public sector was being transformed. However, in the face of the global economic crisis and the impact on the fiscal accounts, we must advance more rapidly the expenditure reform efforts in order to align revenues with expenditure and to halt the deterioration in the macroeconomic indicators. This means that maintaining the status quo or following the baseline scenario where annual financing gaps remain close to $500 million and the debt stock continues to balloon is not an option that the UPP Administration is willing to consider. We have therefore developed a strategy to address the fiscal and debt challenges and to transform the economic and social landscape of Antigua and Barbuda. This strategy is to be implemented over the next five years and forms the basis of our National Economic and Social Transformation (NEST) Plan.

10 ECONOMIC OUTLOOK 2010

Madam Speaker

The latest publication of the “World Economic Outlook” indicates that world output should increase by 3.1 percent in 2010. This would signal the beginning of the recovery from the global recession over the past 12 to 18 months. This recovery will be led by expanded activity in the developing countries of Asia including China (9.0 percent) and India (6.4 percent). Advanced economies as a group are projected to grow by 1.3 percent. The economies of the UK and the USA are expected to grow by 1.5 percent and 1.7 percent respectively. These countries are Antigua and Barbuda’s major trading partners and the source market for more than 65.0 percent of stay-over visitors.

Madam Speaker

2010 will be another challenging year for countries in the Eastern Caribbean Currency Union. By all indications this global recovery will be a slow one. It is generally agreed that factors which affect advanced economies also affect developing economies, but with a time lag of nine to twelve months. This means that economic recovery in developing countries is twelve to eighteen months away.
As a group, ECCU countries are projected to decline by 0.1 percent in 2010. Essentially, the level of economic activity in the ECCU in 2010 is not expected to be significantly different from 2009. Growth forecasts for the member countries range from a decline of 5.4 percent for Anguilla to an increase of 3.6 percent for Grenada.

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

11 FINANCIAL SERVICES SECTOR

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

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

Additionally, the Caribbean Regional Technical Assistance Centre (CARTAC), which has provided technical assistance and training over the years, was invited in October 2009 to provide further assistance in the restructuring of the FSRC in keeping with its new mandate to serve as the Single Regulatory Unit for Antigua and Barbuda.

The reports of these international agencies will, Madam Speaker, assist in forging comprehensive and wholesome changes which will lead the way forward in re-positioning Antigua and Barbuda to reclaim its place as a model financial jurisdiction.

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

In terms of activities, Madam Speaker, the FSRC has:

1) met with the Antiguan representatives of The Institute of Chartered Accountants of the Eastern Caribbean (ICAEC) to discuss reporting standards;

2) participated in a training workshop on insurance supervision and regulation facilitated by two insurance experts from Canada’s Office of the Superintendent of Financial Institutions (OSFI) Canada;

3) met with stakeholders of the Insurance Industry at the Ministry of Finance Headquarters in an effort to consult with them and to sensitize them about the requirements of the new Insurance Act, which came into effect on April 15, 2009 and under which the FSRC assumed responsibility for regulating the domestic insurance industry;

4) participated in a strategic planning session aimed at strengthening and enhancing the FSRC through the formulation and implementation of a strategic plan over a three-year period, January 2010 through 2012; and

5) traveled to the European Commission (EC) in Brussels to seek technical assistance in strengthening the capacity of the (FSRC) in managing its regulatory framework.

11.1 The Gaming Sector

Madam Speaker:

The white-listing of Antigua and Barbuda by the United Kingdom, Madam Speaker, has enhanced the prospects for investments in the Gaming sector from Europe and South America. In general, however, the prospects for new investments in Financial Services are constrained in the short term given recent occurrences in our jurisdiction.

In this regard, the FSRC has undertaken to develop a strategic plan to reform, re-organize and re-position itself as a Single Regulatory Unit (SRU). The plan will be completed by November 30, 2009.
12 STRATEGY FOR 2010 TO 2014 – THE NEST PLAN

As indicated earlier the past year has been an incredibly challenging one for Antigua and Barbuda and the other Caribbean countries. However, while other countries have been able to access resources from a number of external sources, Antigua and Barbuda’s history of not meeting debt obligations has essentially come back to haunt us. We recognise that we need a range of policies and strategies that are grounded in fiscal prudence and sound macroeconomic policy. It is this understanding that informed the development of the National Economic and Social Transformation (NEST) Plan. The NEST Plan is intended to deal with the immediate socio-economic situation and place the economy on long-term sustainable footing. This Plan is a comprehensive package of programmes and policies that will bring about fiscal and debt sustainability, encourage economic activity and secure the social welfare of the people of Antigua and Barbuda.

There are four elements of the NEST Plan:

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

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

13 FISCAL CONSOLIDATION PROGRAMME

Madam Speaker

It is undeniable that for well over thirty years, the Government of Antigua and Barbuda has been experiencing fiscal challenges. Data on the fiscal performance of Antigua and Barbuda from 1973 to 2008 show that over a thirty-five (35) year period not once did the government record an overall surplus. Thirty five years, Madam Speaker, where total expenditure outstripped total revenue on an annual basis.
The laws of mathematics have held true for centuries and they continue to hold true when analysing the economy of Antigua and Barbuda. Total expenditure must be equal to total revenue plus net borrowings. This is the same equation we must confront on an annual basis as we go through the budget process. The problem with Antigua and Barbuda is that for the better part of three decades this basic principle of arithmetic was ignored.

**Fundamental Fiscal Model**

![Diagram showing the fundamental fiscal model](image)

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

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

But Madam Speaker, the basic fiscal equation continued to hold true and notwithstanding these achievements during the pre and post Independence era, we unwisely continued to pursue growth and development using the same low revenue, high spending model. The fundamentals of good fiscal management demand that Governments pursue an effective budgetary process. This policy instrument is particularly critical when operating under a fixed exchange rate regime within a quasi currency board arrangement. For the better part of our twenty eight years of Independence, the Government has ignored this basic tenet of sound financial management.

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

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

Madam Speaker
Instead of adjusting our approach, we ignored the demand for a change in direction, and adopted what is dubiously referred to in the region as Antigua’s approach to development. If we are honest with ourselves we will agree that this is a “rogue” approach. We started by not paying our creditors for some of the same projects that we continue to depend on to this day for economic survival - the airport, seaport, road construction, traffic lights, Heritage Quay, Royal Antiguan Resort, Mount St John's Medical Centre.
Madam Speaker when the external avenues of finance dried up the then government turned to the available domestic avenues, including the statutory bodies. The State issued treasury bills but refused to honour its obligations when they became due. People simply were not paid as the Government accumulated arrears to contractors, vendors and other individuals that provided goods and services to the government. The required contributions were not paid to the Social Security Board and Medical Benefit Scheme on behalf of the workers. The Government also borrowed heavily from these institutions to finance current expenditure, including wages and salaries. Embarrassingly, more than $100 million was borrowed from the public servants of this country by the Government not paying agreed salary and wage increases.

**Madam Speaker**

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

**Madam Speaker**

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

**Madam Speaker**

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

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

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

Madam Speaker

We are proposing a fiscal consolidation programme that consists of a mixture of revenue and expenditure measures. We first looked to expenditure and tried to establish the minimum cost of running government by indentifying the range of goods and services we must provide to the citizens and residents. The idea is to deliver these services in the most cost effective manner.

Madam Speaker

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

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

1) **Reducing the level of overtime paid to no more than $5.0 million per year.** In 2009, approximately $19.0 million was budgeted to pay overtime.

2) **Implementing an attrition programme over the next five years.** This will allow for all workers reaching the age of sixty to immediately leave the service, while new skilled workers are channelled into critical areas including revenue administration and expenditure management. This will allow for a decline in the nominal wage rate over time.

3) **Implementing an initiative to outsource a number of services that the government currently provides.** Services currently being looked at include: garbage collection, road
repair and maintenance, janitorial services and the school meals programme. The government will be able to reduce the size of the public service by the number of workers employed in areas where it no longer provides these services. The public will be encouraged to form small businesses and to bid competitively to supply these services to government. These small businesses will be supported by the incentives contained in the Small Business Development Act.

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

**Madam Speaker**

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

Having reduced goods and services by more than $50.0 million when compared with the 2009 budget, we will seek to further reduce this expenditure category by at least $15.0 million over the next two years. A critical part of this will involve cutting waste and reducing expenditure on travel, vehicle supplies, rents and leases. The government has already begun this process and will be implementing a number of other measures shortly.

We are also looking at the different items captured under transfer payments, with the intention to reduce this category by at least $10.0 million in 2010. Further reductions in the medium term will include reviewing the operation of the foreign offices and overseas missions with a view to rationalising and consolidating their services and functions.

Capital expenditure excluding grant funded projects will be reduced to about $60.0 million in 2010. With respect to road work, the emphasis in 2010 will be on road repairs and maintenance and completing some ongoing projects. Over the medium term capital expenditure is expected to average about $105 million per annum.
Madam Speaker

Having outlined what we think is a framework for meeting the minimum cost of running an efficient public service we now turn to the proposed revenue measures for the medium term. We believe that a taxation level that ranges between 25.0 percent and 26.0 percent of GDP, should be able to provide our funding requirements. With non-tax revenue adding an additional 1.0 percent of GDP, current revenue is expected to be approximately 27.0 percent of GDP. At 27.0 percent of GDP the taxation level in Antigua and Barbuda will approach the regional average. The intention here is to ensure that the revenue collected is sufficient to pay for the goods and services we must deliver to the people of this country.

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

1) **Increasing the revenue yield from the ABST.** Experiences from different countries show that an efficiently administered value added tax has the potential of yielding revenue of 10.0 percent of GDP. With a GDP of $3.2 billion in 2008, this tax could yield in excess of $300.0 million per year. Currently, revenue collected from this tax amounts to 6.4 percent of GDP. The yield from this tax can be improved by reducing the list of zero rated items and increasing the compliance rate to at least 85.0 percent. The compliance rate currently stands at approximately 50.0 percent, down from 70.0 percent when the measure was first introduced.

2) **Replacing the customs service tax (CST) with the Antigua and Barbuda Revenue Recovery Charge to be levied at 10.0 percent on all non-oil imports.** Given the current level of imports this measure should yield an additional $25.0 million to $30.0 million.

3) **Introducing an excise tax** on alcohol, tobacco, ammunition and guns and to replace the current luxury tax on vehicles.

4) **Increasing the embarkation tax to $50.00** for residents and CARICOM nationals and to $US25.00 for non-CARICOM visitors.

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

For the fiscal consolidation to be successful these proposed revenue and expenditure measures must be supported by structural and administrative reforms.
13.1 Institutional, Legislative and Structural Reforms to Support Fiscal Consolidation

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

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

Treasury Reorganisation

The Treasury Department is at the core of the Government’s expenditure management initiative and will be essential to the success of the fiscal consolidation programme. It is very important that the agency responsible for making payments on behalf of the Government be efficient and responsive, especially during periods when resources are scarce. We commenced a reorganisation process in our first term in an effort to modernise the Treasury and streamline procedures and administrative mechanisms. An important aspect of the Treasury reorganisation process was the automated processing of the Government Payroll and other payments in the Treasury.

As the Treasury Reform process is accelerated, we will focus on automating the majority of the business processes to improve operational efficiency and timeliness of reporting. All modules of the FreeBalance system will be fully implemented in the Treasury Department. The Department will also be exposing its staff to training in a number of areas including Customer Service, Public Sector/Treasury Accounting and certain critical computer applications. The new voucher management system introduced in October 2009 will be assessed and changes made, where necessary, to ensure that the processing of vouchers is as smooth as possible.

It is expected that the planned changes to the organizational structure in the Treasury will be completed by mid-2010. The changes will provide for a more compact structure along
functional lines which will complement the improvements to the business processes, thus resulting in a modern, efficient Treasury Department. Customers both within and outside of Government can expect improved service with the systematic scheduling of payments. The overall objective of the Government and the Accountant General and staff of the Treasury is to provide a more streamlined organisation that effectively addresses the needs of its public and private sector clients by using the most appropriate cash and expenditure management systems.

