Antigua and Barbuda

Public Expenditure and Financial Accountability (PEFA) Performance Assessment

A European-Union-Funded Project Executed by the International Monetary Fund

December 2014

Delphine Moretti, Eliko Pedastsaar, Kris Kauffmann, John Short, and Matthew Smith
INTERNATIONAL MONETARY FUND

Fiscal Affairs Department

ANTIGUA AND BARBUDA

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Currency and indicative exchange rates
Local currency unit = East Caribbean Dollars (XCB)

1 XCB = 0.36 USD (Dec. 31, 2013)
1 XCB = 0.327 EUR (Dec. 31, 2013)

Fiscal Year
01 January – 31 December

Financial years covered
2011, 2012 and 2013
### ABBREVIATIONS AND ACRONYMS

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<td>Antigua and Barbuda Sales Tax</td>
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<td>AG</td>
<td>Accountant-General</td>
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<td>AGA</td>
<td>Autonomous Government Agency</td>
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<td>AGD</td>
<td>Accountant-General Department</td>
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<td>APUA</td>
<td>Antigua Public Utilities Authority</td>
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<td>ABSSSB</td>
<td>Antigua and Barbuda Social Security Board</td>
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<td>CAROSAI</td>
<td>Caribbean Organization of Supreme Audit Institutions</td>
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<td>CARTAC</td>
<td>Caribbean Regional Technical Assistance Centre</td>
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<td>CASE</td>
<td>Customs Automated Services</td>
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<td>CCMA</td>
<td>Customs (Control and Management) Act</td>
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<td>CIDA</td>
<td>Canadian International Development Agency</td>
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<tr>
<td>COFOG</td>
<td>Classification of Functions of Government</td>
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<td>CS DMRS</td>
<td>Commonwealth Secretariat Debt Management &amp; Recording System</td>
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<tr>
<td>DMU</td>
<td>Debt Management Unit</td>
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<td>DoA</td>
<td>Director of Audit</td>
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<td>DPU</td>
<td>Development Planning Unit</td>
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<td>DSA</td>
<td>Debt Sustainability Assessment</td>
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<tr>
<td>EBF</td>
<td>Extra Budgetary Fund</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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<tr>
<td>ECS</td>
<td>Eastern Caribbean Dollar</td>
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<td>EDF</td>
<td>European Development Fund</td>
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<td>EO</td>
<td>Establishment Office</td>
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<td>EU</td>
<td>European Union</td>
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<td>FAA</td>
<td>Finance Administration Act</td>
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<td>FR</td>
<td>Finance Administration Regulations</td>
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<td>FCP</td>
<td>Fiscal Consolidation Program</td>
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<td>FSO</td>
<td>Financial Secretary Office</td>
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<td>GFS</td>
<td>Government Financial Statistics</td>
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<td>GoAB</td>
<td>Government of Antigua and Barbuda</td>
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<td>IA</td>
<td>Internal Audit</td>
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<td>IFMS</td>
<td>Integrated Financial Management System</td>
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<td>IMF</td>
<td>International Monetary Fund</td>
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<td>INTOSAI</td>
<td>International Organization of Supreme Audit Institutions</td>
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<tr>
<td>Abbreviation</td>
<td>Full Form</td>
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<td>MBS</td>
<td>Medical Benefits Scheme</td>
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<td>MDA</td>
<td>Ministries, Departments, and Agencies</td>
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<td>MFEPA</td>
<td>Ministry of Finance, the Economy, Public Administration, Public Information and Broadcasting</td>
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<td>MOF</td>
<td>Ministry of Finance</td>
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<td>MTDS</td>
<td>Medium-Term Debt Strategy</td>
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<td>MTFF</td>
<td>Medium-Term Fiscal Framework</td>
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<td>NEST</td>
<td>National Economic and Social Transformation</td>
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<td>PAC</td>
<td>Public Accounts Committee</td>
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<td>PAYE</td>
<td>Pay As You Earn</td>
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<td>PEFA</td>
<td>Public Expenditure and Financial Accountability</td>
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<td>PFM</td>
<td>Public Financial Management</td>
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<td>PI</td>
<td>Performance Indicator</td>
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<td>PIT</td>
<td>Personal Income Tax</td>
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<td>PMU</td>
<td>Project Management Unit</td>
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<td>PRC</td>
<td>People’s Republic of China</td>
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<td>PSC</td>
<td>Public Service Commission</td>
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<td>PSIP</td>
<td>Public Sector Investment Program</td>
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<td>SBA</td>
<td>Stand-By Arrangement</td>
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<td>SIGTAS</td>
<td>Standard Integrated Government Tax Administration System</td>
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<td>SN</td>
<td>Subnational</td>
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<td>SOE</td>
<td>State-Owned Enterprise</td>
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<td>TAPA</td>
<td>Tax Administration Procedures Act</td>
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<td>Treasury Bills</td>
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<td>TCC</td>
<td>Tax Compliance Certificate</td>
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<tr>
<td>TIN</td>
<td>Tax Identification Number</td>
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<td>ToR</td>
<td>Terms of Reference</td>
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<td>WB</td>
<td>World Bank</td>
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In response to a request from the Government of Antigua and Barbuda, a mission comprising Ms. Delphine Moretti (head) and Ms. Eliko Pedastsaar (Fiscal Affairs Department, FAD), Mr. John Short and Mr. Kris Kauffmann (both FAD experts), and Mr. Matthew Smith (Caribbean Regional Technical Assistance Centre, CARTAC) visited Saint John’s, Antigua and Barbuda, during the period February 17–28, 2014 to undertake a PEFA assessment.

