

2018 BUDGET STATEMENT

By the Honourable Gaston Browne, Prime Minister and Minister of Finance to the House of Representatives of Antigua and Barbuda

On Thursday, 25th January 2018

Rebuilding Together: Securing a Prosperous Nation

Mr. Speaker

I report today, on an economy that continues to grow, continues to create jobs and continues to offer a better future for the good of all our people: making Antigua and Barbuda better for good.

Our economy is set on a path to a new and brighter future in which our nation can overcome challenges and grasp opportunities, particularly for our young.

In 2017, our unitary state, Antigua and Barbuda, confronted many serious challenges.

The gravest of those challenges was recovery after the damaging effects of hurricane Irma.

The Hurricane knocked us back; but it could not knock us out.

We have risen-up – ready to continue the noble task of increasing the wealth of our nation and improving the circumstances of all who live within our shores.

Mr. Speaker, the people of Antigua and Barbuda, listening to this Budget Statement inside and outside of this Honourable House, want to hear how tax payers' money has been spent and how it has benefitted them.

They want to hear how the government has managed the economy over the last year and how it plans to deal with the period ahead.

Importantly, they want to know how they will benefit in economic, financial and social terms.

Therefore, those are the matters I will address in this Budget Statement.

An Appendix will be made available to the members of this Honourable House and the public, providing details of revenues and expenditures.

Mr. Speaker, this Budget is about investing in our nation's future.

It is about ensuring that our people are provided with the services to which they are rightfully entitled – water, electricity, roads, housing, employment, entrepreneurial opportunities, and protection from crime and violence.

It is about empowering all within our society not only to uplift themselves, but also to uplift our country.

It is about encouraging our business community, who make their profits here, to continue to bloom and flourish.

It is about creating a prosperous economy and a safe environment where everyone can shine, regardless of creed, colour or class.

Performance

Mr. Speaker, there can be no doubt that our economy dramatically improved over the past three and a half years.

Between 2009 and 2013, the Government's fiscal position was unsustainable.

There was an average annual primary deficit of \$73 million and an average annual overall deficit of \$177 million.

In contrast, over the period 2014 to 2017, my government recorded average annual primary surpluses of \$71 million and average annual overall deficits of \$24 million.

This represents a \$144 million improvement in terms of the primary balance and a \$153 million narrowing of the average overall fiscal deficit.

By any measure, this is a remarkable turnaround in fiscal performance.

Further, government's current revenues averaged \$762 million between 2014 and 2017.

This is 20 percent more revenue than the average between 2009 and 2013.

Remarkably, while tax revenues for the period 2009 to 2013 averaged \$574 million annually, my government increased those revenues to an average of \$618 million for the period 2014 to 2017.

This particular performance is significant, given that my government abolished personal income tax.

The growth in tax revenue is a powerful indicator of a growing economy.

Regarding debt, my Government was determined to lift this heavy burden from the shoulders of our people.

In 2009, the debt to GDP ratio was 102 percent and the average ratio was 93 percent for the period 2009 to 2013.

Between 2014 and 2017, my Government lowered that debt to GDP ratio to an average of 83 percent.

When all the figures are compiled for 2017, it is expected that the debt to GDP ratio will be down to 75 percent.

These are substantial accomplishments, especially as a significant portion of that debt was converted into ownership; by the people and for the people.

Examples of these are the West Indies Oil Company, Caribbean Union Bank, the car park, and the water supplier SEMBCORP' now absorbed into the Public Utilities Authority.

Mr. Speaker, a high debt to GDP ratio is a troubling circumstance.

It renders the nation uncreditworthy, making borrowing for development impossible.

It also indicates an economy that has been poorly managed, and it scares off investment.

But, worse, it means that the government does not have sufficient revenues to provide for the welfare of people, after it has made interest payments on those debts.

In this regard, I am pleased to report that my government has reduced the proportion of revenues needed to make interest payments from an average of 17 percent between 2009 and 2013, to 10.7 percent between 2014 and 2017.

This means that we have created space to spend more on healthcare, scholarships, providing water, building homes, improving infrastructure and fighting crime and violence.

And that is precisely what we have done.

Significantly, having achieved a debt to GDP ratio of 75 percent in 2017, our nation is now only 15 percentage points away from the debt sustainability target of 60 percent set by the Eastern Caribbean Currency Union for the year 2030.

We intend to achieve that target in a much shorter time.

Our record in just three and a half years, shows that we have the competent leadership, the management skills and the proper policies to accomplish it.

Our nation is safer, its circumstances better and its future brighter.

The Economy

Mr. Speaker, during the Lovell years, between 2009 and 2011, the economy contracted by a cumulative 21.6 percent: an unprecedented annual average contraction of 7.2 percent, making it the worst period of mismanagement our nation has ever witnessed.

By contrast, under my government, the economy grew at a cumulative 17.6 percent: this is an average annual rate of 4.4 percent between 2014 and 2017, despite the impact of hurricane Irma.

Two other statistical facts are important to show how much better our economy is doing:

First, Savings and Foreign Currency Deposits increased by \$133.4 Million, demonstrating that monies were earned that could be saved or invested.

Second, there was a 20.7 percent increase in the Net Foreign Assets of the Banking System, demonstrating that banks are far healthier than they were when my government came to office in 2014.

Further, per capita GDP has increased by \$9000, per head, from about \$36,000 in 2013 to an estimated \$45,000 in 2017.

Now, I am aware that the per capita income is uneven, and my Government will tackle the problem of skewed income distribution robustly, in this and future Budgets.

But, the point is, that increased per capita GDP means that, generally, more money has been generated for spending and savings, and this has led both to security for existing employment and the creation of new jobs.

Mr. Speaker, it is a significant feat that the GDP of Antigua and Barbuda surpassed the \$4 billion mark in 2017 - the year that our nation was hit by the largest storm in the recorded history of the Caribbean.

Just think how much greater our growth would have been had we not experienced that huge natural disaster.

And, just think, that despite it, we still exceeded the \$4 billion mark.

We have every reason to be proud of our accomplishment.

We have every reason to be pleased with the management of our nation's affairs.

We have every reason to be confident of our future under this ABLP Administration.

Depositor Protection Trust (DPT)

Mr. Speaker, the terrible condition of the banking sector that my Government inherited in 2014 is well known.

So, too, are the immediate and creative measures that my Government implemented to stabilize the sector and secure the viability of the entire Eastern Caribbean Currency Union that would have been irreparably harmed.

Our concern was not only the stability of the banking sector, crucially important as it was, but also the monies due to staff of the ABI Bank and the deposits by many people; in some case their entire life savings.

We were resolved that innocent depositors would not be placed in such danger again.

Therefore, my Government established the Depositor Protection Trust on April 16th 2016, through which it provided a benefit to those eligible ABI Bank Ltd depositors with balances in excess of \$500,000.

The payments to the depositors are guaranteed by the Government of Antigua and Barbuda by way of a Bond with a face value of \$157 million.

I am delighted to report that, as at December 31st, 2017, the Depositor Protection Trust has received the scheduled Bond payments from the government for 2016 and 2017 totaling \$37 million. The Depositor Protection Trust, has made payments of more than \$32 million to 61 former ABI Bank Ltd Depositors, who signed up for the Benefit offered by my Government.

In addition to resolving the ABI Bank Ltd, we invested \$30 million in Caribbean Union Bank (CUB) in 2016, to improve the Bank's capital structure in line with the requirements of the Banking Act of 2015. This means the Government has a shareholding of almost 80 percent in this indigenous bank.

Mr. Speaker we turned catastrophe to relief, and tragedy to joy.

That is what responsible governments do.

That is how capable government manages.

That is how this administration delivers.

Fiscal Performance

Mr. Speaker, I turn now to the fiscal performance in 2016, the estimates for Budget 2017 and the preliminary outcome for 2017.

Current revenue is estimated to amount to \$809 million in 2017.

This is about 4 percent above the amount collected in 2016, although it is below projections in Budget 2017.

The main reason for the fall from below-budget projections, is the decline in revenues from the Citizenship by Investment Programme, following the withdrawal of visa-free entry to Canada, and the effect on revenues of Hurricane Irma, neither of which had been anticipated.

A further reason is the underperformance in revenue from the Antigua and Barbuda Sales Tax (ABST).

This is attributable to the closure of a number of major hotels during the third quarter and part of the fourth quarter of 2017.

We have all learned a lesson from the capricious closure of hotels, and rules and regulations have been put in place so that, hotels will be required to give at least sixty days' notice of suspended operations, to facilitate adequate planning.

Mr. Speaker, in light of an ongoing campaign in a foreign newspaper owned by a hotelier on Antigua to whom – I wish to stress – I hold no personal malice whatsoever; it is important that the following point be made.

Contrary to false assertions – neither my colleagues in government nor I, are anti-business.

Many of us have been businessmen ourselves.

We recognize and value the contribution of the business sector and we have pledged to do all in our power not only to encourage them to grow and invest, but also to empower many others to do the same.

Our philosophy of “Entrepreneurial Socialism”, (Empowerment Capitalism), in no way threatens existing or future private businesses that we will continue to promote and encourage.