**Statistics Division Reform**

In the pursuit of the delivery of a quality product, Antigua and Barbuda’s statistical development efforts have been confronted with supreme challenges and frustrations. Problems ranging from the unavailability of requisite competencies, disregard for statistical information, to an out-dated statistical Act, make for a data environment too broken to ignore. Consequently, important aspects of economic and social issues have often not been well diagnosed, understood or addressed.

To close this gap, and recognising that the credibility of a statistical office correlates to the quality and quantity of the information it produces, the Government of Antigua and Barbuda has negotiated a grant with CDB to finance a 2-year project for reforming the Statistics Division. The goal of the technical assistance project is to reform the Statistics Division. This will be done by improving and designing systems and mechanisms that will enable it to produce and disseminate timely and relevant official statistics to monitor and manage socio-economic activities and to improve public and private sector decision-making.

The specific objectives of the project are:

- To make the legislative framework more applicable to the data needs of the 21st century
- To design, develop, and implement appropriate policies, systems and protocols to assure quality statistical outputs
- To provide training and development opportunities for general and specific statistical, management and leadership skills
- To create work programmes that reflect coordination with relevant stakeholders and consistency with national economic and social initiatives

A Consultant Statistician has been retained to execute this project and to make recommendations about the institutional infrastructure, statistical programme, human resource requirements, and
information technology needs. The project began in April 2009, and since then the following have been accomplished:

a) **Review of the Statistics Act:**

The Statistics Division is governed by the *General Statistics Act, No. 13 of 1975*. This Act provides for the establishment of a coordinated statistical system to take censuses and surveys for the collection, compilation, analysis and publication of statistical information. Since the Act was passed, the international, regional and national economic and social environments have changed, necessitating new and different statistical descriptors and measures.

A legislative framework that fails to reflect the statistical development and management imperatives of the 21st century, will constrain the efforts of the national statistical system to produce and publish official statistics. Consistent with this claim, national, regional and international institutional communities are insisting on accountability and transparency in private and public sector undertakings. In that regard, a review of the Act was commissioned. Among the recommendations for strengthening the Act are to introduce provisions to:

- improve stakeholder collaboration with the establishment of a National Statistical Advisory Body (NSAB). This body would serve as a top-level coordinating body to guide and protect statistical activity, but also to solve statistical development problems of a general nature. The role of the NSAB is thus to advise on quality assurance and priority setting for official statistics. It would also advise on the protocols to establish that official statistics are trustworthy and responsive to user needs.

- improve compliance of the data suppliers with the data collection by adjusting penalties. Penalties established in 1975 ($750.00 and $1500.00) are too low to serve as deterrents.

b) **Review of current operations**

A comprehensive assessment of the Division’s human resources, processes, protocols, information technology and stakeholder relationships was undertaken. It exposed performance, organisational, capacity and institutional gaps. The broad recommendation is for the Division to become more user-focused by attending to user needs and expectations and managing these for value-creating products and services. This would necessitate a reorganisation of the Division, recruitment of professional statisticians, specialised training for current staff and the design and execution of a work programme that is consistent with stakeholder needs and the government’s national economic and social thrusts.
c) Planned work programme activities for 2010 include:

a. Preliminary activities for the 2011 Population and Housing Census such as digitalising maps for the enumeration districts, conducting a pilot census and finalising the questionnaire.

b. Conducting Labour Force Surveys in collaboration with the Ministry of Labour. No data on employment/unemployment have ever been compiled. In these serious economic times, timely information on the characteristics of the labour force are indispensable to decision and policy making.

c. Continuous Visitor Expenditure and Satisfaction Survey, and a Tourism Attitudinal Survey in collaboration with the Ministry of Tourism. These data will inform tourism planning, refining the tourism product and developing appropriate marketing strategies.

d. Release of a new series of Consumer Price Index (CPI) based on an updated basket of goods. Among the new items in the basket are rent, household insurance and health insurance. Currently the base year for the CPI is 2001. This upgrade will change the base year to 2006 to make it more consistent with current expenditure patterns.

e. Rebasing the National Accounts from 1990 to 2006 prices. This exercise will provide revised value added data by industry.

f. Conduct of a Core Welfare Indicators Questionnaire Survey in collaboration with the Social Transformation Unit, Ministry of Education and other relevant stakeholders. This survey will help to identify and quantify the poor and vulnerable population and the appropriateness of social safety nets and benefits programmes.

g. Installation of an updated merchandise trade information processing system – EUROTRACE for Windows. This upgrade will improve the quality, efficiency and regularity of reporting of trade data.

h. Installation of a centralised data repository and a local area network. Currently data are stored in silos and stand alone computers and this does not bode well for data security, data sharing and data dissemination.

i. Procurement of wireless internet service for improved virtual communication. Currently, the Division uses dial-up services.

j. The Division plans to improve its information access and dissemination. It intends to do so by developing a webpage and improving the regularity and frequency of statistical publications.
k. Launch a *National Users Consultation*. This medium would be used to solicit feedback on the Division’s performance to date, receive and prioritise user data needs, reinforce and advocate the importance of official statistics and the imperative of a collaborative approach to their production.

**Enacting New Procurement Legislation**

The UPP Administration will very shortly enact new Procurement legislation to replace the existing Tenders Board Act and establish more efficient procedures for Government procurement. This new procurement act provides updated rules and guidelines that are based on international standards and best practices. At present, outdated rules and guidelines as well as a tendency for individuals, whether from the public or private sector, to circumvent those rules, have resulted in a cumbersome and ineffective system of procurement.

One of the main objectives of the new procurement legislation will therefore be to simplify, clarify and modernize procurement and make the process of Government procurement more transparent. This legislation stresses the need for public competition and is expected to foster and encourage broad participation in the procurement process by persons in Antigua and Barbuda and, when required under an international or regional agreement, by persons outside Antigua and Barbuda.

Other objectives of the legislation include:

- facilitating increased public confidence in the Government procurement process by maintaining safeguards to ensure its integrity, fairness and transparency;
- ensuring fair and equitable treatment of all persons who participate in the procurement process;
- providing increased economy in procurement activities; and
- maximizing to the fullest extent practicable the procurement value of Government’s money.

A Procurement Unit headed by a Chief Procurement Officer will be established under the new legislation. This Unit is to be staffed with a core of procurement professionals who will be responsible for administering a procurement system that is efficient and effective. The intent here is to centralise all Government procurement to better control expenditure and to allow for greater economy in the purchase of goods and services. This new system will improve our approach to high volume, low cost procurement such as that of office supplies and paper, cleaning supplies, paper towels and toilet paper. It will also allow the Government to generate
savings by buying in bulk. Under this new system, too, we will streamline the existing centralised procedures for the procurement of vehicles and related equipment and parts, fuel, computers and related equipment and construction.

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

The Tenders Board will be replaced by a Procurement Board and will be responsible for issuing bid documents and approving bids for Government contracts in accordance with the procurement law and regulations. Given the pervasive practice of breaking what are clearly large contracts into smaller contracts that are less than $20,000 to avoid the tendering process, the new system will eliminate the procedure of automatic exclusion of a contract from the competitive bidding process simply by virtue of it falling below a particular dollar value. The current practice is subject to rampant abuse and is more likely to lead to delays in the completion of projects and increases the overall costs to the Government. In addition to its focus on eliminating abuses of the system, the new procurement procedures will be administered with a view to increasing efficiency in reviewing and approving bids.

Ministries and departments that are not authorised by the legislation to do so will not be allowed to procure goods and services on behalf of the Government. No individual will be able to request goods and services on behalf of the Government unless authorised by the legislation. This means that no public or elected official can legally commit the Government to expenditure. Suppliers and contractors are therefore cautioned not to deliver goods and services unless they have been furnished with appropriate documentation authorising the transaction. Only those transactions that have been undertaken in line with the procedures established under the Procurement Act will be honoured; all others will be considered as gifts to the Government and people of Antigua and Barbuda. The details of the procedures for engaging in a legal transaction to provide goods and services to the Government will be made public. All contractors and suppliers are encouraged to take note of these procedures and, when in doubt, to contact the Procurement Unit for guidance and information.

Ultimately, the purpose of the procurement law and regulations is to ensure the timely procurement of goods and services while reducing occurrences of abuse and ensuring that those goods and services are provided at the most economical cost. We are certain that by adhering to
the procedures contained therein, Ministries and departments will receive the goods and services they need and contractors and suppliers will have equal opportunity to bid for contracts to supply those goods and services. Also, with the central administration of procurement, contractors and suppliers will no longer face uncertainty about the agency or department responsible for ensuring payment.

**Strengthening Revenue Administration**

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

Fiscal consolidation is an important plank of the NEST Plan, and the Ministry of Finance, the Economy and Public Administration is committed to undertaking the necessary reforms to improve the efficiency and effectiveness of all areas of Government, but in particular, the Customs and Inland Revenue Departments.

In this regard the Ministry intends to transform the structure and operations of Revenue Administration in Antigua and Barbuda. A number of diagnostic assessments have been performed dating as far back as 2001, but there was not the will to implement the recommended changes. As such, the reports were left to gather dust on the shelves. There has been a paradigm shift in the approach to Revenue Administration, and we expect to reap the rewards in 2010 and going forward.

I highlight some of the specific plans to bring about the promised transformation.

a) In the case of Inland Revenue, we recognize and appreciate that the physical working environment is in need of urgent upgrade. We cannot expect our workers to be motivated and productive if the conditions under which they work fall below acceptable standards.

b) To address this problem, we shall relocate the entire Inland Revenue Department to new, purpose built premises within the next two and a half years. In the interim, new premises will be leased, to significantly enhance the working environment.

c) As regards human resources, we shall undertake a restructuring of the department, with the appointment of deputy commissioners who will be assigned responsibility for specific areas of Inland Revenue. This will provide much needed support for the Commissioner, and streamline reporting relationships.
d) In addition, the department is understaffed, and we have commenced a recruitment drive intended to identify officers from other Ministries and Departments who are desirous of joining the audit team at Inland Revenue. Priority is being given to officers with training in accounting who wish to assume a challenging but rewarding career.

e) Once these officers are identified and assigned to Inland Revenue, we shall engage the services of CARTAC to train them to perform their roles as auditors.

f) With this enhanced team of auditors, Inland Revenue will be positioned to significantly increase the level of surveillance, and have the capacity to conduct regular audits of taxpayers. This should result in an improvement in the level of compliance for all tax measures on our books.

g) We are also strengthening the ICT Unit at Inland Revenue so that we can complete the process of automating all taxpayer information. The intention is that every taxpayer, individual, partnership or corporation, will be assigned a unique identification number, and regardless of the tax type, it would be possible to identify the status of that taxpayer as regards whether their taxes are up-to-date, and if not, the extent of liability outstanding.

h) Automating taxpayer information will also enable Inland Revenue to develop profiles of all taxpayers, facilitate taxpayer segmentation into large, medium and small categories, and so enhance efficiency with administering every aspect of the department.

i) The Customs and Excise Department is also understaffed, and this is being addressed. As is the case with Inland Revenue, existing public servants will be invited to apply to fill the vacant posts. Following selection, they will be trained to carry out their assigned functions.

j) Similar to the situation with Inland Revenue, a new management structure, with new reporting lines, is being established to streamline the operations.

k) Emphasis will continue to be placed on automating all processes within Customs, and as part of this process every importer and exporter will be assigned a Tax Identification Number, which is likely to be identical to the number assigned by Inland Revenue.

l) Officers will be identified and trained to conduct both pre and post clearance audits. Once this is in place, importers and their agents will be encouraged to make complete and accurate declarations, since Customs will have the capacity to identify and deal with false declarations. The intention is to significantly reduce the time required to clear goods through Customs, while enhancing revenue.
m) Other steps proposed include modernizing the customs legislation in line with regional and international standards, paying particular attention to provisions for interest and penalties, broker licensing, authority to audit, and trader record requirements. Increasingly, Customs will migrate to a post-release control system, with a unit specifically established to conduct audits and verify compliance in all areas of the department.

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

This represents a paradigm shift for both departments, but at the end of the day, we wish to send a clear message to stakeholders and taxpayers at large that we are committed to operating an effective and efficient tax and customs administration. Together, these two departments are responsible for collecting over 90% of Government’s recurrent revenues, and we intend to close all loopholes and increase compliance, thereby enhancing the collection of revenue.