The mission met with officials from the Ministry of Finance, the Economy, and Public Administration, Public Information and Broadcasting (MFEP), from the departments and from a number of statutory bodies. The mission also met representatives of the Tenders Board members, the Antigua and Barbuda Chamber of Commerce, and the Director of Audit. (A full list of the persons met is provided in Appendix B of the report.)

The mission also discussed the broader public sector reform context with Ms. Gale Archibald and Ms. Megan Samuel-Fields from the Project Management Unit for the World-Bank Funded Public and Social Sectors Transformation Project coordinator, and Ms. Megan Samuel-Fields.

The mission expresses its gratitude to the authorities for excellent cooperation and arrangements and especially to Mr. Whitfield Harris, Ms. Rasona Davis, of the Financial Secretary’s Office and other officers, for their excellent preparation of the assessment, and Ms. Karel Forde for her highly appreciated support in the organization of the mission.

The mission would also like to thank Mr. Wayne Mitchell, the International Monetary Fund (IMF) Regional Resident Representative, and Ms. Jehann Jack, Economist at the IMF local office, for the support provided during the mission.

This mission has been funded by the EU in the context of the technical assistance (TA) project “Strengthening Public Financial Management and Revenue Administration in Antigua and Barbuda.”
SUMMARY ASSESSMENT

The purpose of the PEFA assessment is to provide an objective analysis of the present performance of the PFM system in Antigua and Barbuda, and identify changes incurred since the last PEFA assessment undertaken in 2010. The overall results of the assessment are as follows:

- Four indicators have deteriorated since 2010 – certain indicators now appear to have been overrated in 2010, as explained in the comparison tables presented in the report;
- Fifteen indicators have remained unchanged, as it is too early for on-going reforms to affect their ratings;
- Ten indicators have improved.¹

On the whole, these results indicate that while the PFM system has slightly improved since the 2010 assessment, many of its basic functionalities are not yet in place and will require on-going reform targets to be achieved. The detailed indicator-led assessment is summarized below on the six core dimensions identified in the PEFA framework.

Credibility of the Budget

In the wake of a prolonged economic crisis, fiscal outcomes have not been consistent with the budget as approved. Very ambitious revenue targets have proved to be unrealistic and have allowed a corresponding overestimation of the level of expenditures in the budget. In this context, as revenue collection turned out to be much lower than the initial estimates, weaknesses in budget execution and cash management have generated substantial expenditure arrears.

Comprehensiveness and Transparency

Central government public finances are comprehensively presented in budget documents but some weaknesses persist. New policy initiatives and their budgetary implications are not sufficiently analyzed; a significant share of extra-budgetary expenditures (other than donor funded projects) remains unreported; and oversight and reporting requirements of statutory bodies are not yet fully enforced, impeding a comprehensive assessment of the associated fiscal risks.

¹ One indicator is not rated and another one is not applicable.
**Policy Based Budgeting**

Antigua and Barbuda still lacks a medium-term perspective to budgeting and fiscal policy. The annual budget preparation process has been strengthened despite slippages in the timely approval of the budget. However, a major deficiency in the area of budget preparation is the lack of a formal medium-term fiscal framework (MTFF) to guide the Government’s strategic plan and sectoral strategies, and in-year monitoring, and analysis of the budget execution.

**Predictability and Control in Budget Execution**

While the revenue administration has been strengthened over the last years, the control over budget execution is still weak. Revenue administration has been strengthened via the adoption of a new Customs Law and a number of other measures aimed at increasing taxpayers’ awareness, developing risk-based audit, and increasing data sharing. However, the legal framework needs to be further improved, and tax arrears persist. While notable progress has been made on payroll and debt management, problems remain regarding the execution of other expenditures. A commitment control system is not yet effective and budget allocations are not based on reliable cash flow forecasts. In this context, the provision for special warrants to change the voted budget without ex ante approval in Parliament detracts from transparency. Last, weaknesses in procurement still need to be overcome, when the new legal framework, which entails competitive procurement methods and a greater transparency of procurement processes, becomes operational.

**Accounting, Recording and Reporting**

In spite of considerable efforts, the quality and comprehensiveness of the accounting and financial reporting remains limited. The Budget Office prepares comprehensive monthly budget execution reports and the backlog of annual financial statements has been cleared, with final accounts now produced with more reasonable delays (the most recent available audited financial statements are from 2012). However, concerns over the quality of these financial reports remain, as business processes have not improved enough to streamline their production, and the rollout of the IFMS is in-progress.

**External scrutiny and Audit**

There have been improvements in the quality of external audit, but lack of Parliamentary scrutiny undermines the accountability framework. The legal framework for external audit has improved but is not yet in full compliance with international audit standards. Further, the Public Accounts Committee (PAC) in charge of following up on audit’s findings has not met during the last years, which undermines the capacity for external scrutiny of the Public Financial Management (PFM) system.
Evaluation of the impact of PFM weaknesses on budgetary outcomes

The weaknesses of the PFM core functions have direct bearing on fiscal discipline. The situation has not evolved significantly since the 2010 PEFA. In particular, the lack of expenditure commitment controls and effective monitoring of statutory bodies by the Central Government create significant fiscal risks. The significant deviation (under execution) between budgeted and final primary and the high level of expenditure arrears are the consequences of this situation.

The strategic allocation of resources suffers from the limited reliability of revenue forecasts and the absence of medium-term fiscal framework. As already noted in the 2010 PEFA, the budget preparation process partly supports a strategic allocation of resources. However, the weaknesses of the annual revenue forecasting and the absence of a macro-fiscal framework significantly weaken the way resources are initially allocated in the budget. The frequent use of supplementary budgets has further potential to alter the strategic priorities determined through the budget formulation process.