“Entrepreneurial Socialism” simply means, that the government partners with the private sector for profit. Where government is required to invest land, money or guarantees for private-sector economic projects, government expects such assets to be rendered into shares in those enterprises that will pay dividends from profits to the people of Antigua and Barbuda.

As a telling example of how committed my Government is to the encouragement of the private sector, I draw attention to the fact that in 2017 there was not an increase in revenues from the RRC.

That is because my government maintained its policy position on RRC exemptions for private investors engaged in major development projects and to satisfy the provisions of agreements with existing businesses.

Further, while import duties in 2017 increased over 2016 by 7 percent to \$88 million, the revenues were down from the Budget projection because, again, of my Government's willingness to respond favourably to private sector requests for exemptions in support of their businesses.

Therefore, Mr. Speaker, the legitimacy of any anti-business allegation is exposed as a malicious fabrication, by the evident actions of my government to help, not hinder investment.

Let that falsehood now be nailed.

Let the truth prevail.

Let the facts repudiate the lies.

Mr. Speaker, a further gauge of the fact that our economy has grown stronger since my Government replaced the last administration is the performance of corporate income tax.

That tax is expected to bring in \$67 million in 2017, 37 percent more than 2016.

This circumstance also speaks loudly and impressively to the confidence of the corporate sector in the Antigua and Barbuda economy under the stewardship of my administration.

Expenditures in 2017

Mr. Speaker, my government has successfully cut wastage and frivolous expenditure that was evident under the last administration.

Those expenditures looked after cronies and gave backhanders, costing the taxpayers of this country dearly while giving them no benefit.

Total expenditure for 2017 is projected to be \$893 million, which is \$61 million or about 6 percent below the \$954 million recorded in 2016.

What we have not done, however, is cut spending on pensions and gratuities to the elderly and vulnerable in our society.

That spending has, in fact, increased by 9 percent from \$64 million in 2016 to \$70 million in 2017.

We have also not cut spending on scholarships for our young people.

We have not cut spending on the development on tourism facilities such as the cruise ship pier to bring earnings and employment.

We have not cut spending on health services for our people.

We have not cut spending on improving solid waste disposal; and

We have not cut spending on the Barbuda Council.

Spending in these areas is expected to be \$152 million in 2017.

Mr. Speaker, although current revenue in 2017 is estimated to be about \$22 million above the amount collected in 2016, there remains a \$71 million gap between the funds available to the Government and the cost of its operations.

However, it should be emphasized that, at 22 percent of GDP, Government's expenditure is not the source of the fiscal imbalance.

The main cause is the need to improve revenue yields.

It is particularly striking to note that, in 2016, the Antigua and Barbuda economy experienced the highest rate of growth in the Eastern Caribbean Currency Union, yet this was not proportionately reflected in revenue collection.

Where the fiscal machinery is working well, economic growth should lead to increased government revenues.

For Antigua and Barbuda, it was estimated that a 1 percentage point increase in economic growth should yield a more than 1 percent increase in revenues.

However, while the economy grew by more than 5 percent in 2016, tax revenue was only 3 percent above revenue collected in 2015.

Against this background, my Government intends to pursue a fiscal strategy which ensures that economic growth equates to increased revenues, reflected in higher average incomes, increased employment, and thereby higher government revenue.

Water - ending the drought of the UPP years

Mr. Speaker, over the past three and a half years, my Government has made the supply of water to citizens and residents a priority.

We have, so far, invested more than \$45 million to meet the nation's water needs.

In addition to investment in reverse osmosis plants, my Government provided resources to purchase pumps and equipment for many stations including at Buckley Line, Cassada Gardens, Coolidge, and Parham to ensure more reliable water services.

To expand our water production even more, we are purchasing yet another reverse osmosis plant, which will be installed in Bethesda this year.

The money has already been secured through funding of US\$2.5 million by the Government of Japan.

But we recognize that water production is not enough.

Equally important is water supply.

Though we are producing more than 8 million gallons of potable water per day, which is enough to satisfy the domestic demand, there is significant loss due to the increased volume and pressure flowing through the old and damaged piping system.

The APUA will therefore be prioritizing the replacement of water mains in 2018, to improve not just the delivery but the quality of water provided across Antigua.

APUA will be also be working with CUBA HYDRAULICA and the International Atomic and Energy Agency (IAEA) to complete assessments of Antigua's groundwater resources, select sites for the construction of additional surface water reservoirs, and complete an analysis of the Potworks Dam.

All this is to ensure that, going forward, the water needs of the population will be met.

Water production and supply has been and remains a priority of our work.

We plan to end the drought of the UPP years not only for now, but for good.

Electricity: Delivering electricity and Catering for the needy

Mr. Speaker, over the last three and half years, my Government has tackled many of the challenges that impact electricity generation and delivery, including resolving the crisis through a power purchase agreement, thereby averting the payment of a judgment debt claim, of the princely sum of \$221 million to Antigua Power Company – a legacy of the UPP administration.

My Government is pleased that there has been a marked improvement in the service delivered to the population, although we are by no means satisfied.

We regard this as work in progress.

While we acknowledge that there are fewer outages and APUA is better able to pay for the inputs required for electricity generation, and to ensure reliable service delivery, more needs to be done to increase electricity generation.

We also refurbished the 69 kVA grid network, which has improved the reliability of service.

In the coming months, the use of solar photovoltaic and wind energy plants will be expanded.

This includes a combination wind and solar plant costing \$40 million that will be commissioned later this year. This will be financed through the Abu Dhabi Fund for Development.

More plants will be established across the island, as we seek to deepen the nation's transition into alternative energy.

APUA has embarked on a US\$7.9 million retrofitting project, that will result in better street lighting across Antigua and Barbuda.

This project reflects my Government's strategy to decrease energy consumption in the public sector and to reduce carbon emissions.

Currently, street lighting service consumes around 9,700 megawatt hours annually and represents about 21 percent of the total electricity consumption of the Government.

Under this project, the APUA will be replacing 14,365 existing street lamps with LED lamps. Four hundred and fifty of these LED lamps will be installed in Barbuda.

Installation of the LED lamps will begin on March 1, 2018.

This is no pie-in-the-sky under-taking.

The project will be funded with US\$7 million provided through the Caribbean Development Bank and US\$900,000 from the Government.

So, quite literally, Mr. Speaker, the future is bright.

Relief for the Needy

Mr. Speaker, my Government recognizes that for some households, there are times when a choice must be made between paying the utility bills and meeting other pressing family expenses.

The result is disconnection of water, electricity and telephone service to homes; and families left without, what my Administration considers basic needs.

We appreciate that there are many circumstances outside the control of low income, vulnerable and single parent households that can lead to non-payment of bills.

These families should not have to be deprived of a basic service indefinitely simply because of their socio-economic circumstances.

Consequently, my Government will provide relief to households where arrears led to disconnection of service.

If, as at December 31, 2017, a household has been without either electricity, water or telephone service for more than 90 days, the Government will wipe-off the arrears and, once the reconnection fee is paid, the service will be restored.

This relief programme is only for households; will take effect from February 14, 2018 and will run until May 18, 2018.

Mr. Speaker, many of us have walked in the streets of deprivation and poverty.

They are not strangers to us.

With that familiarity and heeding the words of Proverbs 28:27: “Whoever gives to the poor will not want, but he who hides his eyes will get many a curse.’ My Government will not hide its eyes and will not be cursed.

We will journey with the poor and needy and help to light the way to their progress and prosperity, for they are our brothers and our sisters.

Roads to prosperity

Mr. Speaker, as I said in my “State of the Nation” address on January 1st, it should be clear for all to see, that had this government not inherited a financial calamity from the previous administration, which did absolutely nothing to resolve it, we would have had hundreds of millions more to spend on improving the lives of our people, to include; building homes and constructing roads.

But, we were forced to prioritize spending.

Stabilizing the economy or repairing roads; saving people’s lives with better health services or repairing roads; building a new airport and sea port to earn money and provide jobs or repairing roads; supplying water or repairing roads.

Those were the real difficult options we had.

These were choices we would have preferred not to make, but the cupboard the UPP left was empty and the demands plenty.

The former UPP Government spent \$1.4 billion on roads, but all in the country can attest to their poor quality.

The state of our roads is telling testimony to the high levels of corruption and incompetence of that Government.

But, my government is looking to the future.

We are well aware that roads must now be a priority, and this Budget has catered for it.

The Roads and Infrastructure Rehabilitation Project will be implemented in two phases.

Approximately eighteen miles of roads along six major highways and roadways in Antigua will be re-designed and constructed at a cost of US\$66 Million.

These are: the Sir George Walter Highway (formerly Airport Road), Friars Hill Road, Sir Sydney Walling Highway (formerly Factory Road), Anchorage Road, Old Parham Road and Valley Road North.

Construction on these roads is projected to begin on February 15th 2018.

The newly designed roads will be better able to respond to adverse weather; and will have improved resilience to climate change.