Public Sector Transformation

During its second term the UPP Administration is committed to effecting meaningful change in the structure and operation of the public sector. One of the Government’s development priorities is to strengthen our ability to achieve results efficiently and effectively by improving the productivity of the public sector. In this regard, the Public Sector Transformation Advisory Committee has already engaged the services of the World Bank and CARICAD to provide technical and other assistance. The Committee has also begun to engage stakeholders to solicit their recommendations and engender support for the process.

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

The transformation initiative will place particular emphasis on the Establishment and Training Divisions. One of the deliverables is a three to four year strategic plan designed to meet the demands of a highly functional public sector. In this regard technical and other assistance will be provided by CARICAD.

Other elements of the short to medium term public sector transformation plan include the completion of a census of public sector workers to include statutory bodies, a comprehensive review of the legal framework governing the operation of the public sector and the reclassification of the entire civil service to include the rationalization of salaries and allowances.

The integration of the two services – i.e. the non-established and established workers – will be addressed in the longer term strategy once the legislative framework has been updated and the re-classification exercise completed. Other components of the longer term reform strategy include the introduction of best practice human resource management strategies to include a performance management system and effective succession planning.

All taxpayers have a vested interest in securing the successful implementation of public sector transformation. For this purpose the Government will be embarking on an extensive education and consultation process. All stakeholders are encouraged to actively participate and to help shape the new and improved public sector.

**Divestment Programme**

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

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

Divestment is an extremely complicated process, that can be fraught with pitfalls. For this reason, the Government has engaged the services of the International Finance Corporation, a member of the World Bank Group. The IFC has a commendable track record of facilitating
divestment programmes both regionally and internationally. Already, consultants have engaged Directors and Senior Management of a number of state owned enterprises in preliminary discussions. During 2010, the process will be expanded to include employees and their representatives as well as other relevant stakeholders.

It is important to note that the Government’s Divestment Programme includes an extensive menu of options involving includes multiple public/private partnership models as well as outright sale of an entity. The public/private partnership options include management concessions, joint funding of infrastructure development as well as projects being totally funded by private sector interests with the Government providing certain concessions and user fees being paid by either individual consumers or by the Government on behalf of the citizens and residents.

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

**Strengthening budget formulation, monitoring and reporting**

The annual budget is the most important document produced by a Government. It presents the policies and programmes of the Government for the given fiscal period and is ostensibly the blueprint for achieving the Government’s strategic objectives. Over recent years, significant effort has been taken to implement a system of programmed budgeting where the focus is on outputs and outcomes rather than on inputs. This means that ministries and departments are expected to identify the specific programmes to be executed in a given fiscal period with budgetary resources. Under this approach to budgeting, Government will be better able to assess the expected results or outcomes of various programmes, prioritise those outcomes within the context of its overall strategic objectives for a given period and allocate limited resources to those programmes that will lead to the attainment of its stated objectives. Essentially, programmed budgeting provides a tool that can be used by policy makers to better inform decisions on which programmes are to be funded.

Though much has been done to advance the transformation from line-item or input budgeting to programmed budgeting, there is still much to be done to realise the full implementation of this system in Antigua and Barbuda. If this transformation is to occur, ministries and departments will need to break with the old approach to developing their budgets and formulate programme structures for their respective budgets. In 2010, the Government through the Ministry of Finance
will intensify efforts to ensure that ministries and departments adhere to the requirements of programmed budgeting.

The success of the Fiscal Consolidation Programme will depend considerably on whether ministries and departments operate within their budgetary allocations. It is absolutely essential that the Government meets the fiscal targets agreed on with the IMF and CDB if Antigua and Barbuda is to receive disbursements under the financing arrangements. One fundamental condition of the arrangements with the IMF and CDB is that there can be no arrears accumulated by the Government. This means that we must make payments to contractors, creditors and suppliers when they become due. In order to ensure we meet this condition and achieve the targets, the Ministry of Finance will not process requests to increase expenditure by way of special warrants. Unless there is a natural disaster or other emergency, there will be no approval of special warrants to increase budgetary allocations or to allow expenditure on an activity which was not included in the budget estimates for the year. Ministries and departments will be required to improve the planning and prioritisation processes ahead of the budget to ensure that those activities and programmes that are most important to the ministries and the Government as a whole are the ones contained in the budget estimates.

The Ministry of Finance, through the Budget Office, will continue efforts to limit the amount that can be spent by each ministry or department by restricting the level of expenditure that may be incurred each month in order to ensure that ministries and departments remain within their budgets. Though the Ministry of Finance already makes monthly allocations in an effort to control the rate of spending by line ministries, the fact that the FreeBalance system is not fully operational in all ministries makes this a challenging undertaking. Over the coming months, we will intensify efforts to roll out FreeBalance across all ministries. This will significantly enhance our ability to control line ministries’ expenditure and to monitor the budget in a manner that allows for timely adjustments where this is necessary.

In light of the importance of this initiative, we have included resources in Budget 2010 for monitoring and reporting on the fiscal consolidation programme. These resources will be used to marshal whatever skills and expertise may be needed to ensure that we not only meet the predetermined targets, but we will be properly equipped to deliver the reports on those targets within the stipulated timeframes. This budgetary allocation is less than 0.5 percent of the total amount of financing to be received from the IMF and CDB and represents a small investment that will bring about substantially larger returns.

The Government will receive support and technical assistance from regional and international sources including the CARTAC and the EU to implement the fiscal consolidation programme. It
is expected that these institutions will provide the requisite training and capacity building to improve budgetary processes; enhance capacity within the Ministry of Finance to monitor and report on fiscal performance within the context of an IMF-assisted programme; and strengthen public expenditure and financial management systems and procedures in Antigua and Barbuda.
Administrative and Reporting Arrangements for Fiscal Consolidation

During the various meetings and consultations on the Fiscal Consolidation Programme, the participants consistently raised the point that the successful implementation of the programme will rely heavily on having appropriate administrative arrangements in place to monitor and review implementation. The Government is fully cognisant of this fact and will establish a number of administrative and reporting arrangements that will ensure that information is shared on a timely basis to allow the Government to make decisions that will positively impact fiscal performance. We have already commenced this process with the assistance of CARTAC. This involves identification of the relevant reports to be prepared, the individual or agency with responsibility for preparing them, the frequency of preparation and dissemination of these reports.

The administrative and reporting arrangements to be established include:

a) Monthly meetings of Ministry of Finance technicians to discuss the implementation of policy measures and more frequent discussions as needed to ensure that the programme is on target. These meetings of Finance technicians will be followed by meetings of the Policy Design and Management Committee (PDMC). This Committee will be responsible for constantly reviewing and assessing the policies and measures of the programme and will make recommendations for adjustments where necessary. The PDMC will be chaired by the Minister of Finance and will include the following:

- Financial Secretary
- Deputy Financial Secretary
- Assistant Financial Secretary
- Debt Manager
- Budget Director
- Accountant General
- Director – Economic Policy and Planning Unit
- Coordinator IT Implementation and Management

b) Monthly meetings of project officers of each ministry with the PSIP coordinator and other Ministry of Finance technicians to facilitate better monitoring of the PSIP. This will also provide the opportunity for updating the PSIP and to bring on board those projects that are not already in the system.

c) A Cabinet Subcommittee on the Economy. This Sub-committee will comprise all Cabinet members but will meet on a day and time that is different from regular Cabinet
meetings. The intent is to ensure that appropriate time and focus are dedicated to the issues related to implementing the fiscal consolidation programme, meeting our obligations in respect of the IMF and CDB arrangements, executing the programmes and policies identified in the NEST Plan. An important aspect of these meetings will be the presentation of monthly reports by the Policy Design and Management Committee. In addition, Permanent Secretaries from Ministries and departments will be required to make monthly reports to the Cabinet Sub-committee on their ability to meet expenditure reporting requirements. It is expected that where necessary, the Cabinet will make decisions to adjust policies and measures in order to ensure Antigua and Barbuda meets its fiscal targets.

d) Quarterly reports will be made to the Cabinet and other members of the Government to apprise them of fiscal performance.

Another important element of the reporting arrangement will be regular reports to the public on the progress of implementation of the programme. The Government will inform the public of the quarterly targets that are to be met in order to trigger disbursements of funds from the IMF and CDB arrangements. As reviews are conducted, reports will be issued to indicate whether the targets were met. In the event that targets are not met, the Government will disclose the issues that prevented the attainment of the target and corrective measures that are to be introduced to address the problem. The Government is determined to continue the consultative process in respect of this programme and the overall NEST Plan. As such, the public education and awareness initiatives that began with the NEST Consultations in May 2009 and the Live and Direct town hall meetings in November 2009 will be intensified in 2010. The objective of the public education and awareness programme will be to ensure that all Antiguans and Barbudans are fully aware of the fiscal and economic developments that will impact the future prospects of our nation.

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

We have had discussions with the IMF and CDB about this fiscal consolidation programme. We intend to continue our discussions with these institutions over the coming weeks to finalise agreements on the overall financing framework and on the monitoring and reporting
requirements that are critical for a successful programme. Our intent is to access the maximum amount available from these institutions which together total US$150.0 million.

We have also commenced discussions with the World Bank on the assistance that may be made available to Antigua and Barbuda to execute its public sector transformation programme and to design and implement suitable social programmes to mitigate the impact of the global recession and the fiscal consolidation.

This UPP Administration has no doubt that the people of Antigua and Barbuda are all committed to taking whatever action is necessary to transform our beloved nation into a veritable beacon of economic and social strength in the region. Under the guidance and direction of the Honourable Prime Minister, we therefore pledge to lead the charge and to remain resolute in the face of all challenges so that at the end of the journey we would have secured the welfare of this and future generations.

14 ECONOMIC ACTION PLAN

Though the Fiscal Consolidation Programme (FCP) sits at the core of the National Economic and Social Transformation (NEST) Plan, it is not intended to be an end in itself. The purpose of fiscal consolidation is to position the Government to advance policies and programmes that will significantly transform Antigua and Barbuda over the next five years. This transformation cannot be achieved without high and sustained levels of economic growth. As such, an essential component of the NEST Plan is an Economic Action Plan (EAP) which represents the Government’s overall strategy to encourage economic activity, the generation of wealth and the creation of employment over the short, medium and long terms. It should be noted that as economic performance improves, revenues should increase and the Government will be able to attain the goals set out in the fiscal consolidation programme at an accelerated pace. As the fiscal conditions improve, investor and consumer confidence is boosted and there is increased likelihood of expansion in economic activity.

Over the next several months and years, the Government will develop and implement various programmes and policies to promote activities that create jobs and bring about economic growth. I wish to emphasise however that the Government does not intend to take over the private sector’s role as the engine of growth. The coming year will provide a unique opportunity for the Government to partner even more closely with the private sector to help the economy rebound from the economic crisis and to bring about economic transformation in Antigua and Barbuda.
Despite resource constraints, the Government is determined to do whatever is necessary to stimulate economic activity and promote job creation. Our economic action plan will involve some stimulus activity to include the use of a portion of the funds provided to Antigua and Barbuda by the Bolivarian Republic of Venezuela on projects that can create jobs for local contractors. More importantly, however, the economic action plan will focus on identifying and implementing programmes that support the private sector and encourage investment. The UPP’s approach to economic development has always been one of facilitation rather than crowding out the private sector. Hence, we have over the years reduced the corporate income tax, introduced a comprehensive system of incentives and tax concessions for both local and foreign investors and created the Antigua and Barbuda Investment Authority (ABIA) to help ease the process of investing in Antigua and Barbuda.

Our overall objective is to improve the business environment and to ensure that doing business in Antigua and Barbuda is as easy and efficient as possible. We recognise that there are still stumbling blocks to undertaking business in Antigua and Barbuda and we will make every effort to remove bureaucratic hindrances to doing business. The public sector transformation initiative that forms part of the Fiscal Consolidation Programme will no doubt help to streamline agencies and procedures that impact the operations of the business community. In addition to putting appropriate mechanisms in place to facilitate private sector activity, the Government will focus on providing the requisite support to a number of key sectors. The interventions pursued will have the precise objective of generating jobs and encouraging investments. Essentially, the Economic Action Plan will be a three-pronged approach to transforming the Antigua and Barbuda economy.