Because of all of the above, the efficiency of public service delivery is negatively affected. The single-year budget horizon and considerable variability in revenue realization affect the availability and predictability of funds. These, together with the weaknesses in the procurement system, internal audit, and external scrutiny have adverse implications for the efficiency in service delivery.
Table 1. Summary Assessment and comparison with 2010 ratings

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<th>PFM Performance Indicator</th>
<th>Scoring Method</th>
<th>Dimension Ratings</th>
<th>Rating 2014</th>
<th>Rating 2010</th>
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<td>PI-1 Aggregate expenditure out-turn compared to original approved budget</td>
<td>M1</td>
<td>C</td>
<td>C</td>
<td>D</td>
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<td>M1</td>
<td>C A</td>
<td>C+</td>
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<td>D A</td>
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<td>D B</td>
<td>D+ D+</td>
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<td><strong>B. Key Cross-Cutting Issues: Comprehensiveness and Transparency</strong></td>
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<td>C▲</td>
<td>C▲ C</td>
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<td>PI-6 Comprehensiveness of information included in budget documentation</td>
<td>M1</td>
<td>B</td>
<td>B C</td>
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<td>M1</td>
<td>D C</td>
<td>D+ D+</td>
<td></td>
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<td>PI-8 Transparency of inter-governmental fiscal relations</td>
<td>M2</td>
<td>D B D</td>
<td>D+ D+</td>
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<td>M1</td>
<td>D▲ A</td>
<td>D+▲ D+</td>
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<td>PI-12 Multi-year perspective in fiscal planning, expenditure policy and budgeting</td>
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<td>D+ C+</td>
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<td><strong>(ii) Predictability and Control in Budget Execution</strong></td>
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<td>C B C</td>
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<td>M2</td>
<td>C C B</td>
<td>C+ D+</td>
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<td>M1</td>
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<td>NR D+</td>
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<td>D D D</td>
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<td>C C B</td>
<td>C+ C</td>
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<td>PI-18 Effectiveness of payroll controls</td>
<td>M1</td>
<td>B A A D</td>
<td>D+ D+</td>
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<td>PI- Competition, value for money and</td>
<td>M2</td>
<td>C D D D</td>
<td>D D D</td>
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<td>PFM Performance Indicator</td>
<td>Scoring Metho d</td>
<td>Dimension Ratings</td>
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<td>D</td>
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<td>D</td>
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<td>C(iii) Accounting, Recording and Reporting</td>
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<td>PI-27 Legislative scrutiny of the annual budget law</td>
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<td>PI-28 Legislative scrutiny of external audit reports</td>
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<td>D. Donor Practices</td>
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<td>D-1 Predictability of Direct Budget Support</td>
<td>M1</td>
<td>N/A</td>
<td>N/A</td>
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<td>D-2 Financial information provided by donors for budgeting and reporting on project and program aid</td>
<td>M1</td>
<td>D</td>
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<td>D-3 Proportion of aid that is managed by use of national procedures</td>
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<td>D</td>
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</tbody>
</table>
1. **The purpose of this PEFA assessment is to provide an objective analysis of the present performance of the PFM system in Antigua and Barbuda on the PEFA indicators.** Being a repeat assessment the primary focus of this exercise has been to update the results of the previous PEFA and to identify and present changes in the performance of the PFM system over time. This assessment is part of a technical assistance project\(^2\), and is financed by the European Union. The authorities’ priority over the next few years is to continue modernizing the PFM system. In this context, this assessment will help to identifying persisting or new challenges that need to be addressed in a new PFM action plan, and future technical assistance needs. The purpose of the PEFA is also to provide an evaluation of the PFM component of the EU’s EU in the context of the technical assistance (TA) project “Strengthening Public Financial Management and Revenue Administration in Antigua and Barbuda” implemented by the IMF.

2. **For undertaking this assessment, the following organization has been put in place:**

   - A PEFA training was delivered to the authorities in May 2013\(^3\);
   - The Government nominated a PFM reforms coordinator, Mr. John Edwards, appointed a liaison official, Ms. Karel Forde, and focal points were designated within the government’s departments and offices for preparing the assessment;
   - The national authorities, the main donors involved in the PFM area in Antigua and Barbuda – that is the European Union (EU), the International Monetary Fund (IMF), and the World Bank (WB)- and the PEFA Secretariat have accepted involvement in the PEFA as reviewing institutions;
   - A half-day workshop was organized with the liaison official and focal points on October 28, 2013 for organizing the assessment (meetings and data gathering).

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\(^2\) The Ministry of Finance, the Economy and Public Administration (MFEPA) of Antigua and Barbuda, the IMF, and the European Union (EU) signed a 28-month contribution agreement for strengthening both tax and customs administration and PFM. This agreement was signed under the 10\(^{th}\) European Development Fund (EDF), the EU provided EUR3.68millions to support the PFM and revenue administrations reforms.

\(^3\) Ms. Delphine Moretti and Mr. John Short, both members of the assessment team, have delivered a three-day training session to MFEPA senior staff to enhance their understanding of (i) the PEFA framework methodology and (ii) the process of carrying out a PEFA assessment. As part of the training a workshop was realized for identifying the primary sources of information on each indicator.
3. The assessment covers only the budgetary central government. The assessment does not extend to the statutory bodies, financial and non-financial. Information was gathered through analysis of publicly available data and reports, data provided by the authorities, and a series of interviews of the MFEPA and departments’ staff, the Director of Audit (DoA) and other stakeholders, including representatives of the Barbuda Council, Tenders Board, Chamber of Commerce, as well as the World Bank (WB).