Additionally, the Ministry of Works and Housing now has a new Material Laboratory, which allows the Ministry to perform its own quality control procedures for both road construction and road maintenance.

The Lab is outfitted with equipment for the implementation of best practices in road construction and maintenance, and two technicians have completed training in their use and maintenance.

I want to add, Mr. Speaker, that alongside the major works to be done on the main highways, my Government, has embarked on a roads project by which community roads will also be tackled.

Mr. Speaker, I make this commitment today that, over the next several months, road and drainage works will take place in every community across the island.

The intention is to launch an intensified programme, to ensure that wherever citizens and residents of this nation dwell, there will be a passable roadway for them to traverse.

We have taken care of the most urgent of the issues that we inherited and now we are delivering the roads you need, and we want you to have.

I say emphatically that very soon, Antigua and Barbuda will have a road network that is equal to the best anywhere in the Caribbean.

They will be roads to prosperity, befitting a country that we want to be an economic powerhouse in the Caribbean.

Providing Housing

Mr. Speaker, my Government pledged to build 500 homes in 500 days.

We fell short of that undertaking, not because of a lack of will but, because we did not fully appreciate the emptiness of the Treasury, or the heavy burden of debt arrears that we would inherit from the UPP regime.

But, my government makes it clear that we have in no way resiled from our pact with the people.

We will build all those homes, and we have gone a considerable way in fulfilling our pledge, despite the massive challenges we had to overcome in the interest of this nation.

Mr. Speaker, we could have taken the position that we should fulfill our housing pledge in our political interest.

But to have done so, would have meant depriving life to kidney transplant patients.

To have done so, would have meant maintaining the blindness of over 1,000 persons, who have sight today because they had cataracts and other conditions removed from their eyes.

To have done so, would have meant not treating cancer sufferers or giving them the opportunity to live a longer life.

To have done so, would have meant not paying arrears to the IMF.

To have done so, would have meant not paying arrears to the China Exim Bank, thereby jeopardizing the US\$90 million port reconstruction loan and the completion of the terminal at VC Bird International Airport.

Also, Mr. Speaker, instead of a housing project completed in 500 days we have a project providing 500 sustainable jobs. Notwithstanding those circumstances, Mr. Speaker, the National Housing and Urban Renewal Company Limited continues constructing two, three and four-bedroom houses, to provide people with access to affordable, quality housing.

There are four construction sites – Dredge Bay, Paynters, Lightfoot and Denfields (Cooks Extension).

There are presently over 360 homes under construction which will be completed by the end of the budget cycle.

Through National Housing and Urban Renewal Company the government will embark on an urban renewal project to renovate the dilapidated housing stock in St. John's.

This will complement the Home Advancement Programme for the Poor & Indigent (HAPPI), which provides housing grants up to \$20,000 per household. Several poor and indigent individuals have benefitted from this initiative to date.

The Government remains determined to provide affordable, quality homes for the people of Antigua and Barbuda on an ongoing basis.

Strategy for Development - 2018

Mr. Speaker, I now want to spend some time explaining my Government's strategy for development in this Budget.

It is a strategy with healthcare and education as cornerstones of our development. A strategy designed to improve infrastructure including a new cargo port; oversee the construction of new hotels and the expansion of existing ones; create employment; raise the standard of living; curb crime and violence severely; build a knowledge-based economy and strengthen our capacity to compete in the international economy.

The Eastern Caribbean Central Bank estimates that our economy will grow by 5.8 percent this year.

Even at the Central Bank's conservative estimate, growth of 5.8 percent is spectacular, particularly as it comes in succession to three previous years of impressive growth.

Few other countries in the world will achieve that record.

My Government is proud of that achievement on behalf of our nation.

But we know that while we gave the leadership and the policies, we could not deliver this accomplishment without every sector of this country – the workers, the hotel and tourism sector, the banking community and the offshore sector, the business community, the construction industry, teachers and nurses, the public servants, police and firemen.

All of us contributed to sailing the boat in which we are all passengers and moving it from turbulent waters to a shore of safety, opportunity and prosperity.

Mr. Speaker, I am confident that, in fact, our growth will exceed 5.8 percent.

My confidence is not born of any idle wish.

It is nurtured by the myriad projects that have started or will be implemented in 2018.

Citizens and residents can expect a bumper year, as a host of private and public-sector investment unfolds over the next twelve months.

Mr. Speaker, in 2018, the Government will focus on the following priorities:

- i. Building a strong tourism industry to anchor our economy
- ii. Entrepreneurial Development
- iii. Improving Agriculture
- iv. Renewing and upgrading critical infrastructure
- v. Providing better access to adequate housing
- vi. Improving energy security
- vii. Social Development

Building a Strong Tourism Industry to Anchor our Economy

Let me begin, Mr. Speaker with the tourism industry.

A vibrant tourism industry will facilitate spin-off economic activity through the provision of ancillary services.

So, we must expand our current room stock and reinvigorate those parts of our tourism plant which have aged.

In 2018, many new hotels will be under construction.

Taken together these new projects will increase our room stock by over 1,500 rooms. These include:

1. The Callaloo Cay project that will become the home of Antigua's Waldorf Hotel. Construction has already started at Morris Bay on this US\$120 million luxury hotel. This will be a 120 room property, that will generate jobs for 500 persons during construction and 500 jobs once the hotel is operational.
2. Royalton Hotel on the north side of the lagoon and opposite the Royal Antiguan, is another major project that will start in 2018/2019. It will be a 350 room property constructed at a cost of US\$150 million. Approximately 800 jobs will be created as a result of this project.
3. The Marriott Autograph Hotel will be a 100 room resort, built on the site where the Yeptons Villas once stood. This will be a US\$50 million project that is expected to create 250 jobs.
4. The Valley Church Beach Hotel will be a 250 room resort constructed at a cost of US\$100 million.
5. In Barbuda, the Paradise Found project by Robert De Nero will be a property developed at a cost of US\$250 million.
6. The PLH Hotel project by John Paul DeJoria, is also to be constructed on Barbuda. This hotel will be constructed at a cost of US\$200million.

7. The old Half Moon Bay Hotel, in contention since 1995, or for 22 years, is being demolished and the Replay Group in partnership with Rosewood Hotels and Resorts, have incredible plans for this site.

Over the next several months, the developers will undertake rehabilitative work and begin civil works and installation of utilities.

By the fourth quarter of 2018, construction on this US\$150 million to US\$200 million property will begin.

The new Half Moon Bay resort will comprise of 47 ultra-luxury villas.

In creating the new Half Moon Bay hotel, the developers intend to engage the surrounding community and its artisans to craft a resort that befits the natural beauty of the area.

There are to be about 400 construction jobs and approximately 500 permanent jobs created because of this investment.

Mr. Speaker, I should explain that my Government had intended to pursue the Valley Church development, as a joint venture project in which NAMCO would have participated.

However, our private-sector partner has a vision for this property and has opted to pursue the development on his own, relieving the government of any costs or risk.

Calvin Ayre, who is already investing US\$25 million in the construction of an Informatics Centre at Woods, will take the lead in transforming Valley Church Beach into a high-end resort.

Construction on this site is expected to start in the fourth quarter of this year.

Mr. Speaker, in addition to these new projects, many existing properties will be renovated and expanded in 2018, reviving their attractiveness and competitiveness.

Sunwing's renovation and expansion of the Royal Antiguan Hotel is a major project that has already begun.

This is a US\$75 million project that will add 350 rooms and provide 700 jobs for our citizens and residents.

Other projects include the Sunsail Club - Colonna, Rex Halcyon, Tamarind Hills, NonSuch Bay, Verandah Hotel and Pineapple Beach Hotel. These expansions will add a further 200rooms to our stock.

The YIDA project at Crabbes has started, with US\$120million invested thus far on land acquisition, land development, infrastructure, a concrete plant, a steel fabrication factory, equipment, staff housing and amenities.

Mr. Speaker, it should be clear that with these private-sector projects, unemployment will be greatly reduced, and the economy will boom.

But, my Government expects the transformation of our tourism sector and the positioning of our country to compete with the best in the world.

Any one of our citizens can go to these sites and see the work that has started.

And my Government will provide regular highlights of progress of the work at these sites, as well as, the job count of Antiguan and Barbudan workers on site; working, earning, and benefitting from the creation of thousands of jobs.

Renewing and upgrading critical infrastructure

Mr. Speaker, my Government, in addition to these private-sector projects, I have just identified, is making its own significant contribution to job creation and long-term economic sustainability.

During 2017, the government worked assiduously to complete the preparatory groundwork for the implementation of the Port Modernization project and the Road Rehabilitation Project.

I have already provided details of the Road Projects.

Let me now briefly explain the St. John's Port Modernization Project which will transform the Deep Water Harbour into a state-of-the-art, regional transshipment port.

This transformation will cost US\$90 million and is made possible by the governments of Antigua and Barbuda and the People's Republic of China.

Financing for the project comes from the China Exim Bank and the main contractor is the China Civil Engineering Construction Company (CCECC).

The Government has worked diligently to secure employment opportunities for Antiguan and Barbudans through provisions for sub-contracting to local contractors.