**Economic Stimulus**

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

In August of this year, when the Government received the US$50 million from Venezuela, we indicated that US$7 million or $19 million of this would be allocated to fund renovating and refurbishing Government buildings. This renovation and refurbishment project is to be undertaken in phases and is intended to create jobs. Over the past few months, the Ministry of Public Works assessed the condition of a number of Government owned buildings and determined the cost of making repairs and upgrading these buildings. To date, seven such buildings have been identified and Cabinet has approved the proposal to renovate and refurbish
these properties in the first phase of the project. The cost of renovating and repairing these seven buildings is $7 million and we expect work to commence within the first quarter of 2010.

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

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

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

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

Both of these projects will be executed in a manner that allows for the creation of numerous jobs for Antiguans and Barbudans. Once completed, these new properties should assist the Government to reduce its expenditure on rent and increase the overall asset base of the public sector. The Government’s decision to move ahead expeditiously on this strategy to reduce its spending on rent was influenced in part by the clear and consistent message that was brought across in the many meetings and consultations held with stakeholders and the general public. This Administration continues to be committed to the consultative process as an essential element of any truly participatory democracy.

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

**Supporting Priority Sectors**

At the same time that we seek to stimulate some economic activity in 2010, this Administration will work in earnest to develop and implement strategies and programmes to bring about economic transformation. This component of the Economic Action Plan will be an integral factor in securing the kind of economic transformation that ensures sustainable growth in the years to come. This Administration has identified a number of priority sectors that will drive the economic transformation process. These sectors have been chosen based on their contribution to Gross Domestic Product, on their potential to generate employment and on their ability to encourage entrepreneurship and empowerment of the people of Antigua and Barbuda.

Tourism, Construction, Agriculture and Fisheries, and Small and Medium Enterprises will be the priority sectors over the next five years and will be the focus of considerable effort by the Government to harness domestic and external resources to support economic growth.
It should be noted that these priority sectors are not unlike those identified in ECCU’s Eight Point Plan. At the same time that the member countries of the ECCU are pursuing policies that will bring about improved fiscal and debt management, the Governor and staff of the Eastern Caribbean Central Bank are working on behalf of the region to solicit financial support from various nations and international agencies to fund projects that can trigger significant and lasting economic growth. This Government is confident that as our commitment to pursuing sound macroeconomic policies is borne out in positive movements in the macroeconomic indicators, we will be able to garner support from friendly nations and the international community to develop these sectors.

Though we will welcome assistance from legitimate external sources, we remain firmly grounded in the belief that Antiguans and Barbudans must be masters of our own destiny. Gone are the days when our country will be characterised by a tendency to borrow for development purposes and refuse to honour those obligations. Any mature and reputable nation will assure responsibility for its own development rather than simply taking from other nations by continually seeking handouts or borrowing from the people of other countries and not repaying those debts. It is time that Antigua and Barbuda shake off the scourge of a bygone era and move ahead boldly with a new model of development. This model emphasises pursuing a path to growth that we can afford and that will leave a legacy of wealth and opportunity for future generations; not the burden of debt and a dishonourable reputation in regionally and internationally.

**Tourism:**

In a recently released document, entitled Regional Economic Outlook: Western Hemisphere, the IMF concluded that “The effects of the financial crisis on the Caribbean will likely persist into 2010 because tourism depends on employment conditions in advanced economies, which typically lag output recoveries”. This means that recovery from the fifteen percent decline in the sector in 2009 will not be swift or easy. However, we are certain that the industry will rebound and will remain a dominant player in the economy of Antigua and Barbuda. While the recovery of the sector will depend largely on the pace of the upswing in source markets, we are convinced that the rate of rebound in Tourism will be influenced by our ability to position Antigua and Barbuda to take advantage of the turnaround in the source markets. This means building new partnerships with stakeholders and putting technology to use wherever it will maximise returns and improve the quality of service, diversify the productive base, enhance marketing visibility and transform the tourism sector.
The Government will continue to upgrade its tourism strategy and create an enabling environment to maintain Antigua and Barbuda’s position as a preferred tourism destination. This nation is unique. We have a great story to tell and we will enhance our effectiveness in telling it.

An integral part of this strategy will be increasing airlift and room stock; enhancing the tourism plant; implementing an aggressive campaign to expand the markets for business, leisure and regional tourism to prevent the erosion of our market share and training in service excellence.

As marketing efforts are intensified and additional airlift secured, we will continue to pursue initiatives to refurbish and restore popular local sites of interest to increase the attractiveness of the destination. To facilitate the restoration and refurbishment initiatives, the Government will establish a Heritage Restoration and Development Incentives programme and enact Heritage Protection and Conservation legislation to ensure these historical sites are preserved. The sites to benefit from the restoration and refurbishment programme include Betty’s Hope, Fort Barrington, Fort James, Devil’s Bridge, Clarence House and Monk’s Hill. With the support of the OECS we will design and establish a Tourism Enhancement Fund which will serve as a secure funding mechanism for product development, improved promotion and marketing and increasing airlift to Antigua and Barbuda.

The potential for growth and prosperity in the tourism sector is yet to be fully exploited. The Antigua and Barbuda brand is still strong and remains instantly recognizable throughout the world. Our sun, sea and sand are just the beginning. We must mobilize our natural resources in a sustainable manner to reap the full extent of our tourism potential.

In 2010 we will redouble efforts to finalise and implement an innovative and creative strategy to develop tourism and all ancillary services. Since Tourism is our business, the strategy for its development must be driven by collaborative intervention by the Government and all stakeholders. In this regard, we will continue to consult, dialogue, and partner with all stakeholders to ensure that the strategy for developing the sector over the next five years is one that represents the interests of all parties.

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

a) Pursuing a strategic marketing campaign in conjunction with the Antigua Hotel and Tourist Association.

b) Establishing an agriculture-tourism linkage committee to identify effective ways to link the two sectors and allow local farmers and other agribusiness operators to benefit from a thriving tourism industry.
c) Creating a Tourism Employment Opportunity Data Bank through which persons trained at the Hospitality Training Institute and any of the regional Hospitality Training institutions can be apprised of employment opportunities within the sector.

d) Establishing a Tourism Product-Portfolio Package of niche products as a selling tool to promote and attract direct investment into the sector.

e) Strengthening relationships with the Antiguan and Barbudan Diaspora to improve access to foreign markets and encourage know-how.

f) Promoting Antigua and Barbuda as a sports tourism destination.

g) Developing a dynamic and flexible demand-driven education and training system for tourism at the Hospitality Training Institute.

In 2010 the Government will work with stakeholders to establish guidelines that will enhance the sector and improve our competitiveness. Specifically, we will complete the development of a Fire Safety Code for Hotels. Further, a Cruise Sector Safety Strategy and Operational Protocol will be developed in collaboration with cruise tourism stakeholders to enhance the cruise sector.

Regionally, we will be working with the Caribbean Tourism Organization (CTO) on the design and implementation of a region-wide public awareness campaign to highlight tourism’s contribution to development in the Caribbean. The Ministry of Tourism will participate in training activities and seminars in subject areas that would be of value to the destination. These seminar will include modules on Crisis Communication and Disaster Mitigation Seminars. There will be an emphasis on capacity building workshops for teachers and technical officers in the Ministry to enhance their ability to teach tourism in secondary schools. Antigua and Barbuda will participate in the establishment of a regional multi-agency Committee for Regional Tourism Satellite Account (TSA) Implementation and Joint Regional Marketing and Negotiation. We will also be working with the Caribbean Development Bank to implement a Tourism Skills Programme.

In addition to these efforts to create an enabling environment for product development and increased competitiveness, the Government will intensify efforts to secure projects that will create employment and promote economic growth. We will continue discussions with the Royal Caribbean Cruise Line to pursue the Development of the St. John’s Waterfront. This is intended to be a multimillion dollar development project that will create hundreds of jobs in the construction and operational phases and provide investment opportunities for the domestic private sector. Our alliance with the Royal Caribbean Cruise Line is expected to transform downtown St. John’s and create a unique experience for tourists and locals alike.
Another critical activity that will impact the sector is a 6 million Euro project to upgrade the Antigua and Barbuda Hospitality Training Institute. This project involves the construction of a 20 room training hotel, two additional classroom blocks and a student lounge, to accommodate an increased enrolment of 300 students and additional faculty.

The Ministry, the Antigua Public Utilities Authority and the Antigua Hotel and Tourist Association will sign an extension of the Memorandum of Agreement, which was initiated in November 2008 to create an Emergency Action Plan for the Hotel Sector. The second phase of the Agreement, which will take effect from 2010, will provide short term support to the hotel sector. In exchange, the hotel operators are to maintain levels of employment. A similar arrangement will be entered into with cruise sector enterprises.

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

The Crystal Bay Development is a US$80 million project to construct a 174-room property at Valley Church Bay. The developers are in the process of finalising financing for this project and have an agreement with the Intercontinental Hotel chain to manage this five star property. The Half Moon Bay development is to be a $1.9 billion project that will include construction of a five star luxury resort to be managed by another major hotel chain. This development will also include construction of a marina, infrastructure works, and construction of condos and town houses.

The long-delayed 549 acre Seaforth project, which the developer plans to call Azure Bay, has had the last legal impediment to moving forward removed by successfully ending litigation. The litigation was settled on November 24th this year - roughly 5 1/2 years after it began.

The proposed Azure Bay project encompasses a high-end multiuse resort/residential community that will include a signature 18 hole golf course, at least one five star hotel, and other amenities. The five star hotel will also be a major high-end brand that will help to market Antigua and Barbuda and support the Government’s efforts to encourage new air service to the nation. To date, only very preliminary planning has taken place, but, with the resolution of the litigation, the developer will begin engineering, planning, design and other necessary work prior to the commencement of the permitting process.

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

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

**Construction:**

As seen in 2006 and 2007, the construction sector can play an important role in driving economic activity and creating employment. In addition, as activity increases in this sector, there are tremendous spill-over effects that will promote growth in other sectors in the economy. At one of the Live and Direct consultations held earlier this month, a participant stressed the importance of labour in driving and sustaining production. This Administration is fully aware of the importance of ensuring a high level of employment whereby citizens and residents can earn the income needed to provide for their families.

One may consider providing employment through a welfare state arrangement whereby the Government provides mostly minimum wage, low skilled work for its citizens and residents. Indeed, for much of the past thirty years, this has been the approach to job creation in Antigua and Barbuda. The result has been a bloated and inefficient public service that drains the public purse. The UPP Administration intends to change this approach to securing employment for the people of this nation. Instead of providing a handout that ultimately traps individuals into low paying, low skilled jobs with little potential for advancement, this Government will ensure that our people can access higher paying and more rewarding jobs.

As part of our programme to create high quality jobs, the Government intends to undertake a renovation and refurbishment project in 2010 that will create employment opportunities for local contractors and tradesmen. The execution of the North Sound Community development project will also provide jobs for individuals and encourage growth in the sector. In 2010 the Government will also pursue some critical public sector investment projects. These include completion of airside works at the airport and construction of a new airport terminal.

An important factor that drives the Government’s commitment to supporting construction is the determination to provide as many opportunities as possible for citizens and residents to become homeowners. The importance of this sector cannot be overstated given its ability to create jobs
and deliver an output that allows our people to achieve the dream of being property owners. It is with this in mind that the UPP Administration, the People First Government, will take steps to ensure that at least one thousand new homes are constructed over the next five years.

We have already identified more than one hundred and eighty acres of land to facilitate this initiative and look forward to working with local contractors, the private sector and domestic financial institutions to develop and implement projects that will create employment and make homeownership a reality for hundreds of families. Earlier this month, we launched the Follies Housing Development project in John Hughes. Over the course of 2010, one hundred homes valued at between two and three hundred thousand dollars each will be built.

The Ministry responsible for Housing as well as the Central Housing and Planning Authority should be commended for their hard work and commitment to making this project a reality. As a result of their efforts, one hundred households will become new property owners. Over the coming years the staff of the Ministry and CHAPA will intensify their efforts to develop and execute projects that deliver high quality, well designed and affordable houses that any family would be proud to call home.