4. For undertaking the assessment, the team has followed the PEFA framework as defined in the Performance measurement framework, revised January 2011. The framework is composed of a set of 28 high level indicators and sixty-nine measurement dimensions, which measure the performance of PFM systems, processes and institutions. The team has also followed the PEFA Secretariat’s guidance on Good Practice when Undertaking a Repeat Assessment. In particular, the team used the previous assessment as the starting point when explaining the trajectory of change in the performance of the PFM system. As well, the PEFA Secretariat’s guidance on quality assurance mechanisms will be applied. These quality assurance mechanisms include (i) the review of the Concept Note prior to the start of the formal PEFA assessment, (ii) the review of the draft and final draft report, and (iii) recording/reporting reviewer comments.

II. COUNTRY BACKGROUND

A. Economic Situation

Country context

5. Antigua and Barbuda is a twin-island nation in the Caribbean Sea and the Atlantic Ocean. The total area of the country is 440 km². It consists of two major inhabited islands.
islands, Antigua and Barbuda, and a number of smaller islands (including Great Bird, Green, Guinea, Long, Maiden and York Islands and further south, the island of Redonda).

6. **Since 2006 the United Nations Human Development Index has ranked Antigua and Barbuda among the top sixty countries of the world.** Based on preliminary data published by the Statistics Division of the Government of Antigua and Barbuda, the 2011 Antigua and Barbuda population census showed that the country has an estimated population of 83,278. Antigua and Barbuda has relatively high levels of human development with low infant mortality rates (less than 10 per 1,000 births) and high adult literacy (99 per cent for both sexes aged 15 and above). Average life expectancy increased from 71.2 in 2001 to 72.6 in 2010.

![Table 2. Selected Demographic Statistics](#)

<table>
<thead>
<tr>
<th>Key Indicators</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Population Estimates</td>
<td>84,330</td>
<td>85,901</td>
<td>87,506</td>
<td>89,138</td>
<td>90,801</td>
</tr>
<tr>
<td>No. of Live births</td>
<td>1,207</td>
<td>1,295</td>
<td>1,452</td>
<td>1,418</td>
<td>1,255</td>
</tr>
<tr>
<td>No. of Deaths</td>
<td>465</td>
<td>471</td>
<td>531</td>
<td>507</td>
<td>491</td>
</tr>
<tr>
<td>Teen Births (10 to 19yrs)</td>
<td>151</td>
<td>169</td>
<td>215</td>
<td>180</td>
<td>146</td>
</tr>
<tr>
<td>Infant Deaths under 1 year</td>
<td>0</td>
<td>0</td>
<td>14</td>
<td>7</td>
<td>11</td>
</tr>
<tr>
<td>Crude birth rate</td>
<td>14.3</td>
<td>15.1</td>
<td>16.6</td>
<td>15.9</td>
<td>13.8</td>
</tr>
<tr>
<td>Crude death rate</td>
<td>5.5</td>
<td>5.5</td>
<td>6.1</td>
<td>5.7</td>
<td>5.4</td>
</tr>
<tr>
<td>Infant mortality rate</td>
<td>0.0</td>
<td>0.0</td>
<td>9.6</td>
<td>4.9</td>
<td>8.8</td>
</tr>
<tr>
<td>General fertility rate</td>
<td>48.2</td>
<td>50.7</td>
<td>55.9</td>
<td>53.6</td>
<td>46.5</td>
</tr>
<tr>
<td>Life expectancy at Birth (males)</td>
<td>73.6</td>
<td>71.8</td>
<td>71.6</td>
<td>72.9</td>
<td>74.0</td>
</tr>
<tr>
<td>Life expectancy at Birth (females)</td>
<td>78.5</td>
<td>80.6</td>
<td>78.1</td>
<td>78.7</td>
<td>79.7</td>
</tr>
</tbody>
</table>

Source: Statistics Division - MFEPA, the Economy and Public Administration

7. **The economy of Antigua and Barbuda is one of the largest in the Organization of Eastern Caribbean States (OECS).** Its economy is dominated by tourism, investment banking and financial services also play an important role. Agricultural production focuses on the domestic market, but is constrained by the limited water supply and a labor shortage stemming from the lure of higher wages in the tourism and construction sectors. The structure of GDP is presented Table 3 below.
Table 3. Gross Domestic Product by Economic Activity at current prices (EC$ million)