In addition, the Government has insisted on provisions in the agreement with CCECC to ensure that the project results in much needed local capacity building.

Construction on this project will begin in April and is anticipated to be completed within 3 years.

Once completed, the facility will be equipped with a new and extended sea wall, new and expanded operations area, a maintenance shop, dockers' quarters, a new warehouse, a new carpool, a modern Port gate, a Marine department and a 30,000 square feet Administration building.

Other Public-Sector Projects:

Mr. Speaker, my Government will be spending money on several other projects in this Budget cycle – each of them will be bring measurable benefits to our country – some of them economic; others social, but all to make our country better for good.

These include:

1. *Improvement of the YASCO track*: this will be done with the assistance of the Pan American Sports Organization, which will invest US\$1.77 million in this project.
2. *Construction of clinics*: with a US\$8 million grant from the People's Republic of China, we will construct clinics in Willikies and Villa to

increase access to healthcare for the people in these and surrounding communities.

3. *Knuckle Block Project*: this US\$6.7 million project will see the transformation of a derelict site into a community centre and indoor basketball facility for the benefit of all members of the Grays Farm-Greenbay community.

The project, which is being funded through a generous grant from China, has already started and should be completed in the fourth quarter of this year.

4. *Continued expansion of WIOC tank farm*: this majority owned Government entity will invest another \$45 million to increase its storage capacity in 2018.

The company continues to be a strong profit-making enterprise, with profits expected to be almost \$23 million for 2017.

This means that the Treasury can expect a dividend payment of about \$7 million.

Recall that the Government's policy in respect of key investments in companies like WIOC and State Insurance Corporation, is to ensure these resources are strategically used to generate more wealth for all Antiguans and Barbudans.

Once received, the WIOC dividends will again be paid into the National Assets Management Company Limited (NAMCO), a vehicle created by this Administration to pursue worthwhile projects and investments that will bring significant economic returns to our people.

NAMCO and its investments

Mr. Speaker, this is an opportune time for me to mention important projects and investments that NAMCO will implement in this Budget year.

These include:

1. *Completion of the Car Park:* NAMCO has purchased the Car-park property from the receiver at a significantly reduced price of US\$6 million.

NAMCO will partner with local private sector entities to transform the building not only into a multipurpose car park, but also an office complex that will eventually generate revenues for the Government while reducing expenditure on rents.

The finished car-park building will also include space for restaurants, shops and small businesses.

2. NAMCO will also invest in the construction of a fifth pier to accommodate Oasis-class Cruise ships.

In recent months, Antigua and Barbuda has received an increase in cruise ship calls. These calls are expected to increase exponentially, to include deployment of a new vessel by Tui for the 2018/2019

season. This vessel will bring an additional 35,000 tourists to our shores.

With our intensified efforts to market Antigua and Barbuda as a destination of choice in the Caribbean, we expect that what we observed over the past few months, in terms of cruise ship calls, will be common place.

It is therefore critical, that we expand our cruise infrastructure to accommodate not just larger vessels but more ships daily. Therefore, NAMCO will leverage its resources and contract a private company to build a pier, that will stretch from the Point Wharf to Heritage Quay.

This will be a US\$30 million project, that is expected to be completed for the beginning of the 2018/2019 tourist season.

As a complement to this project, NAMCO will partner with private-sector partners to purchase DEVCON TCI Ltd., a dredging business, for US\$5.2 million.

NAMCO will invest about US\$2.1 million to hold a 40 percent stake in this company.

This investment will allow the Government to recoup some of the capital invested in development of the new pier, while at the same time ensuring that we are vested in a company, that can perform ongoing maintenance dredging, which will save taxpayer dollars going forward.

We also anticipate that this dredging company will tap into opportunities across the region, thereby generating revenues and

profits for NAMCO, that will ultimately be paid into the Treasury as dividends.

3. NAMCO will also invest in the development of a \$30 million project at Fort James, that will broaden the range of leisure and entertainment products we offer as a destination.

Its main attraction will be a water and theme park for the enjoyment of visitors and locals.

A small marina, bed and breakfast hotel, shops and restaurants and a night club, are all part of the vision for a revitalized Fort James area.

We invite Antiguan and Barbudans to invest in these amenities.

Mr. Speaker my Government makes no idle promises.

We seek no easy propaganda victories.

Our investments are solid, solid as a rock.

Our investments are real, consequential and transformational.

As a Government we say what we mean, and do as we say.

In 2018, this Government will unleash internally generated organic growth, in our national economy, never seen in the history of Antigua and Barbuda.

21st Century Telecommunication

Mr. Speaker, no country can become an economic powerhouse without modern high-speed data and voice communication and internet services.

My Government is keenly aware of that fact.

That is why we are laying down high speed fiber optic cables and why a new 5G network has already been designed for installation.

That is also why we have identified important submarine communication cables. That is why we have reduced the cost of broadband internet provided by APUA to \$75.00 per month for 10 megabits per second.

The best price in the Eastern Caribbean.

During this Budget cycle, we will complete financing arrangements, and a new telecommunication network and fiber optic cable network will be built out; and completed.

Our people, our professionals, our small business, our medical specialists, our entrepreneur and IT specialists, our offshore sectors and Tourism and education sectors, as well as competitiveness and growth will be greatly facilitated by this development.

Communications and internet-based business provides the most lucrative platform for enterprise development and new wealth creation and enhancement.

Mr. Speaker Antigua and Barbuda and our people will not be left behind.

We will take our rightful place in the 21st Century and build the platform to compete in the world for the provision of services.

SOCIAL DEVELOPMENT

Mr. Speaker, the United Nations Human Development Index (HDI), is a strong indicator of whether a country is improving the opportunities for and the well-being of its people.

In the 2016, HDI Report, Antigua and Barbuda was ranked 62 out of 188 countries and is listed among nations with high development.

The only Caribbean countries that surpassed us were the Bahamas and Barbados.

We are resolved to do better, and we have already embarked on that vital undertaking.

Healthcare

My Government has made every effort to strengthen the healthcare infrastructure and to improve the range and quality of service offered to the population.

To date, the result of the healthcare strategies includes:

- i. Successful kidney transplants
- ii. implants of pacemakers for heart conditions
- iii. provision of chemotherapy and radiology treatment for cancer patients in partnership with the Cancer Centre
- iv. providing doctors from the United Kingdom to offer specialist treatment, including specialist surgery

- v. providing preventative and corrective vision care services to include cataract and pterygium operations
- vi. acquisition of state-of-the-art diagnostic equipment.
- vii. validation of Antigua and Barbuda as one of the countries that has eliminated the transmission of HIV/AIDS and syphilis from mother to child.

Health Care Projects in 2018 Budget

Mr. Speaker, we are not resting on our laurels in health care.

The Edward Ward at the old Holberton Hospital, will be refurbished to house the Dialysis Unit, in this Budget Cycle.

Additional equipment will be acquired so that the Dialysis Unit can accommodate more machines and thus provide treatment to more patients.

We have also included resources in this 2018 budget to improve the facilities that now house the Clarevue Psychiatric Hospital.

Mr. Speaker, it is important to note that we will continue the work to establish a National Health Insurance plan, that will provide expanded coverage beyond what is now available through the Medical Benefits Scheme.

National Health Insurance and a strategy to better align private health insurance, are necessary to secure the most effective coverage and protection for our people.

We believe, that our country must possess a safety net, that prevents the financial devastation of individuals and their dependents that can result from a major illness.

Education

Mr. Speaker, empowerment comes from owning valuable assets.

My government's policy is to increase the asset base of all our people.

The first focus, therefore, is on increasing the value of our human capital, through higher education and technical and professional skills training.

The University of the West Indies Five Islands Campus will soon be opened to students.

This will be an historic occasion, as it will further broaden opportunities for our people to pursue tertiary education and lifelong learning.

A well- educated, knowledge seeking people, are necessary for the economic and social transformation of a country.

All the investments made in education to date, and the investments that are to come, will help to create a human resource pool in Antigua and Barbuda that is well educated, highly skilled and constantly seeking knowledge.

This is what is necessary to ignite the economic and social transformation, that will propel Antigua and Barbuda into the realm of very high human development.

Mr. Speaker, this year like last year, my government will spend over \$20 Million on scholarships educating our people at university and technical college level.

We put human capital first.

In one generation, our people must be able to move from the lowest education and economic rung, to the commanding heights of professional and income levels of our nation.

Social mobility allows for social stability, reducing the tendency for alienation of our youth and their criminalization.

This is a noble and vital cause in the interest of our young people and in the interest of our nation.

In 2017 we added 210,000 square feet, to the stock of infrastructure available for the delivery of secondary schooling in Antigua.

The Sir Novelle Richards Academy was built in the summer of 2017 and now accommodates 151 students.

It should be noted that this facility was scheduled to be built with assistance from the Caribbean Development Bank.

However, due to many challenges, the CDB project failed to advance.

Recognizing the importance of building this secondary school, the Government was determined, to do whatever was necessary to get the job done.