To ensure that the benefits of growth in the construction sector are enjoyed by citizens and residents, we will work with the contractors, heavy duty operators and other groups within the sector to establish regulations and clear guidelines that will ensure standards are maintained and high quality service is delivered to the public at all times. An important element of this will be to establish procedures to register and certify persons working in the industry. We will ensure that the Antigua and Barbuda Institute of Continuing Education (ABICE) and the National Training Agency are well equipped to meet the training and retraining needs of every aspect of the sector. The UPP Administration is convinced that with the cooperation of the key stakeholders in the sector, construction can continue to be a major source of quality employment as it helps to promote and sustain economic growth.

**Agriculture and Fisheries:**

Agriculture contributes between two and a half and three percent of gross domestic product in Antigua and Barbuda each year. Though this is relatively small compared to other sectors such as tourism, wholesale and retail trade, communications, and construction, agriculture is still an essential sector. This sector is critical to the attainment of food security and also has the potential to increase foreign exchange earnings, achieve foreign exchange earnings and create employment. While Antigua and Barbuda does not have vast areas of arable land like a number
of its Caribbean neighbours, there is potential for expansion of agricultural production to help meet local demand and take advantage of export opportunities.

With this in mind the Government, through the Ministry of Agriculture, has developed an action plan to expand crop production in Antigua and Barbuda over the period 2009 to 2012. This action plan will focus on four main sub-projects that are intended to bring about the objective of increasing crop production. One of these sub-projects is restoring and upgrading five agricultural stations where pineapples, tropical fruits, vegetables, and cotton are the main focus. This activity is to be undertaken with the assistance of international and regional agencies including the Food and Agricultural Organisation (FAO), the Inter-American Institute for Cooperation on Agriculture (IICA), and the Caribbean Agricultural Research and Development Institute (CARDI). The total cost of this aspect of the action plan is $5.5 million. It will include the delivery of training to farmers as well as technicians in the Ministry of Agriculture, provision of tools and equipment and identification and implementation of strategies to promote agro tourism. Work on this initiative has already commenced and should be completed within the next three to five years.

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

Another initiative to be undertaken over the next three years will be the enhancement of the Agricultural Development Corporation (ADC) and establishment of a system for safe and healthy food. A $6 million project aimed at enhancing the facilities at the ADC will be executed and will include construction of a fifteen thousand square foot packing house facility. This will be a central facility for washing, grading, chilling and storing produce of local farmers. The improved facilities at the Agriculture Development Corporation will provide the requisite postharvest handling, packaging and storage infrastructure.

The project to establish a system for safe and healthy food will be driven by the expansion and retrofitting of the laboratory at Dunbars. Once completed, this $4 million project will ensure there are modern facilities in Antigua and Barbuda to test and monitor food quality, determine pesticide residue on foods, and conduct routine soil and plant tissue analysis. The objective of this project is to ensure that the foods produced in Antigua and Barbuda meet international food
safety standards and that the general public can be assured of access to healthy and high quality foods. A critical remit of the enhanced laboratory will be to inspect restaurants and hotels and to analyse imported foods to protect the general health and safety of the public.

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

The UPP Government is committed to doing what it takes to achieve food security and help reduce the food import bill. An essential element of this will be to continue to support and encourage home-based gardens and to ensure that the public is fully aware of the benefits of supporting our local farmers. The Ministry will therefore launch a public awareness and education programme and also develop and implement a “Buy Local” campaign. We are certain that with the implementation of these various projects and the strong support of all stakeholders and the general public, the agriculture sector’s contribution to economic output will increase significantly. By making this sector a priority in Antigua and Barbuda we expect to realise outcomes that both generate and save foreign currency. Also, the Government anticipates that the sector will create new jobs and our country will be effectively positioned to achieve the objective of a modern, sustainable agricultural sector.

**Small Business Development:**

In 2007 this Government enacted legislation for the development of small businesses in Antigua and Barbuda. Under the Small Business Development Act, Antiguan and Barbudan entrepreneurs may access concessions and technical assistance and support to expand an existing or start a new small business. This initiative was based on our recognition of the role of small businesses in creating employment, promoting growth and alleviating poverty. It is also a tangible demonstration of this Government’s commitment to “facilitating improved economic vitality of businesses while empowering citizens to actively participate in the ownership of the country’s resources” – one of the seven priorities of the Government, which is consistent with the People First philosophy. Under the Small Business Development Act, the Government has institutionalized a system of support through the Antigua and Barbuda Investment Authority for small business owners and potential entrepreneurs to realise the dream of wealth creation.
Also enshrined in the Small Business Act is this Government’s policy whereby twenty five percent of Government procurement contracts for goods and services are to be reserved for small businesses registered under the Act.

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

In 2010 the Enterprise Development Unit of the Investment Authority will be strengthened to deliver increased technical assistance and support to businesses. This should enable business owners to capitalize on services such as the preparation of business plans, product development, package and label design, improving business management, financing of feasibility studies relating to the development of new businesses or products, among other things. In order to facilitate the delivery of these services, the Enterprise Development Unit has identified and partnered with a number of private sector organizations that have agreed to offer services at a reduced cost to approved small business applicants. As part of its mandate to provide an enabling environment for the development of small businesses, the ABIA will embark on a feasibility study for a business incubator unit that is intended to provide even more assistance to existing and potential small businesses.

Businesses that are registered as Approved Small Businesses under the Small Business Development Act are eligible to apply for and benefit from various business incentives including concessions, technical assistance and access to the Credit Guarantee Scheme. The concessions that may be accessed by registered small businesses include:

a) exemption from or reduction of payment of customs duty on raw materials, building materials, furniture, furnishings, fixtures, fittings, appliances, tools, spare parts, machinery, vehicles and equipment for use in the construction and operation of the business;

b) reduction of property tax up to 75% in respect of land and buildings other than residential premises used in the operation of the business;
c) exemption from payment of corporation tax on the income of the business for a period not exceeding five years;

d) exemption from stamp duty payable on documents required for loans for the business or security for those loans.

An important element of the Small Business Development initiative is the establishment of a Credit Guarantee Scheme. The administrative mechanisms for the Government’s Credit Guarantee scheme are currently being finalised so that small businesses that are registered under the Small Business Development Act may begin to benefit from this arrangement by the first quarter of 2010. Under this initiative small businesses will have access to security of up eighty percent of a business loan that is being taken from a commercial bank, provided that the guarantee does not exceed one hundred thousand dollars for each small business.

In order to access the credit guarantee, the small business must be registered in accordance with the provisions of the Small Business Development Act. The Act defines a small business as one meeting the following criteria:

a) has no more than 25 employees;
b) is not a wholly – or majority – owned business or a subsidiary of a larger company;
c) capital investment does not exceed three million dollars;
d) total annual sales do not exceed two million dollars and
e) is majority owned

(i) by citizens of Antigua and Barbuda, or
(ii) by non-citizens of Antigua and Barbuda and where the following applies:-

- over one-half of the production of the business, calculated by value of the product, is exported;
- there is a minimum investment in the business of five hundred thousand dollars;
- at least fifty percent of the employees of the business are citizens of Antigua and Barbuda; and
- at least forty percent of goods and services used for the production of the business is procured from businesses located in Antigua and Barbuda.

Any type of small business may access the credit guarantee provided that the business is registered. The business may be a sole proprietorship, partnership, a corporate body, cooperative
or association of individuals or an enterprise. A small business that requires financial assistance to start up or expand, or an existing business that has no or insufficient collateral to access traditional forms of credit, can seek a guarantee under this arrangement.

A small business may apply for a loan guarantee under the Credit Guarantee Scheme through a commercial bank, other financial institution or other organisation that is approved to access the Credit Guarantee Scheme. The business would apply to the bank or financial institution for a loan and upon approval will be granted access to the loan guarantee where that business is unable to provide other forms of security. To ensure that the businesses maintain a sense of ownership and a stake in the venture, they will be required to make at least a fifteen percent equity contribution, which may be in the form of cash injection or tangible security that must have a realizable value equivalent to the required equity contribution. Small businesses that receive the credit guarantee must have attended or be willing to attend small business development training programmes.

Finally, the Investment Authority through its Enterprise Development Unit will play a pivotal role in the Government’s outsourcing initiative. Where various services currently being provided by the Government are outsourced as part of the Government’s overall public sector transformation programme, the EDU will assist in providing training and support to individuals wishing to create the new businesses to take advantage of the opportunities provided through the outsourcing initiative.

These new small businesses will receive support in areas such as developing business plans, establishing the right management structure, using basic accounting tools for financial management, and preparing bid documents to allow them to participate in competitive bidding processes. They will also be able to access the concessions and incentives provided in the small business legislation, including the credit guarantee scheme. The UPP Administration is of the view that not only will this programme of outsourcing allow for a more streamlined and efficient public service, it will also afford many Antiguans and Barbudans the opportunity to be empowered and to embrace the idea of creating their own wealth through entrepreneurship.

**Investment Strategy for the Medium Term:**

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

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

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

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

Government is actively negotiating with two established US entities with a view to enter into a joint venture partnership to start a Medical Transcription Production Centre in the first quarter of 2010. Medical Transcription is vital and strategic to the economy for several reasons:

a) Almost 100 percent of the inputs will be circulated in the economy in such areas as payments to Social Security, Medical Benefits, Education Levy, ABST and purchases from our business community

b) It diversifies our economy into an industry valued at US$12 billion. This industry is not subject to cyclical or seasonal variation of industries such as tourism.

c) It positions us well for the Medical Tourism industry since visiting patients can have the additional service of having their procedures transcribed and thus ready for insurance reimbursement and follow-up care.

d) Medical Transcription is a foundation skill for our International Services Sector, which is focused on the health care industry.

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

The ABIA’s investment promotion efforts in 2010 will be keenly focused on three strategic areas:
• **Attracting International Services with emphasis on the medical sector:** This includes providing services such as medical coding and billing, accounting and medical services such as oncology.

• **Filling gaps in our tourism product:** Investment promotion resources will focus on attracting at least one branded five star development and an eco-resort. The addition of a 5-star product will make the Antiguan brand stronger and assist in negotiating airlift to our island.

• **Attracting local and international investments which will increase local production.** Although we attract about 750,000 visitors annually, more that 80 percent of what they consume is imported, reducing the economic impact of their expenditure. The ABIA will play a pivotal role in promoting business opportunities in poultry and crop production to attract resources to increase the scale of production.

In order to attract these investments, the ABIA will participate in carefully selected industry events such as trade shows and conferences. To conserve resources it will also partner with developers and international service firms at selected events.

Secondly the ABIA will be collaborate with Antiguan offices in the UK, Canada and New York to host business conferences targeted at the sectors we are seeking to attract. These business opportunities will be presented to Antiguans at home and the Diaspora.

### 15 SOCIAL TRANSFORMATION PLAN

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

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There is a vital link between sustainable economic growth and the social conditions under which the people of a nation exist. For this reason, the Government of Antigua and Barbuda has positioned itself to achieve the Millennium Development Goals (MDGs) of eradicating extreme hunger, achieving universal primary education, promoting gender equality and empowering
women, reducing child mortality, improving maternity health, combating HIV/AIDS, malaria and other communicable diseases, ensuring environmental sustainability and promoting a global partnership for development. We are extremely proud that because of our commitment to a progressive social agenda, we were able to gain 12 points on the United Nations HDI ranking of 182 nations from a position of 59 in 2004 to 47 in 2007. We pledge to maintain our status in the category of high development in the areas of life expectancy at birth, adult literacy, and standard of living:

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

1. To Increase Student Achievement In Primary, Secondary And Tertiary Education;
2. To Improve The Health Of Antiguans And Barbudans;
3. To Improve The Condition Of Vulnerable Groups Within The Society;
4. To Improve The Safety Of People And Property;
5. To Facilitate Improved Economic Vitality Of Businesses While Empowering Citizens To Actively Participate In The Ownership Of The Country’s Resources;
6. To Strengthen Government’s Ability To Achieve Its Results Efficiently And Effectively By Improving The Productivity Of The Public Sector;
7. To Improve Cultural And Recreational Opportunities Throughout The Country While Promoting National Pride And Social Responsibility.