<table>
<thead>
<tr>
<th>Economic Activity</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross value added in Current basic prices</td>
<td>2,834.4</td>
<td>2,628.1</td>
<td>2,598.7</td>
<td>2,746.2</td>
<td>2,844.3</td>
</tr>
<tr>
<td>Indirect taxes (product taxes less subsidies)</td>
<td>422.9</td>
<td>437.9</td>
<td>437.6</td>
<td>477.6</td>
<td>525.7</td>
</tr>
<tr>
<td>Nominal GDP in Current market prices</td>
<td>3,257.3</td>
<td>3,066.0</td>
<td>3,036.4</td>
<td>3,223.8</td>
<td>3,370.0</td>
</tr>
<tr>
<td>Agriculture</td>
<td>23.1</td>
<td>26.4</td>
<td>29.9</td>
<td>28.7</td>
<td>29.3</td>
</tr>
<tr>
<td>Of which: Crops</td>
<td>14.8</td>
<td>15.7</td>
<td>16.7</td>
<td>17.7</td>
<td>18.9</td>
</tr>
<tr>
<td>Livestock</td>
<td>7.3</td>
<td>9.7</td>
<td>12.3</td>
<td>10.1</td>
<td>9.5</td>
</tr>
<tr>
<td>Forestry</td>
<td>0.9</td>
<td>0.9</td>
<td>0.9</td>
<td>0.9</td>
<td>0.9</td>
</tr>
<tr>
<td>Fisheries</td>
<td>26.4</td>
<td>24.2</td>
<td>24.7</td>
<td>25.2</td>
<td>26.3</td>
</tr>
<tr>
<td>Mining and Quarrying</td>
<td>31.2</td>
<td>25.3</td>
<td>20.4</td>
<td>21.6</td>
<td>26.3</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>68.4</td>
<td>66.9</td>
<td>69</td>
<td>68.9</td>
<td>72.4</td>
</tr>
<tr>
<td>Electricity and water</td>
<td>91.3</td>
<td>113.6</td>
<td>131.6</td>
<td>107.8</td>
<td>109.5</td>
</tr>
<tr>
<td>Of Which: Electricity</td>
<td>65.4</td>
<td>93.4</td>
<td>117</td>
<td>96.3</td>
<td>97.8</td>
</tr>
<tr>
<td>Water</td>
<td>25.9</td>
<td>20.2</td>
<td>14.6</td>
<td>11.5</td>
<td>11.7</td>
</tr>
<tr>
<td>Construction</td>
<td>453.3</td>
<td>296.5</td>
<td>225.4</td>
<td>260.3</td>
<td>299.9</td>
</tr>
<tr>
<td>Wholesale and Retail Trade</td>
<td>407.3</td>
<td>391</td>
<td>372.2</td>
<td>411.2</td>
<td>415.1</td>
</tr>
<tr>
<td>Hotels and Restaurants</td>
<td>333.7</td>
<td>334.1</td>
<td>350.5</td>
<td>362.3</td>
<td>360.1</td>
</tr>
<tr>
<td>Transportation and Storage</td>
<td>239.2</td>
<td>221.3</td>
<td>215.5</td>
<td>251.7</td>
<td>259.3</td>
</tr>
<tr>
<td>Of Which: Road transport</td>
<td>123.6</td>
<td>118.4</td>
<td>121.7</td>
<td>131.2</td>
<td>140.5</td>
</tr>
<tr>
<td>Sea transport</td>
<td>2.5</td>
<td>2</td>
<td>2.2</td>
<td>2.1</td>
<td>2.1</td>
</tr>
<tr>
<td>Air transport</td>
<td>80.9</td>
<td>71.3</td>
<td>55.7</td>
<td>77.2</td>
<td>76.3</td>
</tr>
<tr>
<td>Supporting and Auxiliary Transport Activities</td>
<td>32.2</td>
<td>29.6</td>
<td>36</td>
<td>41.2</td>
<td>40.4</td>
</tr>
<tr>
<td>Communication</td>
<td>143.9</td>
<td>114.7</td>
<td>106.3</td>
<td>106.9</td>
<td>109.5</td>
</tr>
<tr>
<td>Financial Intermediation</td>
<td>58.8</td>
<td>262.4</td>
<td>276.8</td>
<td>274.8</td>
<td>283.3</td>
</tr>
<tr>
<td>Of Which: Banks</td>
<td>-</td>
<td>206.5</td>
<td>219.9</td>
<td>220.2</td>
<td>226.8</td>
</tr>
<tr>
<td>Insurance</td>
<td>58.8</td>
<td>55.9</td>
<td>56.9</td>
<td>54.6</td>
<td>56.5</td>
</tr>
<tr>
<td>Activities Auxiliary to Financial Intermediation</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Real estate and Housing</td>
<td>293.2</td>
<td>325.8</td>
<td>357.3</td>
<td>380.7</td>
<td>392.4</td>
</tr>
<tr>
<td>Public Administration, Defence &amp; Compulsory Social Security</td>
<td>254.8</td>
<td>237.8</td>
<td>237.2</td>
<td>246</td>
<td>254.1</td>
</tr>
<tr>
<td>Education</td>
<td>149.5</td>
<td>135.7</td>
<td>137</td>
<td>137.6</td>
<td>142.7</td>
</tr>
<tr>
<td>Health and Social Work</td>
<td>76.8</td>
<td>77.8</td>
<td>77.7</td>
<td>80.1</td>
<td>82.9</td>
</tr>
<tr>
<td>Other Community, Social &amp; Personal Services</td>
<td>47.5</td>
<td>47.7</td>
<td>50.9</td>
<td>52.6</td>
<td>54.6</td>
</tr>
<tr>
<td>Activities of Private Households as Employers</td>
<td>14.8</td>
<td>15</td>
<td>15.2</td>
<td>14.6</td>
<td>14.2</td>
</tr>
<tr>
<td>less: (FISIM) imputed banking services</td>
<td>74.9</td>
<td>88.2</td>
<td>92</td>
<td>84.9</td>
<td>87.5</td>
</tr>
<tr>
<td>Nominal Growth Rate (% Change YoY)</td>
<td>-10.5</td>
<td>-5.9</td>
<td>-1</td>
<td>5.9</td>
<td>4.5</td>
</tr>
</tbody>
</table>

Sources: Statistics Division, MFEPA; and Eastern Caribbean Central Bank

8. Antigua and Barbuda is an upper-middle income country with a per capita GDP of EC$34,000. Historically, Antigua and Barbuda has been one of the Caribbean’s most
prosperous nations, thanks to its tourism industry and offshore financial services. However, the country’s tourism-dependent economy has been severely impacted by the global economic and financial crisis. Falling tourism and foreign direct investment (FDI)-related construction activities have triggered the worst recession in decades and contributed to a sharp decline in government revenue. The strains from the economic crisis also led to the collapse of one of the largest domestic banks, ABI Bank Limited which was intervened in July 2011 by the Eastern Caribbean Central Bank (ECCB). Therefore, while from 2001 to 2008 GDP per capita increased from EC$24,713 in current prices to just under EC$42,000 indicating a continuous improvement in living standards; as a result of the financial crisis and the recession in the country, GDP per capita has fallen to just under EC$34,000 in 2012.