With the Board of Education, we successfully finished construction of the school in nine weeks, utilizing domestic resources.

This, Mr. Speaker, was no mean feat.

Indeed, representatives from the CDB, were so impressed by our achievement, that they have determined to see what lessons can be learnt to help guide their processes going forward.

Mr. Speaker, in addition to the new school, the Government has spent significant sums to expand many secondary schools, including: Antigua Girls High School, Clare Hall Secondary School, Jennings Secondary School, All Saints Secondary School and Princess Margaret secondary School.

In 2018, with funding from the CDB through the second Basic Education Project and the Rehabilitation and Reconstruction Loan, extensive work will be done to rehabilitate and reconstruct several secondary, primary and pre-school facilities.

They include the St. Mary's Secondary School, Irene B Williams School, which has started, Sir McChesney George Secondary School, Holy Trinity Primary School, Toddler's Paradise Day Care and Codey Kelly Pre-School.

With the assistance of the Board of Education, we will also continue targeted repairs and maintenance programmes to ensure the general upkeep of all school plants.

Social Protection

Mr. Speaker, as an economy grows, it is imperative that all segments of the economy share in the fruit of that growth.

This is why we will consolidate social assistance programmes, to ensure the indigent, the elderly, persons with disabilities, unemployed single mothers, and those who, for varying reasons, have found themselves in difficult economic circumstances, can derive maximum benefit from the resources allocated for social protection.

We will also pursue opportunities for greater collaboration with NGOs and faith-based organizations, to better target those who need assistance, but remain outside the social safety net.

Further, we welcome proposals from NGOs and churches to help improve the types of support that can be provided to the vulnerable.

The Government has ratified the United Nations Convention on the Rights of Persons with Disabilities and will take the appropriate steps, in collaboration with the Association of Persons with Disabilities, to ensure implementation of policies and plans that effectively integrate persons with physical and intellectual disabilities into society.

It is time that this group of citizens has increased access to opportunities, that will allow them to make a meaningful contribution to the development of our nation.

In this regard, the Prime Minister's Entrepreneurial Development Programme (EDP) will include a special incentive to be awarded to the first entrepreneur with a disability, who submits a viable proposal for a new business.

Special consideration will also be given to business proposals that incorporate provisions to meet the needs of persons with disabilities.

Mr. Speaker, the Government has agreed to the gradual increase in the pension age from 60 years to 65 years.

We are pursuing policies that will strengthen the Social Security system, to secure its future viability and ensure it can meet its obligations to beneficiaries when they become due.

We have also established a Pensions Expediting Committee, to expedite the processing and payment of pensions and gratuities.

Fighting Crime: Protecting the People

Mr. Speaker, security and safety are integral to the quality of life of a people.

Law abiding citizens and residents of this nation must be able to live and raise their families in safe communities, walk on the streets freely, trust that their children can traverse the school day and not encounter any harm, conduct business securely, and celebrate life in public and private spaces without apprehension.

The mandate of our security forces, especially the Royal Police Force, is therefore, to ensure that residents and visitors alike can exist and go about their daily lives in relative safety.

The Police force has enhanced its crime fighting strategies and work in collaboration with regional and international organizations, as well as, local counterparts such as the ONDCP, the Customs and Excise Department, the

Defense Force, the Immigration Department, and the Coast Guard, to tackle human trafficking, the transit and distribution of illegal substances, and to clamp down on rising incidents of financial crimes.

Additionally, the Government will invest in police stations, additional equipment, and advanced weaponry for the Force to deliver the level of service that the population deserves.

We believe, that one way to send a clear signal that our position on crime is absolutely zero tolerance, is to increase the number of trained and armed law enforcement officers who will pursue those who are committed to a life of crime.

In terms of promoting justice, both for the accused and the victim, we will improve the equity and effectiveness of our judicial and custodial systems.

To this end, we will accelerate plans to establish a new forensics laboratory in Antigua and Barbuda, so that critical forensic examinations can be conducted locally.

While we place priority on strategies for crime fighting and administration of justice, the Government will also place emphasis on identifying and confronting social conditions that fuel crime.

Where we can intervene before a young man or young woman chooses the path of criminality, we will do so.

But, to the extent that the criminals will not rest from their lawlessness, we will not slacken our pursuit.

In my “State of the Nation” Address on New Year’s Day, I stated then, and I state here again, so the murderers, rapists, thieves, and all those who would seek to terrorize our communities will understand: Their time is up! “The dogs of war are loose and those who persist in crime and violence will surely pay”.

Improving Agriculture

Mr. Speaker, my government is determined to see improved food security in Antigua and Barbuda.

We have already started a process aimed at reviving and prioritising the development of the agriculture sector.

With the help and expertise of agriculture technicians from Cuba, we will implement several projects that will expand pineapple, root crop and tree crop production.

We will also target initiatives that will secure increases and sustainability in pork, poultry, and honey production.

To arrest the decimation of palm trees, particularly the coconut palm, by Lethal Yellowing disease, we will work in collaboration with the Government of Mexico and Suriname, to introduce a disease resistant variety of coconut on the island.

The People’s Republic of China will invest \$8 million, to help to expand our capacity to utilize smart greenhouse and open-field production methods to increase agricultural output.

We will apply modern technology and techniques to increase food production to ensure food sovereignty and food security, while eliminating the leakage of foreign exchange.

NAMCO will partner with local producers and retailers, to develop a modern poultry production facility that will supply 15 to 20 percent of local demand.

By the end of the year, farmers will be trained in the process of Artificial Insemination (AI) geared towards improving the yield and quality of the national herds of Livestock. This will allow us to achieve self sufficiency in Poultry, Pork, Mutton, Lamb and some beef products.

Government is committed to provide security of tenure to our productive farmers who are currently practicing productive farming by extending long term leases to them.

We will continue to increase agricultural products domestically to satisfy local demand. Farmers and fisher folk will continue to enjoy tax concessions on farming and fishing equipment and inputs.

REBUILDING BARBUDA

Mr. Speaker, I turn now to Barbuda.

Given the extent of the damage to the island, the recovery and rebuilding of Barbuda will take time and substantial financial resources.

Regional and international experts, have estimated the rebuilding cost at over \$600 million; a price tag that is equivalent to 95 percent of the tax revenue collected by the Government in 2017.

However, my government is not daunted.

We are determined to rebuild Barbuda better and for good.

For the good of the residents of Barbuda; for the good of the island's economic sustainability; for the good of resilience to future hurricanes.

With the support of many bilateral and multilateral donors and creditors, the reconstruction of Barbuda will be advanced in 2018.

This will include rebuilding schools, replacing healthcare infrastructure, restoring utilities services, reconstructing the Barbuda Council building, and installing a solar photovoltaic plant at a cost of US\$3.1 million.

Utilizing, a US\$31.8 million Rehabilitation and Reconstruction Loan, the Government will implement a number of projects in Barbuda over the coming months.

Additionally, the Government will continue the work on the \$50 million airport. This will modernize the airport facilities on the island providing improved services for residents and visitors alike. During the passage of Hurricane Irma, the small dock on Barbuda was badly damaged.

The Government will not simply replace this facility, we are seeking funding to build a new seaport, that would improve the flow of cargo to and from Barbuda and to accommodate cruise ship passengers.

Mr. Speaker, this means that Barbuda will finally have the port infrastructure to accommodate large cargo ships and cruise ships.

We believe, that by investing in this critical infrastructure for Barbuda, the island would be better positioned to create and take advantage of opportunities for increased economic activity.

In addition to restoring infrastructure and services, Barbuda will benefit from significant investment in tourism, to allow for the sustainable development of the island into a green, climate resilient, low-density, high-end tourism destination.

Mr. Speaker, a concerted effort must also be made to rebuild the housing stock in Barbuda, and to do so in a resilient way so that Barbuda can stand-up to future Hurricanes.

This process will be guided by a land use and planning policy, that will be developed with the assistance of the University of the West Indies Cave Hill Campus, and the Caribbean Development Bank.

Mr. Speaker, as I have indicated, donors have stipulated that the funds they provide cannot be used for housing.

This means that restoring the housing stock in Barbuda must be a collaborative effort between the Government and the people.

It is imperative, that the residents of the island have some stake, some equity in the reconstruction effort.

That equity has been provided by way of the recent amendment to the Barbuda Land Act.

Barbudans, and only Barbudans, now have the right to freehold title to lands in Barbuda.

This title is being granted for a nominal price of \$1 and many Barbudans have already expressed a desire to take advantage of this opportunity.

This empowerment of the people with freehold title ownership, gives them options for accessing financing to construct new homes. This is part of our strategy to facilitate rebuilding of homes in Barbuda.

Mr. Speaker, my government has started discussions with the Caribbean Development Bank on a special line of credit that would be made available to the government to on-lend to Barbudan homeowners to rebuild their homes.

As we await word on the development of this facility, the government continues to support Barbudans by waiving the import duty, ABST and Revenue Recovery Charge on the importation of building material and supplies, as well as, household furnishings and appliances.

The government also waives all taxes and duties on vehicles for Barbudans.