**15.1 Education**

Enhancing education at all levels requires dedication to early childhood, universal primary and secondary, and tertiary education. In the area of early childhood education we see opportunities for collaboration between public and private sector educators. The years from birth to age 5 are among the most important in a child’s life to influence learning. The government is committed to providing the support that the youngest of our society require to succeed later in school. We will continue to support the development of new programmes to improve a child's early learning and
development. We applaud persons who now operate centres for early childhood education with little to no input from government.

We believe that persons who aim for tertiary education should be allowed the opportunity to achieve this and therefore we will continue to support the National Student Loan Fund (NSLF) and scholarships from international and regional universities and colleges. Our vision is to see the development of the University of Antigua and Barbuda. Whilst we see this as a medium term vision we will continue to enhance the services offered by the Antigua State College (ASC) and the Antigua and Barbuda International Institute of Technology (ABIIT). By doing so, in time we will have the appropriate platform for a University that would offer colleges with different specialties. We will also seek to provide opportunities to augment re-training programmes through the Antigua and Barbuda Institute of Continuing Education (ABICE), the Training Division, the Connect Antigua and Barbuda Initiative and the Antigua and Barbuda Hospitality Training Institute (ABHTI). We will work with the Antigua Hotels and Tourist Association (AHTA) to develop programmes catered to the changing tourism market as we seek to keep the education in this area relevant to the needs of the industry. These retraining programmes will support persons leaving the public sector to work in the private sector as well as those planning to operate a small or medium sized business.

15.2 Health Care

The Ministry of Health, Social Transformation and Consumer Affairs is responsible for the provision of public health services, buttressed by the Medical Benefits Board of Control, the Mount St. John’s Medical Centre and the National Solid Waste Management Authority. Together these institutions implement the government’s policies of primary, secondary, tertiary, mental and environmental health care services. The government’s healthcare policy will of necessity focus on the changing lifestyle practices of our people. Greater emphasis will be placed on prevention to promote long term health benefits and health care savings.

In 2008 the Physical Activity and Nutrition Programme (PAN) was launched as a joint effort of the MBS, Ministry of Education and Ministry of Health. The programmes developed for children include the jingle competition, art competition and the reintroduction of the skipping rope as a good form of exercise. Programmes for adults include lectures aimed at improving health literacy as well as early detection for breast cancer, hypertension, prostate cancer, heart disease and diabetes. The PAN programme will continue along with other initiatives to be spearheaded by the joint task force.

In the areas of primary health care we will continue to focus on improving the quality of the care offered at the health clinics. We will seek to create linkages where possible with the American
University of Antigua (AUA) and the University of Health Sciences Antigua (UHSA) so that we can learn from new techniques and practices. Over the medium term it is expected that the complement of staff will be sufficient to offer the services required by our people.

On February 16, 2009 the doors of Mount St. John’s Medical Centre (MSJMC) a 185-bed modern medical complex, were officially opened. The opening of the MSJMC marked a turning point in the delivery of healthcare in Antigua and Barbuda. The Centre’s mandate is to provide full inpatient, diagnostic and physician services to meet international standards. The services offered by the centre have been marketed throughout the Eastern Caribbean, particularly to various surgical and other tertiary medical facilities. MSJMC continues to work on building relationships with cruise lines to offer support in emergencies and to establish contracts for crew physicals. MSJMC also has established contracts with major insurance networks to become a preferred provider. At present the centre holds contracts with Bupa, Best Doctors, Vanbreda International, Quality Healthcare Management and Mondial Assistance.

In support of the services offered, the centre continues to invest in new diagnostic and information storage technology. The hospital has just implemented a Picture Archival Communications System (PACS). The PACS technology enables images from ultrasonography, magnetic resonance imaging (MRI), endoscopy, mammography and radiology to be stored electronically. At the click of a button, these images can be retrieved, transferred and viewed simultaneously by physicians and practitioners at various locations, who interpret and archive them for future use. This technology will replace the age-old method of storing medical images on hard copy or film. Additionally MSJMC will be purchasing additional dialysis machines to expand its services.

The centre will apply to Joint Commission International (JCI) for accreditation in 2010. This accreditation process is expected to help the MSJMC improve the safety of patient care.

15.3 National Security and Immigration Issues

I would like at this time to underscore this government’s policy of Zero Tolerance for Crime. We are fully cognizant that crime threatens our way of life and tarnishes the moral fibre of our country and our reputation as a place of safety. We value the work carried out by the Royal Police Force of Antigua and Barbuda, the Antigua and Barbuda Defence Force and the office of National Drug Control and Money Laundering Policy and we will continue to provide the resources required to ensure an effective fight against crime.

In 2010 and beyond we will strengthen the capacity of the crime fighting bodies as we seek to further assist in the formation of community watch groups. In 2009 we introduced community
policing and we are confident that this has allowed us to increase the level of cooperation between the citizenry and the police force. It is important that we continue to strengthen the communication linkages between all parties to ensure that there is adequate information for crime fighting. We will implement a Police Intra-Network System that will markedly improve communication links among police personnel while supporting initiatives that we have already undertaken, including the 911 communications systems and the crime stoppers network. We will also provide the resources to store the information gathered in a Crime Occurrence Record Management System.

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

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

a) Our immigration policies and practices will be transparent and just.

b) Our revised immigration policies and practices will recognise that immigrants have made an invaluable contribution to building Antigua and Barbuda.

c) The diversity of our population is a treasure to be cherished.

d) The living concept of “One Caribbean Family” was shaped by the people themselves; before there was a West Indies Federation, before there was CARIFTA, and before there was CARICOM.

e) The Antiguan and Barbudan character, culture and identity will be respected, preserved and treasured.

f) The human dimension, and fundamental compassion where children and other family members are concerned, will be at the core of our new immigration policies and practices.

g) Central to the new immigration policies and practices will be the establishment of a Naturalisation Facilitation Unit with a remit to assist new entrants to our national community, and to our national family.
h) In introducing the new Immigration Code, provision will be made to regularize the immigrant status of non-nationals in good standing already residing here for a designated period.

i) Strict compliance with the new immigration policies and practices will be required of immigration personnel as well as applicants for guest worker status; for residency; for citizenship; and for enrolment on the register of voters.

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

15.4 Social Protection and Social Safety Nets

The Government has implemented a number of measures over the past few years that are intended to provide relief and support to the population. These measures form part of the social safety net and government’s overall strategy to reduce poverty and enhance the social and economic welfare of those segments of society that are most affected by economic or other disruptions. In the midst of fiscal and economic reforms, there must be a basic network of policies and programmes that prevent the worsening of conditions for certain segments of society and provide the means through which they can improve their economic circumstances.

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

The social programmes outlined cover risk groups including the elderly, unemployed single women and persons with disabilities. The government must now focus on improving the targeting of these programmes. At present our social programmes are administered by several departments including Gender Affairs, Local Government, Substance Abuse, Citizens’ Welfare, Community Development, Youth Affairs and the Board of Guardians. In some cases there are different programmes with the same target group. Whilst we aim towards poverty reduction, we
must ensure that we are fiscally prudent in delivering the right services to the right group of persons. Additionally, the Government will work along with social partners including non-governmental organizations, community based organizations and various private sector and church based charities to develop a more integrated and targeted approach to deliver the benefits of these social programmes. 

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

The government will require the assistance of development partners to design appropriate means testing mechanisms for the current social programmes. We have requested the assistance of the Caribbean Development Bank (CDB) and the World Bank in this regard. The CDB has already agreed to work along with the Ministry of Social Transformation to develop a poverty reduction strategy. We have also held discussions with the World Bank to see how they may be able to assist us in creating synergies among our programmes in order to better utilize our limited resources.

15.5 Pension Modernization

An essential element of the social safety net is ensuring that the social security and pension arrangements function optimally and deliver valuable service to the beneficiaries. In this regard, the Government will move ahead with the review of the pension arrangements that is to be undertaken by the Pension Modernization Commission. The Commission comprises representatives from key stakeholder groups and is responsible for undertaking a comprehensive assessment of pension systems in Antigua and Barbuda. The Commission will recommend ways to transform the current arrangements into a more streamlined and efficient system that is financially viable and capable of securing retirement benefits over the long term. The commission began its work in earnest in 2009 and will provide timely updates to the public on the progress of its deliberations.

16 FINANCIAL SECTOR STABILITY

Madam Speaker, one of the four pillars of the Nest Plan is Financial Sector Stability. The world economic crisis, in particular the financial meltdown, has revealed that the most effectively
regulated jurisdictions were least distressed by the financial fallout, which saw the demise of a number of financial giants. Canada, for instance, Madam Speaker, was recently assessed as the best regulated jurisdiction in respect of financial services; however, in spite of Canada’s regulatory stringency it cannot be said that its financial institutions escaped unscathed. It should not be surprising, therefore, that in resource constrained Antigua and Barbuda and in the wider Eastern Caribbean Currency Union (ECCU), we too are feeling the impact of the financial chaos which originated beyond our borders. In fact, Madam Speaker, as a jurisdiction which is highly integrated with global financial markets, Antigua and Barbuda, were it not for an effective regulatory regime, might have been harder hit than we have been to date.

With a new comprehensive and functioning framework in place, Antigua and Barbuda, Madam Speaker, would be better insulated when tumultuous events such as those involving British American Insurance Company Ltd. (BAICO) and Bank of Antigua (BoA), arise. In this regard, the Government of Antigua and Barbuda, along with other member governments of the Eastern Caribbean Currency Union, and the Eastern Caribbean Central Bank, are continuously working to improve the robustness of our regulatory regime at the sub-regional and domestic levels. As a result there will be enhanced surveillance of non-bank financial institutions and commensurate capacity building initiatives to be undertaken at the Financial Sector Regulatory Commission (FSRC).

With respect to BAICO, Madam Speaker, we are now in receipt of the Judicial Manager's report. The report reveals that there were substantial transfers of resources from the Eastern Caribbean branches to fund activities orchestrated by the parent company, C L Financial. In the final analysis, Madam Speaker, BAICO has been found to be insolvent. The Judicial Managers have, however, advised against liquidation, a position consistent with that of the Eastern Caribbean governments, which on 2nd November 2009 announced a strategy for a restructured entity. The Judicial Managers are applying to the Court for acceptance of this proposal. In the meantime, the governments of Trinidad and Tobago and Barbados have expressed their interest in joining with the governments of the ECCU to capitalise this new company and, in so doing, to offer policyholders and annuitants a real alternative to simple liquidation and a vehicle by which they may be able to recover a greater portion of their investments. Additionally, the Judicial Managers and the Ministerial Sub-Committee on Insurance are pursuing negotiations with potential strategic partners to further enhance the chances for success of this endeavour.

Concerning Bank of Antigua (BoA), we are pleased to report that that institution, under the direct management of the Eastern Caribbean Amalgamated Financial Company Limited, has stabilized and is recovering well. I wish to record, Madam Speaker, that immediately prior to the airing of circumstances surrounding the bank's sole shareholder and Chairman, Mr. R. Allen
Stanford, the prudential indicators showed that the institution was operating soundly. What destabilized BoA, Madam Speaker, was the unusual and unanticipated volume of withdrawals. The particular lesson that BoA should have taught us is that any bank will be vulnerable in similar circumstances, since banks do not warehouse currency. Further, we should be acutely aware that stability in respect of financial systems is in large part a function of the measure of confidence that we have in our regulators and our financial institutions.

17 BUDGET PROJECTIONS – 2010

Madam Speaker

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

Recruent Expenditure for Fiscal Year 2010 is estimated at $886,478,273 while Recurrent Revenue is estimated at $836,286,276.

Madam Speaker

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

17.1 Recurrent Expenditure:

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

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

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

Chart 13: Categories of Recurrent Expenditure

In 2010, expenditure on salaries and wages is budgeted at $310,940,213 compared to $384,632,844 for the revised estimate for 2009.

Government’s Social Security and Medical Benefits contributions are budgeted at $23,315,836 compared to $25,534,720 in the revised estimates for 2009.

For Pensions and Gratuities a budgetary allocation of $51,405,467 is included in Budget 2010. This compares to $60,218,970 in the revised estimates for 2009.

We have budgeted $150,430,661 for expenditure on Goods and Services in 2010. This compares with $249,479,286 in the revised estimates for 2009.