Table 4. Selected Economic Indicators

<table>
<thead>
<tr>
<th>Real Economy</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012E</th>
</tr>
</thead>
<tbody>
<tr>
<td>GDP (Market Prices) (in EC$ million)</td>
<td>3,498.7</td>
<td>3,657.4</td>
<td>3,257.3</td>
<td>3,066.0</td>
<td>3,036.4</td>
<td>3,223.8</td>
</tr>
<tr>
<td>Real GDP Growth</td>
<td>7.2%</td>
<td>1.5%</td>
<td>(12.0%)</td>
<td>(7.1%)</td>
<td>(2.1%)</td>
<td>2.8%</td>
</tr>
<tr>
<td>GDP per Capita (EC$)</td>
<td>40,729</td>
<td>41,796</td>
<td>36,781</td>
<td>34,308</td>
<td>33,097</td>
<td>33,987</td>
</tr>
<tr>
<td>Annualised Inflation Rate</td>
<td>5.3%</td>
<td>0.7%</td>
<td>2.4%</td>
<td>2.9%</td>
<td>4.0%</td>
<td>1.8%</td>
</tr>
<tr>
<td>Balance of Payments (in EC$ million)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Exports</td>
<td>1,569.5</td>
<td>1,688.5</td>
<td>1,516.4</td>
<td>1,414.4</td>
<td>1,451.9</td>
<td>1,492.0</td>
</tr>
<tr>
<td>Gross Tourist Receipts</td>
<td>912.3</td>
<td>901.8</td>
<td>823.8</td>
<td>803.9</td>
<td>841.8</td>
<td>861.3</td>
</tr>
<tr>
<td>Imports</td>
<td>2,517.4</td>
<td>2,542.2</td>
<td>1,907.5</td>
<td>1,833.1</td>
<td>1,730.4</td>
<td>1,660.88</td>
</tr>
<tr>
<td>Current Account (% of GDP)</td>
<td>(29.8%)</td>
<td>(25.7%)</td>
<td>(14.2%)</td>
<td>(25.7%)</td>
<td>(34.3%)</td>
<td>(29.6%)</td>
</tr>
<tr>
<td>Capital and Financial Account (net)</td>
<td>1,043.2</td>
<td>925.3</td>
<td>512.4</td>
<td>858.1</td>
<td>1,062.7</td>
<td>936.0</td>
</tr>
<tr>
<td>ECCB Net Foreign Assets</td>
<td>2,056.6</td>
<td>2,039.8</td>
<td>2,156.9</td>
<td>2,498.3</td>
<td>2,717.9</td>
<td>3,031.4</td>
</tr>
<tr>
<td>Public Finance</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Overall Fiscal Balance (% of GDP)</td>
<td>(6.4%)</td>
<td>(6.1%)</td>
<td>(18.2%)</td>
<td>(0.3%)</td>
<td>(3.6%)</td>
<td>(1.2%)</td>
</tr>
<tr>
<td>Primary Balance (% of GDP)</td>
<td>(2.9%)</td>
<td>(3.0%)</td>
<td>(11.1%)</td>
<td>1.9%</td>
<td>(1.5%)</td>
<td>1.3%</td>
</tr>
<tr>
<td>Interest / Revenues (as %)</td>
<td>14.7%</td>
<td>13.2%</td>
<td>38.4%</td>
<td>9.3%</td>
<td>10.3%</td>
<td>11.6%</td>
</tr>
<tr>
<td>Public Debt (in EC$ million)</td>
<td>2,730.0</td>
<td>2,564.0</td>
<td>3,307.9</td>
<td>2,783.9</td>
<td>2,819.3</td>
<td>2,831.1</td>
</tr>
<tr>
<td>Gross Domestic Debt</td>
<td>1,399.3</td>
<td>1,614.0</td>
<td>1,991.1</td>
<td>1,595.6</td>
<td>1,629.3</td>
<td>1,639.2</td>
</tr>
<tr>
<td>Gross External Debt</td>
<td>1,331.0</td>
<td>950.0</td>
<td>1,316.88</td>
<td>1,188.3</td>
<td>1,189.9</td>
<td>1,191.9</td>
</tr>
<tr>
<td>Public Debt (% of GDP)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gross Public Debt</td>
<td>78.0%</td>
<td>70.1%</td>
<td>101.6%</td>
<td>90.8%</td>
<td>92.8%</td>
<td>89.2%</td>
</tr>
<tr>
<td>Gross Domestic Debt</td>
<td>40.0%</td>
<td>44.1%</td>
<td>61.1%</td>
<td>52.0%</td>
<td>53.7%</td>
<td>51.6%</td>
</tr>
<tr>
<td>Gross External Debt</td>
<td>38.0%</td>
<td>26.0%</td>
<td>40.5%</td>
<td>38.8%</td>
<td>39.1%</td>
<td>37.6%</td>
</tr>
</tbody>
</table>

Sources: MFEPA, IMF, Eastern Caribbean Central Bank

9. **Inflation stood at 1.8% in 2012 and has been relatively low since 2007.** There is an annual deficit on the Balance of Payments current account. In 2012, it stood at 29.6 per cent of GDP which was down from a recent high of 34.3% the previous year. Imports have been on a declining trend annually. Foreign exchange reserves have grown annually.
10. Antigua and Barbuda is a member of the Organization of Eastern Caribbean States (OECS), the Caribbean Community (CARICOM) and the Association of Caribbean States (ACS). OECS members share a common currency the Eastern Caribbean Dollar (EC $), which has been pegged to the United States Dollar at the rate of US$ 1 = EC $ 2.70 since July 1976. Antigua and Barbuda also belongs to the group of 15 Caribbean states that make up the Caribbean forum (CARIFORUM). Along with its counterpart CARIFORUM countries, it signed the Economic Partnership Agreement (EPA) between CARIFORUM and the European Union (EU) in October 2008.