From the very outset of the Barbudan disaster, my Government has been in the forefront of providing for Barbudans, and in the vanguard of efforts to rebuild the island.

We will not retreat from the task; we remain resolute in our determination to rebuild Barbuda for good.

Notwithstanding the daunting task of providing \$3 million monthly for salaries, wages and food (especially for those in the shelters), the Barbudans are the responsibility of the State and we endeavor to rebuild Barbuda in the shortest possible time.

On behalf of the people and Government of Antigua and Barbuda, I wish to thank all countries, businesses and regional and international organizations for their support and willingness to come to the aid of our nation in its time of need.

I make special mention of the government and people of the Bolivarian Republic of Venezuela, the Republic of Cuba and sister CARICOM countries who were among the first responders.

The support received from civil society and faith based organizations can never be repaid. We express heartfelt gratitude to the Waitte Foundation, the Samaritan's Purse, Bonnie Floyd Ministries and others. Our own people were quick to respond to the needs of the residents of the sister island.

With finances provided by Canada, the European Union, the United Kingdom, Venezuela, China, Japan, India, Qatar, Russia, Jumby Bay, the ECCB, the Caribbean Development Bank, Red Cross, and many other individuals and organizations from around the world, we are on our way to rebuild Barbuda in a way that will make each of its residents more secure, more resilient, and more endowed, to overcome any future challenges that Climate Change might bring.

Having come through the worst, I am confident that together, we will rebuild Barbuda and make her stronger and better.

Improving Revenue Performance

Mr. Speaker, I am obliged to make some remarks about revenue performance, particularly about some tax payers who have sought to evade contributing to the development of this country and have remained stubbornly non-compliant.

The overwhelming majority of our citizens and residents would agree that every individual and business should pay their fair share of taxes.

It is not acceptable that those with lower incomes have no choice but to pay the tax, while those with the resources to do so, can find ways to evade their tax liability.

Each tax payer must be held to the same degree of accountability, when it comes to tax compliance and that is essentially the objective of the Tax Administration and Procedure Act (TAPA).

The TAPA will harmonise and simplify tax administration and procedure as laid out in Antigua and Barbuda's tax laws.

It applies to all taxes that fall within the responsibility of the Commissioner of Inland Revenue and includes: ABST, Property Tax, Corporation Tax, Stamp Duties, and Travel tax.

Essentially, for taxpayers who currently comply with the provisions of the various tax laws, the TAPA will not be a challenge.

In fact, because it rationalizes and simplifies tax procedures, it should streamline and enhance taxpayer interaction with the Inland Revenue Department.

Mr. Speaker, when necessary, the IRD will take legal action where chronic non-compliance persists.

However, the IRD will continue to encourage taxpayers with arrears, to make arrangements for settlement of the outstanding amounts in a manner that is beneficial to both the IRD and the taxpayer.

CITIZENSHIP BY INVESTMENT PROGRAMME

Mr. Speaker, given the important contribution that the Citizenship by Investment Programme has made to our nation's economy, it is important that I should report on it in this Budget Statement.

Through its three investment options, the National Development Fund, Real Estate and Business Investment Options, a total of 1,269 applications have been received and processed from inception to December 31, 2017.

In 2017, the Citizenship by Investment Unit, processed a total of 321 applications, which should yield an estimated \$64 million in direct revenue to the Central Government and capital injection of \$198.7 million into hotels, residential developments and other business interests.

The Programme faced numerous challenges in 2017.

In June 2017, Canada revoked visa-free access for Antigua and Barbuda passport holders.

At the time, we were the only OECS jurisdiction with visa-free access to Canada.

Following this development, the number of CIP applications fell across all options but particularly, the National Development Fund.

A comprehensive assessment was conducted of the offerings of the other 4 OECS countries that offered Citizenship by Investment.

That assessment revealed that Antigua and Barbuda's costs were significantly higher than all of them.

To temper this lack of competitiveness, as of 1st August 2017, the processing fees were reduced across all investment options.

The success of these strategic adjustments has already begun to bear fruit.

We have witnessed an increase in the number of applications received by the Citizenship by Investment Unit in November and December, returning monthly submissions closer to pre-June 2017 levels.

In 2018, we intend to optimize our favourability as a premier investment jurisdiction.

Mr. Speaker, let me make a few remarks about our strict vetting procedures and the high standards we apply to granting Citizenship by Investment.

Citizens and residents of Antigua and Barbuda, and the international community, can be assured, that the Government is unrelenting, in its commitment to ensuring, that no persons of dubious character, or over whom

any cloud of suspicion hangs, has any chance of being granted Citizenship and a passport.

As such, the Citizenship by Investment Unit continues to maintain its multi-layered due diligence examination of each applicant and all dependents, subjecting each file to the most rigorous scrutiny by reputable international agencies, including INTERPOL, prior to approval.

Indeed, so open are we to scrutiny, that I have invited the Prime Minister of Canada, as part of negotiations to restore visa free access, to send experts to analyze our systems with no restriction; either to satisfy themselves of our high standards, or to make and supervise recommendations for improvement.

In any event, Mr. Speaker, we intend to maintain the Citizenship by Investment programme – and to continue to vet applicants rigorously – so that it continues to contribute to our national well-being.

ENTREPRENEURIAL DEVELOPMENT

Mr. Speaker, in 2018, the Government will launch the Prime Minister's Entrepreneurial Development Programme (EDP).

This programme will create opportunities for Antiguan and Barbudans to become more than employees in the traditional sectors of the economy.

It envisions our people tapping into niche markets, pursuing innovations in technology, capitalizing on the market access made possible by the internet, developing small businesses and offering services and products that are attractive to locals and visitors alike.

Essentially, Mr. Speaker, the programme visualizes our people making use of their God-given talents, innate abilities, artistic and cultural skills, and intellectual capital to create an Antigua and Barbuda brand that becomes known, the world over.

I will empanel a group of successful entrepreneurs and other experts from the public and private sectors to review business proposals submitted by would be entrepreneurs, to advise whether the applicant should receive funding and support through the EDP.

In addition to being eligible to receive financing, successful EDP applicants can also:

- Purchase land for their business at a rate of \$3.00 per square foot.
- Receive generous concessions, including tax waivers on the importation of material and capital equipment, and, where applicable, corporate tax holidays.
- Pursue public-private sector partnerships with the Government.

There will also be a venture capital component to the EDP, which will create opportunities for private businesses and publicly owned companies such as WIOC, State Insurance and NAMCO, to invest in businesses developed by young entrepreneurs.

The Entrepreneurial Development Programme will be funded by a Telecommunications Tax; a 5 cents per minute charge on incoming calls.

This is expected to yield \$3 million annually and will take effect from March 1, 2018.

The programme will be administered by the Antigua Barbuda Investment Authority (ABIA) in collaboration with the Ministry of Finance.

Antigua Barbuda Innovation Center

Mr. Speaker, my government, launched the Antigua and Barbuda Business Innovation Center to help support small business and entrepreneurs.

This project is being implemented in collaboration with the United Nations Office for Project Services (UNOPS) and will run for an initial period of two years.

The Antigua and Barbuda Innovation Center will include a business incubator and will provide education, training and investment opportunities to new and existing businesses.

Immediate focus will be placed on businesses in the healthcare, tourism, agriculture and environment sectors as well as projects submitted by women.

Our international partners in this new and exciting enterprise include UN Women, MIT, Harvard University and the European International Bank.

Youth Empowerment

Mr. Speaker, my Government is determined to make youth empowerment one of its hallmark policies.

Our programmes for empowering the youth of Antigua and Barbuda focus on enhancing their capacity to change their socio-economic circumstances, by providing educational opportunities, granting access to lands, and encouraging youth entrepreneurship.

Through the Prime Minister's Scholarship Fund, we provided over \$20 million annually to the youth of this nation to pursue studies in countries across the globe.

Today, there are over 1,000 Antiguan and Barbudans pursuing their dreams of higher education.

Many of them would not have been able to do so were it not for this programme.

In addition, there is the National Student Loan Fund which provides very concessional loans to Antiguan and Barbudan students, to pursue tertiary or specialized training, or certification at local regional and international institutions.

This Student Loan Fund has provided a total of \$21.6 million in loans to 814 students.

Together, these two programmes, the Scholarship Fund and the Student Loan Fund, are making a positive contribution towards building the human capital of Antigua and Barbuda.

Mr. Speaker, the emphasis on educating our youth is a clear understanding that by creating a well-educated, highly trained body of young people, our nation would be better positioned to compete in the global economy.

We will also empower our young people, through a land for youth programme, that forms part of our general land distribution initiative for 2018.

In addition, there will be a Young Entrepreneurs component of the Prime Minister's Entrepreneurial Development Programme.

This will give our youth the opportunity to climb the ladder of success and reach down and pull-up others along with them.

SPORTS

Mr. Speaker, this year began with very bright prospects for sports to bring economic benefits and global recognition for Antigua and Barbuda.

We welcomed the Rowers in the Talisker Atlantic Challenge earlier this month and celebrated the success of our own Team Antigua, which placed second and completed the course in record breaking time.