In terms of Transfers and Grants, we budgeted $116,768,625 for 2010 compared with $141,052,630 in the revised estimates for 2009.
Finally, Debt Service payments are budgeted at $214,506,242 for 2010 compared to a budgeted total of estimate of $198,732,712 in 2009.

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

18 BUDGETARY ALLOCATIONS

18.1 Expenditure in the Prime Minister’s Ministry

Total budgetary allocation for the Prime Minister’s Ministry in 2010 is $42,793,508. This allocation is significantly below the amounts budgeted in 2009 and mainly reflects the transfer of Immigration and the Military to the Ministry of National Security. In addition, as a part of the fiscal consolidation process, the budget of the overseas missions and offices has been reduced by $8 million from $23 million in 2009 to $15 million in 2010.

Investing in the Development of Barbuda

Madam Speaker:

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

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

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

Madam Speaker:

In 2010 the Government will continue to implement its Digital Agenda in an effort to empower our citizens and residents to make use of information technology. The work commenced in the Community Access and Empowerment Centres in many communities across the country will continue in 2010. In addition, the Government will continue the programme of providing laptops for lease to students and teachers at institutions of higher learning in Antigua and Barbuda. This initiative started in 2009 and has been of tremendous benefit to many students.

Emphasis will be placed on introducing the Government Wide Area Network in early 2010. This will be undertaken at a cost of $1.5 million and will be critical to the successful implementation of the Government’s Integrated Financial Management Information System.

Another priority in 2010 will be to rationalise the Government Information System (GIS) and to enhance programming to better inform the public about the activities, policies and programmes that are being pursued by the Government Ministries.

Finally, the Divestment Unit will advance its efforts in collaboration with the World Bank’s International Finance Corporation to begin implementing the UPP’s Power to the People initiative.

18.2 Expenditure in the Ministry of Tourism, Civil Aviation and Culture

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

Madam Speaker:

In order to enhance the competitiveness of Antigua and Barbuda’s tourism product, it is essential that we develop an aggressive and multi pronged approach to marketing. This strategy will focus on enhancing the yield from traditional markets and identifying opportunities to penetrate new markets. The execution of this strategy will need to take place within an environment of limited resources and therefore demands optimal returns from every dollar spent on marketing. To this end, we will continue to build alliances with the private sector and take advantage of opportunities for joint marketing initiatives with the hoteliers and other stakeholders in the
sector. The Government, through its Tourism Authority, will exploit every opportunity to increase customer awareness of Antigua and Barbuda in source markets.

One element of the strategy will be to pursue a destination television marketing campaign in the major source markets. This will include attracting key travel media such as the Travel Channel and SkyTravel to produce segments on Antigua and Barbuda that will allow for greater exposure to millions of viewers. We will organise online marketing campaigns in conjunction with Travelocity and Expedia, popular booking sites, in order to increase customer awareness of the Antigua and Barbuda tourism product. The Tourism Authority will also make use of social networks such as Facebook and Twitter to promote the destination to millions of potential customers.

Antigua and Barbuda has had great success within the Wedding and Honeymoon markets. We will therefore take steps to increase advertising in magazines and to participate in trade and consumer shows. Given the success of the “Brides Fly Free” and the “Passions in Paradise” campaigns, we will continue to develop unique products that distinguish Antigua and Barbuda from its competitors in this area. Another important thrust will be to work with the private sector to promote Antigua and Barbuda as a family focused destination.

**Madam Speaker:**

A priority for the Tourism Authority will be promoting Antigua and Barbuda as a competitive yachting destination at the important international yachting shows such as those held in Monaco, Fort Lauderdale and Cowes, to ensure that we showcase our attraction as a major yachting destination. A collaborative approach with the Antigua and Barbuda Sports Fishing Association has already resulted in plans for a thirty minute television programme about Antigua and Barbuda on Sports Fishing Television. This is to be produced in January 2010 and is expected to increase awareness of the destination to fishing enthusiasts across North America.

**Madam Speaker:**

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

In 2010 Delta Airlines will increase the number of flights from John F. Kennedy airport to a maximum of four per week during the upcoming winter season. There will be three flights per week starting in early February, increasing to four per week until April 2010. The Delta Airline flight out of Atlanta will also increase to two per week during the heart of the tourist season. Continental Airlines is also expected to increase the number of flights out of Newark airport to eight per week. The second carrier will commence operations to Antigua from Dec 17th 2009 until April 30th 2010.

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

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

Finally, the Ministry of Tourism and the Tourism Authority will continue to ensure Antigua and Barbuda’s interests are represented at major cruise line events. The intent is to boost lobbying activity and negotiate additional cruise liners from non-traditional areas. Overall, our efforts to strengthen the sector will be underpinned by the single goal of ensuring that Antigua and Barbuda continues to be presented as a luxury destination in Europe, North America and other destinations.

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

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

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

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

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

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

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

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

a) Licensing Day Care and Pre-school facilities to ensure a safe and healthy environment is maintained at all times
b) Supporting training of teachers in the field of special education
c) Entering into partnership arrangements with local institutions to expand training opportunities for our teachers
d) Introducing more literacy and numeracy programmes
e) Advancing work towards making the Antigua State College a degree granting institution

f) Continuing work on plans to construct two new secondary schools

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

18.5 Expenditure in the Ministry of National Security and Labour

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

Madam Speaker:

One of the critical responsibilities of any state is to provide its citizens, residents and visitors with an environment of Law and Order, in which they feel protected and secure. In this regard, the mission of the Ministry of National Security and Labour is to “…provide a safe twin-island State where residents and visitors are assured that the laws of Antigua and Barbuda will be executed impartially …”.

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

Under Law Enforcement, Madam Speaker, the Royal Antigua and Barbuda Police Force will, in fiscal year 2010, be allocated resources to purchase telecommunication and broadcasting equipment which will markedly improve communication links amongst units and locations. Citizens and residents should expect and witness a more coordinated response to crime fighting, which ultimately will lead to a reduction in criminal activity. In addition, there will be investments made with respect to the purchase of security equipment and photo and fingerprinting equipment.

Other specific crime fighting activities will include:

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

We are confident that the fifty two recent graduates of the Police Training School will strengthen the resources of the Police Force thereby allowing it to enhance service to the public.

Madam Speaker:

The Fire Brigade will, in 2010, witness upgrades in respect of fire stations. Major attention will be paid to the facilities at Coolidge, which services the V.C. Bird International Airport.

The welfare of fire fighters will also be improved with substantial investment in the purchase of protective clothing, which will have an immediate and positive impact on fire fighting capability. With the crime of arson continuing to be of major concern, equipping our fire fighters with the requisite skills and equipment is a significant feature of our overall crime fighting strategy.

Training opportunities and initiatives will be afforded and undertaken in 2010 to enhance the skills base of members of the Police Force. The overall augmentation of the Force will also be achieved by way of recruiting qualified personnel to fill critical areas. In this connection, the Ministry of National Security and Labour has recently hired an individual with an advanced degree in forensic studies to modernize the Country’s approach to crime fighting.

18.6 Expenditure in the Ministry of Health and Social Transformation

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

Madam Speaker:

The work of the Ministry of Health, Social Transformation and Consumer Affairs will play a pivotal role in bringing about social transformation in Antigua and Barbuda. In fact, this ministry is not only responsible for healthcare but is also charged with securing social protection and safeguarding the interests of the most vulnerable in society.

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

a) Articulating a clear and comprehensive National Health policy
b) Developing an effective National Health Information System  
c) Training food-handlers in food service establishment, and vendors  
d) Continuing implementation of a program to monitor drinking and recreational waters  
e) Continuing vector control  
f) Strengthening port health inspection and surveillance at all ports of entry  
g) Promoting the health of residents at the Fiennes Institute by implementing proper nutrition practices and improved levels of care  
h) Enhancing the ability of the Prices and Consumer Affairs Division to advocate for and protect the rights of consumers  
i) Securing technical assistance from regional and international organisations to develop and enhance social programmes  
j) Strengthening alliances with Community Based Organisations and Non-governmental organisations to enhance and expand the delivery of social services  
k) Advancing implementation of a Comprehensive Disaster Management programme  
l) Providing quality tertiary health care services through the Mount St. John Medical Centre  
m) Strengthening the clinics to improve the delivery of primary health care services  

18.7 Expenditure in the Ministry of Finance, the Economy and Public Administration  
An allocation of $105,686,422 has been made in Budget 2010 for this Ministry.

Madam Speaker:
These resources will allow the Ministry to implement the Fiscal Consolidation Programme and to oversee the completion of the NEST Plan. The various institutional and administrative arrangements necessary to bring about fiscal reform will also be driven by the Ministry. At the core of the institutional strengthening initiatives will be enhancement of the Inland Revenue Department, the Customs and Excise Division, and the Treasury Department. Budget 2010 therefore includes $8.41 million, $7.5 million and $27.1 million respectively to support the work of these critical agencies.
Madam Speaker:

I wish to take this opportunity to recognise the hard work of the Accountant General, Dr. Cleopatra Gittens, the Comptroller of Customs, Mr. Corthwright Ambrose, the Commissioner of Inland Revenue, Ms. Hyacinth Bailey and all staff in the Treasury, Customs and Inland Revenue Departments. I look forward to their continued support as we move to strengthen these vital institutions.

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

The Ministry of Finance will also put appropriate mechanisms in place to provide regular updates to the public on the progress of implementation of the Fiscal Consolidation Programme and whether targets are being achieved. Our public education through the Eye on the Nest series and other informative programming will continue in 2010.

18.8 Expenditure in the Ministry of Public Works - Capital Expenditure

Madam Speaker:

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

In light of ongoing financial constraints, the focus of the Ministry in 2010 will be on repairing and maintaining roads. The Ministry will begin a renovation and refurbishment project on several Government buildings in order to facilitate the swift implementation of our policy to make greater use of Government owned property and reduce the amounts spent on rent. Other capital projects include upgrading the Coolidge Fire Station, preparing schools to for Universal
Secondary Education, and acquiring equipment for intelligence gathering and law enforcement management.

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

18.9 Other Budgetary Allocations:

Expenditure for Democracy and Governance

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

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

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

Expenditure for the Justice System

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

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

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

- The 2010 Budgetary allocation for the Services Commissions is $629,244.
- The provision for the Audit Department is $1,505,790.
- For Pensions and Gratuities, we have allocated $42,798,519.
- The provision for Charges on the Account of the Public Debt is $214,506,242.
- The 2010 provision for the Electoral Commission is $3,626,141 and $455,042 has been allocated for the Office of the Ombudsman.
19 RECURRENT REVENUE

Madam Speaker:

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

Chart 14: Distribution of Recurrent Revenue
19.1 Direct Taxes

Madam Speaker:

In 2010 direct taxes are projected to yield $125,375,660. Of this total, $105,354,778 represents revenue from taxes on income while $20,020,882 represents revenue from property taxes.

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

Revenue from the property tax is expected to amount to $19,440,882 in 2010. This is one of the taxes where compliance has tended to be very low. Given the plans to increase capacity in the Inland Revenue Department, we expect to enhance the yield from this measure. The staff of the Property Valuation Division will receive further training and will also be provided with additional tools and resources to boost compliance and generate additional revenue. Property owners who have failed to pay any property taxes are encouraged to contact the Inland Revenue Department to make arrangements to settle their obligations and avoid penalties and possible legal action.

Madam Speaker:

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

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

19.2 Indirect Taxes

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

A total of $290,000,000 or 44 percent of the revenue from indirect taxes will be generated from the Antigua and Barbuda Sales Tax (ABST). This increase in revenue from the ABST will be driven by the reduction in the basket of zero-rated items and by boosting compliance among ABST registered businesses. With more than seventy categories of items in the basket of zero rated goods, Antigua and Barbuda had the largest basket across the Caribbean. Included in the basket of zero-rated goods were items such as lobster, shrimp, t-bone steak, spareribs, lumber, Perrier and Evian water.