Overall government reform program

11. Strengthening the macro-economic framework and the public sector management has been announced as a priority by GoAB over the last years. The country developed (i) the 2010-2014 National Economic and Social Transformation (NEST) Plan and (ii) the 2010-2013 Public Sector Transformation Strategy (PSTS). The authorities have also developed a PFM reform action plan with support from the IMF’s Caribbean Regional Technical Assistance Center (CARTAC). In this context, the Ministry of Finance, the Economy and Public Administration (MFEP) of Antigua and Barbuda, the IMF, and the European Union (EU) signed a 28-month contribution agreement for strengthening both tax and customs administration and PFM. In 2013, Antigua and Barbuda also signed a US$ 10 million loan agreement with the World Bank. It will finance the country’s public and social sector transformation reform activities for the next five years. Under the loan agreement, approximately US$ 3.5 million is allocated to strengthen public institutions for the strategic

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6 There are four elements of the NEST Plan. First, the Fiscal Consolidation Programme – a mix of revenue and expenditure measures including more efficient tax collection, a reduction in the interest bill on both domestic and external debt, and actions to streamline government expenditure and raise revenue, while protecting targeted social spending. The FCP and debt-management strategy are geared to both eliminate debt arrears and reduce the debt-to-GDP ratio over the coming years. The associated institutional and systems reforms are discussed in more detail in section 4. Second, the Economic Action Plan – encouraging economic activity and employment opportunities through a domestic economic stimulus. Third, the Social Transformation Programme – development of health, education and the protection of vulnerable groups including the continuation of school meals programmes and allowances for the elderly, as well as the introduction of unemployment benefits. Fourth, the Financial Sector Stability - additional reforms will strengthen the financial sector, including legislation to transform the Financial Sector Regulatory Commission into a single regulatory unit for International financial services, including banks and non-bank institutions.

7 This agreement was signed under the 10th European Development Fund (EDF), on October 6, 2011. The EU provided EUR3.68 millions to support the PFM and revenue administrations reforms. The goal of this EU-funded project managed by the IMF’s Fiscal Affairs Department (FAD) in collaboration with the Caribbean Regional Technical Assistance Center (CARTAC) is to strengthen and modernize fiscal institutions to allow the government of Antigua and Barbuda to implement a reform program aimed at restoring fiscal sustainability. The project includes two functional components: (1) public financial management (PFM); and (2) tax and customs administration (revenue administration—RA). The total budget of the program is
management of government policies. The GoAB has also benefited from a Caribbean Development Bank Policy Based Loan (PBL) of US $30 million, of which USD$ 20m has been received. In addition, as part of its effort to overcome the consequences of the financial crisis, the GoAB has actively been looking for new sources of external financing, including with new bilateral donors.

12. **Antigua and Barbuda benefited from a 36-month Stand-By Arrangement (SBA) with the IMF**. Under the IMF-supported program, the authorities successfully implemented their fiscal consolidation program in the midst of very challenging circumstances, achieving a substantial reduction in debt service and the debt ratio. There has also been an important effort to complete structural reforms to safeguard improvements in the public finances. However, the Antigua and Barbuda Investment Bank (ABIB) resolution process has been complex given the systemic nature of the bank and its links to other banks and enterprises in Antigua and Barbuda and regionally, and has a significant fiscal cost; as at today, it has not been finalized.

**B. Budget Outcomes**

13. **The budgetary operations have been marked by negative balances over the recent past both overall and primary.** However, these have been on a downward trend from the large imbalances in 2009 with expenditure cuts in 2010 which were maintained.

14. **Total expenditure has fallen from EC$1,202 million in 2009 to EC$683 million in 2012.** This has been achieved by cutting capital expenditure significantly as well as goods and services. Salaries and wages are the biggest component of expenditure analyzed by economic category. As a percentage of total primary expenditures it increased from 31 percent in 2009 to 45 percent in 2012. Interest payments are on a declining trend. Capital expenditure has been on a declining trend from 30 percent of total primary expenditures in 2009 to 3 percent of the total in 2012. In 2012, tax revenue accounted for around 93.5 percent of total revenue, and its annual growth has been on an increasing trend since 2011.

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8 It was successfully completed in June 2013.

9 Transfer of the impaired assets of the bank to another entity, for proceeding to their disposal.
C. Legal and Institutional Framework for PFM

Legal framework for PFM

15. The PFM system in Antigua and Barbuda is set out in a number of legal texts, some of which are currently revised:

- The Constitution sets the basis for PFM in Antigua and Barbuda by setting out procedures for the receipt of public revenue and the appropriation and the broad mandate and responsibilities of the Director of Audit (DoA). The Constitution also requires that at the commencement of each session, the House appoint a Public Accounts Committee (PAC) from among its members, one of whom shall be a member for Barbuda, whose duties shall be to consider the accounts in conjunction with the report of the DoA and to report to the House;

- The Finance Administration Act (FAA, 2006) sets out the responsibilities and powers of the Minister, the Financial Secretary (FS), the Accountant General (AG), accounting officers, and the banking arrangements of the GoAB, the detailed arrangements for the payment of money into/out of the Consolidated Fund, public debt and guarantees and preparation of the Public Accounts and their submission to the DoA. Financial Regulations (FR, 2009) were introduced for guiding the implementation of the FAA, 2006;

- A new Procurement Act was adopted in 2011. However, it has not been enforced, due to the lack of corresponding regulations. These regulations have been drafted recently and should be adopted soon;

- A new Audit Act providing for greater organizational independence for the Director of Audit and giving greater responsibility to the PAC received a first reading on August 28, 2013;


10 The new act groups all aspects of tax administration that are common to all or most of the country’s substantive tax laws (for example, income tax and ABST).
The institutional framework for PFM