Plans are in place for the successful hosting of the annual RORC Caribbean 600 Race in February.

Also, Sailing Week and other regattas are expected to boost the yachting industry's contribution to the economy in 2018.

Mr. Speaker, cricket will also feature significantly this year.

On January 30th the Sir Viv Richards Stadium will come alive with the WICB Super50 Cricket Festival.

In November of this year, we will host the Semi-Finals and Finals of the ICC Women's T-20 World Cup Finals. Again, the Sir Viv Richards National Stadium and our entire nation, will be showcased before millions of cricket fans across the globe.

Mr. Speaker, I offer congratulations on behalf of every citizen and resident to 15-year-old Tiger Tyson, an Antiguan athlete, who made history by qualifying in first position for the sport of Kiteboarding.

Tiger is truly an inspiration and will represent Antigua in the sport at the Youth Olympic Games to be held in Argentina later this year.

My government will continue to create an enabling environment for sports development, by upgrading community sporting facilities, employing additional coaches, and expanding the range of services and support provided to our athletes.

LAND DISTRIBUTION

Mr. Speaker, in 2018, my Government will embark on an extensive land distribution initiative.

Lands are now available through Central Housing and Planning Authority (CHAPA), National Housing and Urban Renewal Company and the Lands Division in the Ministry of Agriculture.

Plots are available on Antigua at development rates as low as \$3.00 per square foot.

To encourage residential and commercial development, Government will sell lands at Friars Hill at \$6 per square foot with infrastructure.

We will also promote residential development in Royals, by selling these choice crown lands at \$6 per square foot with infrastructure.

Lands will also be sold in Jennings, Piccadilly, Montrula, and many other areas across the island.

As I just mentioned, the Government will ensure that there is a special dispensation for the youth so that they too can own lands.

Young people between the ages of 18 and 35 years who do not yet own a piece of the rock will have preferred access to land ownership through this programme.

In particular, lands at Donovan's, Gunthropes, and Pares have been earmarked for sale to the youth.

National Housing is making final preparations to start selling 80 parcels of land at Donovans at a price of \$4 per square foot with infrastructure.

The sale of these plots will begin on Monday 29th January.

To be clear, all the lands that are to be sold through this land distribution initiative are for individuals and companies who intend to invest and develop the lands.

We will make every effort to ensure that the intended beneficiaries of this land distribution initiative do in fact become the owners of the lands that will be sold by the crown.

These lands are not for those who are seeking to purchase crown lands for speculative purposes; they are for the specific purpose of giving deserving citizens ownership and empowerment.

Public Servants

In my 2107 Budget Statement, I indicated that public sector workers had to shoulder a disproportionate share of the burden associated with the economic and financial downturn that affected our nation.

Never was public servants' commitment to service more tested than over the past decade.

Since my Government assumed office three and a half years ago, fiscal constraints prevented any increase in pay for public servants.

As Prime Minister and Minister of Finance, I have made a commitment to increasing the pay of Public Servants.

My Government and I fully intend to make good on that commitment.

Therefore, the Government's Negotiating Team has been established and draft proposals for new collective bargaining agreements were requested from the unions and bargaining agents representing Central Government employees.

Most of these bargaining agents have submitted their proposals, which are currently being reviewed by the Negotiating Team.

Under ideal circumstances, negotiating a single collective bargaining agreement is a complex and time-consuming process.

Given the time that has elapsed since the last negotiated agreement and the number of proposals that need to be considered by the Government's negotiating team, it will take some time to arrive at a final agreement with each bargaining agent.

Therefore, so as to alleviate conditions for Public Servants while these negotiations take place, and to demonstrate my Government's good faith, we will support public servants through a number of special programmes and initiatives.

These include:

- i. **Housing Grant:** A \$10,000 grant for public servants to assist with the down payment on the purchase price of a home from National Housing and Urban Renewal Company.
- ii. **Vehicle Concessions:** once every five years, beginning from 28th February, public servants will receive 50 percent to 100 percent waiver of import duty on new and used vehicles.
- iii. **Home Ownership:** priority access to homes provided through National Housing will be given to Teachers, Nurses, members of the Antigua Barbuda Defense Force, Office of National Drug Control Policy (ONDCP), and the Royal Police Force of Antigua and Barbuda.

For those who do not wish to purchase a home from National Housing, a special window will be established through the Construct Antigua Barbuda Initiative that will allow fast-track access to the incentives offered through this programme.

Additionally, public servants will be eligible to receive concessions on the importation of household furnishings and major appliances to furnish their new homes.

The Government wants as many public servants as possible to take advantage of these empowering programmes.

Therefore, the Ministry of Finance has been tasked with articulating a simple procedure for straightforward access to these benefits and incentives.

iv. **Health Insurance:** This is another area that my Government wishes to be helpful to Public Servants.

The feasibility of establishing a group health insurance plan for public sector employees is currently being examined.

This plan would be optional with the premium being paid by the employee and the Government.

Ultimately, the practicality of this venture will depend on the number of public servants who would choose to participate.

Mr. Speaker, I wish to now make this important announcement.

Given that the negotiation process between the unions and the Government's team will take some time, **the Government has decided to pay an interim increase of five (5) percent of basic salary for public servants.**

This is not intended to prejudice the negotiations, nor is it an indication of the Government's final offer as it relates to a wage increase.

I promised in 2017, that public servants would receive an increase in pay and while the process for arriving at a negotiated rate may still be unfolding, I am determined to deliver on that promise.

This interim increase will take effect from January 1, 2018.

Whatever rates are negotiated and agreed between the Government and the unions, this 5 percent increase will be factored in, as part of the final percentage adjustment that is to be made in rates of pay.

Mr. Speaker, I will say one final thing on the matter of public servants and wage increases.

This Government acknowledges that there are significant sums outstanding to public servants in back pay.

These sums have been due for decades and have remained unpaid due to the financial constraints of the Government.

Also, given the time that has elapsed, the process and timeframe for completing the paperwork for payment of the back pay would likely be very protracted.

In this regard, the Government proposes to settle the outstanding back pay by offering every public servant who was employed with the Government on December 31, 2002 one month of his/her basic current salary, free of any deductions.

If this proposal is accepted, the Government would begin the process of clearing these arrears to public servants immediately, so that this matter can be effectively put to rest.

Further, it is this Administration's position that all increases approved will be implemented within the timeframes agreed.

I am determined that the buildup of arrears in pay to public servants will not occur in this Administration – certainly not under my watch.

The International Business Sector

Mr. Speaker, our International Business Sector has been under siege from the powerful, developed countries for two decades now.

Antigua and Barbuda, like many other small jurisdictions within the Caribbean and outside of it, has bent over backwards, year after year, to comply with the demands of the organizations of these big countries.

Those organizations include the Financial Action Task Force (FATF), the Organization for Economic Cooperation and Development (OECD) and the Commission of the European Union.

And, even though many members of their own organizations are not in compliance with their own rules, they apply their demands on us stringently, and blacklist us if we argue.

The system is not fair and the playing field is very far from level.

But in the absence of a collective approach by all the victim countries, small jurisdictions such as Antigua and Barbuda have no choice but to yield.

If we do not, blacklisting adversely affects not only our international financial sector, but our domestic banking sector as well.

This is evident particularly in the de-risking exercises by global banks in the US and UK that have withdrawn vital correspondent relations from many banks in the Caribbean, escalating our cost of doing international transactions.

This coming year, we will start to align the corporate tax rate for the international financial sector with the domestic sector, so that they will pay a uniform rate. This will eventually lead to a reduction in the domestic tax rate.

We will start with the banking sector.

But even as we do so, we will explore the possibilities of new arrangements that will allow banks in what used to be called the 'off-shore' sector to carry out wholesale banking activities that do not rival the receipt of deposits from existing domestic banks.

Even as my Government is compelled to comply with the demands of the mighty, we remain determined not to abandon the international business

sector, but to explore every means to keep them in business and compliant with the rules imposed upon us.

BUDGET PROJECTIONS 2018

Now, Mr. Speaker, I turn to the Budget projections for 2018.

Recurrent expenditure including principal payments is estimated at \$1.22 billion, which is about 5 percent above the \$1.16 billion estimated in Budget 2017.

Recurrent expenditure excluding principal payments for Fiscal Year 2018 is estimated at \$859 million while recurrent revenue is estimated at \$877 million.

Accordingly, we project a current account surplus of \$17.9 million for Fiscal Year 2018.

Revenue Projections

With regard to revenue projections, Recurrent Revenue for Fiscal Year 2018 is budgeted at \$877 million.

This is 8 percent above the \$809 million collected in 2017.

Revenue in 2018 is expected to be higher than the amount collected in 2017 because of a considerable increase in economic activity.

This will be supported by improvements in tax administration and implementation of initiatives to enhance compliance.

Tax revenue, comprising of direct and indirect taxes, will account for about 81 percent or \$708 million, while non-tax revenue of \$169 million will make up the remaining 19 percent.

Direct taxes are expected to yield \$102.8 million in 2018.