Madam Speaker:
Lest we be accused of targeting any group or penalising anyone for having a taste for particular items, I wish to submit that the basket of zero-rated goods should be one that contains items that are essential. The intent of establishing this basket was not to make allowances for the tastes of all persons but to ensure that the basic items used by most of our residents and citizens are zero rated. The People First approach is intended to provide the greatest benefit for the largest number of our people. It is with this in mind that we propose to reduce the basket of zero-rated items from the more than seventy categories of goods to twenty nine categories. The new basket of zero-rated goods which takes effect from January 1st 2010 will include:
• Chicken
• Fish, including saltfish, mackerel and red herring
• Milk
• Butter
• Eggs
• Fresh fruits and vegetables
• Rice
• Flour
• Cornmeal
• Cereal, including oats and cream of wheat
• Cooking oil
• Shortening and Margarine
• Bread
• Yeast
• Water
• Medicines such as aspirin, paracetamol, and cough medicine
• Sugar and salt
• Tofu, soya milk and soya chunks
• Diapers for babies and adults
• Baby formula and foods

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

As we mentioned in many presentations over the past several months, compliance with respect to the ABST has fallen tremendously since it was introduced in 2007. In February 2007 compliance was seventy percent with 620 of the registered businesses filing their ABST returns. In 2009, the level of compliance had fallen to about fifty percent as a number of businesses have failed to file ABST returns. What this means, Madam Speaker, is that many businesses that are registered and collecting the ABST are not remitting the revenues to the Inland Revenue Department. These are existing businesses that are still operating and charging their customers the ABST. Madam Speaker, as I indicated earlier, we will be making significant changes to revenue administration in Antigua and Barbuda to stamp out non-compliance. The Inland Revenue and Customs and Excise Departments will be strengthened in 2010 to ensure greater efficiency in tax administration and improved revenue collection. Non-compliance will not be tolerated and various mechanisms will be put in place to bolster the enforcement arm of the Inland Revenue Department so that it can take appropriate action against delinquent taxpayers, particularly those that collect and hold on to the ABST.
It should be noted that even with an assumption that economic activity in 2010 remains at the same level as in 2009, the additional revenue to be generated from the ABST once compliance is improved could amount to more than $50 million.

Madam Speaker:

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

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

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

Madam Speaker:

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

Revenue from the Embarkation Tax is estimated at $18,792,853, which reflects a 38 percent increase over revenue for 2009. The gain in the yield from this tax will be driven by the increase in the rates from $35 to $50 for nationals and CARICOM passengers and from US$20 to US$25 for non-CARICOM passengers. This measure will take effect from January 1 2010.
Revenue from the Consumption tax, which is mainly related to fuel, is projected to yield $37,909,720 in 2010. This level of revenue is to be achieved by maintaining the pass-through mechanism whereby increases in the international price of fuel will be passed on so that the consumption tax per gallon of diesel and gasoline does not fall below $2.60. Under the pass-through mechanism, declines in the international price of fuel will also be passed on to the public.

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

**Madam Speaker:**

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

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

### 20 DUTY FREE POLICY

One of the early measures adopted by the Government in response to the significant decline in revenue as a result of the global crisis was to introduce a moratorium on discretionary duty free concessions. This measure has been in place since May 15th 2009 and will remain in effect until such time that we have realised the intended turn around in the fiscal situation. During this period, the Government will also develop a clear policy in respect of the issuance of duty free concessions, especially as they relate to motor vehicles. Notwithstanding the moratorium, the Government determined that it would not penalise individuals who had already been granted concessions before May 15th 2009. This meant that the Ministry would routinely process warrants for individuals who may be changing the vehicle for which the duty concession was
originally granted or revalidate a concession for someone who may not have had the opportunity to use the concession within twelve months of receiving it.

What the Ministry has come to realise is that there is rampant abuse and fraudulent transfers of the duty free concessions. In fact, I have personally made random calls to individuals who submitted warrants claiming that they have not used the duty concession and are seeking to substitute one vehicle for another. Upon asking the individuals whether they had indeed used the duty free that our records indicated was granted to them, they each admitted to having “sold” the duty free and thus were not the individuals submitting the warrants for substitution. Having personally verified that this fraudulent practice is occurring, I wish to advise that with immediate effect, the Ministry of Finance will no longer be revalidating duty free concessions that were not used within twelve months from the date of issuance. Further, any warrants presented for processing that are associated with duty free concessions that are still valid will only be processed if presented by the individual whose name appears on the warrant. Finally, all individuals in possession of a duty free concession are advised that these will only remain valid until December 31 2009. These persons are therefore encouraged to make use of the benefit on or before December 31 2009 since they will not be able to carry over the concession into 2010.

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

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

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

21 GOVERNMENT VEHICLES POLICY

The topic of Government vehicles was among one of the issues most frequently raised during the recent NEST Consultations and Live and Direct meetings. Whether they were representatives of the private sector, labour unions, civil society or non-government organisations, several participants expressed major concern about the use of Government vehicles. It is very clear that the consensus in the public is that the number and treatment of Government vehicles represent costs to tax payers that, with better control, can be reduced. One matter that is typically raised relates to the number of Government vehicles. It should be noted that one factor that may have contributed to this perception is the fact that this Administration, upon assuming office, adopted the policy of placing ‘G’ licence plates on vehicles that are owned by the Government or statutory corporations. Before this policy was introduced, there were many Government vehicles on the road that were not identifiable in any way as public property. What we have decided to do is increase transparency by ensuring that assets which are the property of the Government, and hence the public, are recognisable as such.

This notwithstanding, we have already commenced the process of addressing the level of expenditure associated with vehicles. In May 2009, the Government issued a directive that no new vehicle purchases were to be made. Also, we reduced the amount of fuel provided to officials that drive government vehicles by fifty percent and have commenced the process of developing a policy for the use of Government vehicles. In 2010, we will advance execution of this policy. Included in this is further reducing the amount spent on fuel by requiring all officers and consultants that maintain possession of Government vehicles at all times to purchase their own gas. This essentially means that anyone who has possession of a Government vehicle outside of working hours and over weekends will be responsible for purchasing fuel for the vehicle.

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

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

Madam Speaker:

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

- A review of the dollar barrel initiative
- Payment of utilities by parliamentarians
- Use of prisoners to assist with agricultural work and national beautification efforts
- Implement a rental policy to swiftly reduce expenditure on rents
22 DEFICIT FINANCING, DEBT SERVICING AND DEBT MANAGEMENT

Madam Speaker:

I indicated earlier in my presentation that the Government projects a primary surplus of $104.6 million for 2010. This however is only one part of the picture, for we must make provision for servicing debt to our creditors. Debt service payments for 2010 have been budgeted at $214.5 million. This means that even with a primary surplus of $104.6 million, there is still a $110 million financing gap. When the interest arrears and penalties on past due principal into account the financing gap would increase to more than $400 million.

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

22.1 Debt Management:

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

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

It is envisioned that the government’s request to CDB will be discussed at the next board meeting of the Bank and this will be followed by continued discussions with the IMF. With the support of the IMF the Government intends to reach out to all of its external creditors to seek a comprehensive resolution of its outstanding arrears and establish a sustainable debt service profile. This process will begin with an official approach to the Paris Club Secretariat over the
course of the next few months to request a restructuring of all debts owed to the Government’s official sector creditors. I must reiterate that regularising our relationship with our creditors is of national importance as it continues to affect our negotiations with the Paris Club creditors and other financing agencies.

Once an agreement is reached with the Paris Club we will then approach all of our remaining creditors, to deal with the amounts owed by Antigua and Barbuda. Over the next three years as we receive the assistance from the IMF, we will normalise debt arrears and relations with external creditors, generate primary surpluses over the medium term to consolidate our fiscal sustainability efforts, and move to limit the amount of new debt required to finance the deficit. By extension we will also limit the accumulation of additional debt. Moreover, government will implement a comprehensive strategy to address the debt owed to statutory corporations, local contractors and service providers. We are hopeful that the negotiations with the Paris Club and other creditors will yield results so that our interest bill will be reduced.

We have discussed the government’s plans for debt reduction as a main pillar of our strategy; however it is envisioned that, having achieved the gains over the next three years, we will be more prudent with our borrowing and maintain good relationships with our creditors so as not to revert to the position we would have left behind.

23 SOCIAL PROGRAMMES RELIEF MEASURES

Madam Speaker:

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

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

It is quite easy, Madam Speaker, to be loud, to be aggressive, to be negative and to oppose for the sake of opposing. That is what those who have no interest in the future of our nation will tend to do. This Government is however intent on taking a higher path, the patriotic path and, with the help of the people of this country, we will bring about economic and social transformation in Antigua and Barbuda.

Madam Speaker:

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

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

It has been bandied about by the Opposition in and out of Parliament that once we sign on the dotted line with the IMF, all social programmes will be eliminated. Madam Speaker, I am amazed at the fertility of the imagination of our colleagues across the floor. I can say again, Madam Speaker, that the notion of sacrificing our social agenda is yet another poisonous and misleading bit of propaganda. The Parliamentary Opposition has continually refused invitations to participate in public consultations and in our National Economic Symposium. Had they participated, Madam Speaker, they would have known that the Fiscal Consolidation Programme is accompanied by, among other things, a Social Transformation Programme in the NEST Plan. What this means is that the social programmes that have been implemented by the UPP over the past five years will continue and we will also work with regional and international agencies to develop other arrangements that will strengthen social safety nets and bring about social transformation.
23.1 School Uniform Grant and National School Meals Programmes:
The School Uniform Grant and the School Meals Programme will continue to be implemented in 2010. Both of these programmes have been beneficial to many citizens and residents and they will be continued. Madam Speaker, the number of school children who have benefited from the School Uniform Grant programme has increased steadily. A total of 19,053 children were registered for this programme in 2007. The number of primary and secondary school beneficiaries increased to 21,156 in 2008 and 21,996 in 2009. Through this programme more than 300,000 uniform grants have been provided to our primary and secondary school children attending 81 schools across Antigua and Barbuda.

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

The School Uniform and School Meals programme were implemented at a cost of approximately $12 million in 2009.

Madam Speaker:
Despite the great success of these programmes, I must indicate that there have been reports of abuse. The UPP is a caring Government and we will always put the interest of the People First. As such, in 2010, we will commence a comprehensive review of the operations of the School Meals and School Uniform programmes to ensure that the services are delivered in the most cost-effective and efficient manner. Where we can improve the delivery we will do so and where we discover abuse of the system, we will take swift and decisive action. Madam Speaker, the aim of this Administration is to provide the best possible service to the people of this nation while ensuring that we make optimal use of the tax dollars that they have entrusted to the Government.
23.2 Support through the Board of Guardians

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

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

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

Madam Speaker:

In June 2008 we launched a National Student Loan Fund (NSLF) through which low interest loans are granted to Antiguans and Barbudans wishing to pursue various programmes of study. The objective of the NSLF is to provide financing to students who would otherwise find it difficult to access the resources needed to pursue their educational goals. Under this Fund, Antiguan and Barbudan students who are eighteen years and older apply for loans of up to $50,000 at an interest rate of 3 percent per annum. During its first year, with an initial endowment of $2 million, 64 Antiguans and Barbudans received loans to pursue Undergraduate Studies, Graduate Studies, Post Secondary/Technical Education, and Vocational studies. A number of these students have already returned to Antigua and are making a meaningful contribution to the development of this nation while they repay their loans.

Madam Speaker:

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

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

23.4 Other Relief Measures:

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

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

Also Madam Speaker, the property owners will continue to receive the residential allowance and pensioners will still be eligible for a fifty percent reduction in their tax liability. Under the Property Tax Act, each owner-occupied residential property receives a $150,000 residential allowance which is deducted from the value of the property before the income tax liability is assessed. Further, where the residential property is occupied by a pensioner, that pensioner can claim a fifty percent deduction in his/her tax liability. This means that if after the $150,000 residential allowance, the pensioner’s tax liability is to be assessed on $100,000 he/she can receive further relief such that the tax payable would be in respect of $50,000 and not $100,000.

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

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

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

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

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

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

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

Madam Speaker, the signpost of UNITY will also have pride of place on the pathway to a prosperous future. Unity of purpose will be required to marshal citizens and residents into a resilient force that is neither easily deterred nor derailed and will be particularly critical given the challenges that we face here at home and globally. Time and again, we should expect that forces not committed to our cause will test us, but, in the words of Mahatma Gandhi, we will “…stand the severest strain without breaking”.

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

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

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

In the words of our very own King Short Shirt:

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

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