The main contributors to direct tax revenue are the Corporate Income Tax, the Property Tax and the Unincorporated Business Tax.

Corporate Income Tax is projected to yield \$70.1 million in 2018 while the Property Tax is expected to yield \$25.4 million.

Property Tax revenue is expected to be 35 percent above the amount collected in 2017; an outcome that will be achieved through improved administration of the tax, broadening taxpayer outreach programmes to encourage compliance, and continued efforts to collect property tax arrears.

Additionally, the Inland Revenue Department will again undertake a drive to identify properties that are not included in the tax net to ensure all property owners contribute their fair share to the consolidated fund.

Also, property owners will continue to enjoy discounted tax liability when property tax payments are made early.

Revenue from the Unincorporated Business Tax (UBT) is budgeted at \$5.5 million.

Mr. Speaker, Indirect taxes are expected to yield \$604.9 million, which is about 85 percent of tax revenue.

A total of \$278 million or 46 percent of the revenue from indirect taxes will be generated from the Antigua Barbuda Sales Tax.

This represents a 17 percent increase over the ABST yield for 2017.

Revenue from import duty is budgeted at \$95 million, while the Revenue Recovery Charge is projected to yield \$80 million in 2018.

Revenue from the import duty will be 8.5 percent above the amount collected in 2017, while the RRC is expected to yield 6.5 percent more revenue in 2018 than what was generated in 2017.

Revenue from stamp duties is expected to be \$52.5 million in 2018, which is a 5 percent increase over the amount collected in 2017.

Finally, included in the category of indirect taxes are the tax on offshore banks, the insurance levy and the Gambling Tax, which represents a consolidation and revamping of taxes that are applied to the gambling industry, to include commercial lotteries.

These taxes are forecast to yield \$2 million, \$7 million and \$5 million respectively in 2018.

Non-tax Revenues

Mr. Speaker, of the \$169 million budgeted for non-tax revenue, \$95 million represents NDF receipts from the Citizenship by Investment Programme (CIP), while \$30 million represents surplus funds from the Citizenship by Investment Unit operating account.

The amount budgeted for capital receipts is \$7 million, while grant funding for Fiscal Year 2018 is budgeted at \$86.6 million.

Expenditure Projections

Mr. Speaker, I turn now to the budgetary allocations for this fiscal year.

The Parliamentary Representatives with responsibility for the respective Ministries will provide details of their priorities, strategies and programmes for 2018 during the debate on this Budget.

However, I will highlight those ministries that will receive the highest allocations.

Ministries with Highest Funding Allocation

In my Government's resolve to attain optimal health and wellness for all residents of Antigua and Barbuda, the Ministry of Health and the Environment receives the highest funding at \$106 million.

Manifesting my Government's commitment to developing its human resources and preparing our youth to be competitive in the global community, the Ministry of Education and Technology receives \$101 million.

Additional capital funding will be made available through the CDB second Basic Education Project for the continued expansion of the Irene B Williams Secondary School and the St Mary's Secondary School for which work should commence in the first quarter of 2018.

The Office of the Attorney General, Ministry of Justice and Legal Affairs, Public Safety and Labour is next at \$90 million with the continued emphasis on keeping the people of our country and our visitors safe and secure from criminals.

The Ministry of Works and Housing is provided \$76 million to carry out its projects and programmes, some of which I have already detailed in this statement.

The Ministry of Tourism, which is charged with promoting and marketing our country, is allocated \$28 million.

These resources will be used by the Ministry to build upon the successes achieved in tourism in 2017, while at the same time improving the visitor experience.

I remind that Tourism funding is also supplemented by the 2 percent levy that is paid to the Tourism Authority for promotion and marketing.

Allocations for other Ministries

Budgetary Allocations for the other Ministries are as follows:

Ministry of Information, Broadcasting, Telecommunications and Information Technology, \$17 million.

Ministry of Social Transformation & Human Resource Development, \$24 million.

Ministry of Foreign Affairs, and Immigration, \$27 million

Ministry of Agriculture, Lands, Fisheries & Barbuda Affairs, \$20 million

Ministry of Public Utilities, Civil Aviation & Transportation, \$8 million

Ministry of Trade, Commerce & Industry, Sports, Culture & National Festivals and Community Service, \$30 million

The 2018 budget also includes allocations for:

- Office of the Governor General \$2 million
- The Legislature \$2 million
- The Cabinet \$4 million
- The Judiciary \$2 million
- The Service Commissions \$900,000
- Audit \$1million
- Pensions and Gratuities \$77 million
- Electoral Commission \$4 million
- Ombudsman \$600,000
- Charges on Public Debt \$468 million

Mr. Speaker, I take this opportunity to present highlights of the Office of the Prime Minister which is allocated \$31 million and the Ministry of Finance and Corporate Governance which receives \$102 million.

Among the strategic focus in these ministries will be the following:

- i. The continued promotion of the Citizenship by Investment Programme, and this was clearly articulated earlier in my speech;
- ii. Developing a Corporate Governance policy and implementing governance training programmes; and
- iii. Continue to strengthen audit controls for revenue collection centers;

Capital Expenditure

Mr. Speaker, I now turn to Capital Expenditure which is budgeted at \$197 million in Budget 2018.

This is about \$91.2 million more than the amount spent in 2017.

As I mentioned earlier, my Government has prioritized road development and road repair and maintenance for 2018.

Therefore, 52 percent or \$102 million of the resources allocated for capital expenditure will be spent on road works.

The other major projects to be undertaken in 2018 include:

Barbuda Rehabilitation, \$21.6 million.

Airport Radar Restoration, \$3.9 million.

Learning Resource Centre Antigua State College (funded by CARICOM Development Fund), \$6.2 million.

Renovation/Upgrade of Police Headquarters and Bolans Police Stations, Computerisation of Police Stations, Renovation and Outfitting of Canine Unit, Establishment of Forensic Science Laboratory, \$12.1million.

Basic Education Project 2 (funded by CDB), \$15.5 million

FINANCING

For 2018, total principal payments amount to \$362.9 million. Based on the budget estimates for 2018, total revenue and grants will be \$970.6 million while total expenditure, excluding principal payments, will be \$1.056 billion.

Mr. Speaker, this means an overall deficit of \$85.5 million is budgeted for fiscal year 2018. Given the expansive infrastructural works to be undertaken by this government in Antigua and in Barbuda it is only expected.

This therefore means that with this overall deficit the financing requirement for 2018 will be \$448.4 million.

This funding gap for 2018 is approximately 57 percent greater than the \$285.3 million projected in 2017 and is driven by the additional expenditure required to rebuild Barbuda and improve infrastructure on both islands.

This funding gap will be financed by the following:

1. Raising \$207.1 million from Securities issued on the Regional Government Securities Exchange (RGSM) and issuance of a Diaspora Bond.

2. Loans and advances of \$241.3 million. More than half of this amount represents disbursements from the CDB for road rehabilitation and reconstruction and Barbuda redevelopment.

CONCLUDING REMARKS

Mr. Speaker over the last three and a half years, the Antigua and Barbuda Labour Party Government has done the hard work of restructuring our beloved country's economy from ten years of destruction; from three years of over 20% negative growth; from an IMF programme for bankrupt countries; from massive debt arrears and debilitating fiscal deficits; from financial sector collapse; from mass unemployment; and from pervasive corruption.

The hard work has been done to remove the dark clouds of doom, gloom and hopelessness.

We have erased the deceitful mirage of a bright sunshine Government and exposed the dodgy framework of a trilogy of laws that claimed to embed good governance while maladministration and malfeasance prevailed.

We have replaced the suffocating and pauperizing experience of a shockingly bad, incompetent, government, with strong and creative management of our nation's affairs.

Mr. Speaker, in my State of the Nation address on New Year's Day, and in previous Budget Statements, I have described the conditions of a state teetering on the dark edge of collapse that we inherited in June 2014.

I have also given full account of the many ways in which my Government rescued our country and restored dignity and pride to our nation.

In three and a half years, we have transformed this nation from failure to economic prosperity; from joblessness to creation of thousands of new jobs; from no growth to the leading Caribbean nation with the highest growth levels over the past three years; from a nation with one of the highest debt to one of the nations where, according to the IMF, “the government’s debt to GDP ratio has been declining from very high levels, reflecting sustained fiscal discipline, debt restructuring and a recovery in growth”.

I thank the Minister of State and staff members in the Ministry of Finance and my Cabinet colleagues for their continued commitment to the goal of a prosperous Antigua and Barbuda.

Mr. Speaker, we are a nation that has taken-off.

This year, 2018 we will together be in full economic flight.

I encourage the people of our one nation to buckle up, strap in, and join in this magnificent economic journey.

Let us leave behind the painful memory of the past and look to a brighter future in which we will make our country better for the good of all its people, young, old, of all colours, and of all stations in life.

We have it within ourselves to do it.

Let us show the world the heights to which we in this country can ascend.

Let us rebuild together to secure a prosperous nation.

Mr. Speaker I commend this Budget, which has no new taxes, an increase for public servants and many vibrant, viable and sustainable projects, to this Honourable House.