16. **Antigua and Barbuda is a bicameral parliamentary democracy and constitutional monarchy with two levels of government, central and local.** The Sovereign of Antigua and Barbuda, the Queen Elizabeth II, is the head of state. She appoints a Governor-General to act as vice-regal representative in the nation. A Prime Minister is appointed by the Governor-General as the head of government. The Prime Minister advises the Governor-General on the appointment of a Council of Ministers (the “Cabinet”). Executive power is exercised by the government Cabinet. Legislative power is vested in both the government and the two chambers of the Parliament. The bicameral Parliament consists of the Senate (seventeen-member body appointed by the Governor General) and the House of Representatives (seventeen seats; members are elected to serve five-year terms). There is an office of the Auditor General who reports to Parliament and a Public Accounts Committee of Parliament that reviews audit reports from the Auditor General. The levels of government in Antigua and Barbuda can be summarized as follows:

- The Government of Antigua and Barbuda (GoAB), which is composed of about 20 public bodies\(^\text{11}\) and ministries;

- “Statutory bodies” that are extra-budgetary funds, autonomous government agencies or state owned enterprises, and are “established by or under an Act to provide goods or services to the public on behalf of the Government” as stated in the Financial Administration Act, 2006 (FAA 2006). There are 26 statutory bodies in Antigua and Barbuda – 22 of which are incorporated under individual constituent acts and 2 incorporated under “general companies law” (Companies Act)\(^\text{12}\). Statutory Bodies and public enterprises are governed by the FAA, 2006 and their own enabling legislation; and

- The Local Government (LG) of Barbuda consists of a single local authority, the Barbuda Council, which governs the affairs of the Barbuda dependency. There is no constitutional provision for local government across Antigua; however the Barbuda Council is enshrined in the constitution. The Ministry of Health, Social Transformation, Consumer Affairs & Local Government in Antigua is responsible for oversight of the local government department.

17. **Antigua and Barbuda’s has a multiparty political system with a long history of hard-fought elections, three of which have resulted in changes of government.** The prime

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\(\text{11}\) Incl. the office of the Governor General, the Legislature, the Judicial,...

\(\text{12}\) All the 24 SOEs except one are wholly-owned. The exception, (Antigua Pier Group Ltd) has a non government minority shareholder (Key Properties Limited), which holds a 5percent interest.
minister is the leader of the majority party in the House and conducts affairs of state with the cabinet. The prime minister and the cabinet are responsible to the Parliament. Elections must be held at least every 5 years but may be called by the prime minister at any time. National elections are constitutionally due by July 2014.

18. **PFM is the responsibility of the MFEPA.** The Ministry has various departments that deal with budget planning and formulation, as well as budget execution and accounting, and revenue administration. These departments include:

- The Budget Office (BO) in charge of budget preparation and execution;
- The Accountant General Department (AGD) in charge of collecting revenue (apart from that accounted for by Customs or Inland Revenue), accounting for it, and managing the cash flow through the Consolidated Fund;
- The Debt Management Unit (DMU) in charge of debt management;
- The Development Planning Unit (DPU) in charge of facilitating completion of a national Medium Term Development Plan and the management of the Public Sector Investment Plan (PSIP);
- The State Owned Enterprise Unit (SOEs Unit);
- The Inland Revenue Department (IRD) in charge of the administration of income tax, company tax, stamp duties, property tax and the Antigua and Barbuda Sales Tax (ABST) which is a value added tax;
- The Customs administers in charge of taxes on imports (import duties) and acting as the agent of IRD in collecting ABST and also collects the seaport departure tax.
- These departments are overseen and monitored the Office of the Financial Secretary (OFS). Over the last years, the OFS has been in charge of monitoring and coordinating the PFM reforms, however with limited resources.
III. PFM Performance Assessment

A. Budget credibility

PI-1 Aggregate expenditure out-turn compared to original approved budget

This indicator assesses the credibility of the budget by calculating the extent to which actual aggregate expenditure deviates from the original budget for the last three years of available data. If expenditure consistently varies from the original budget this points to issues with the quality of budget planning and/or challenges in budget execution.

<table>
<thead>
<tr>
<th>PI-1 Aggregate expenditure out-turn compared to original approved budget</th>
<th>Minimum Requirements (scoring Method M1)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2010</td>
</tr>
<tr>
<td>Score D</td>
<td>Score C</td>
</tr>
</tbody>
</table>

19. In no more than one of the last three years has the actual expenditure deviated from budgeted expenditure by more than an amount equivalent to 15% of budgeted expenditure. Table 5 identifies the original budget for expenditures and the actual expenditure realized in each year 2007 to 2012. For this assessment, only the three years 2010 to 2012 are measured as the prior years were covered by the previous PEFA, and Data for 2013 is not yet available. Compared to the budget documentation, from where this data is
sourced, these figures have been adjusted to extract debt servicing expenditures and donor financing of specific projects – as required by the PEFA methodology. 2010 shows a deviation of more than 15% and 2012 shows a variation of more than 10% but less than 15%.

Table 5. Aggregate Expenditure Outcomes Compared to Budget (EC Million Dollars)

<table>
<thead>
<tr>
<th></th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Original Budget</td>
<td>874.1</td>
<td>865</td>
<td>957.5</td>
<td>726.7</td>
<td>636.2</td>
<td>644.5</td>
</tr>
<tr>
<td>Actual Expenditure</td>
<td>530.3</td>
<td>772.9</td>
<td>705.7</td>
<td>607.6</td>
<td>577.3</td>
<td>574.6</td>
</tr>
<tr>
<td>Variation</td>
<td>-39%</td>
<td>-11%</td>
<td>-26%</td>
<td>-16%</td>
<td>-9%</td>
<td>-11%</td>
</tr>
</tbody>
</table>

Source: Calculation by mission team based on Budget Estimates books for 2014, 2013, 2012 and 2011, where debt service and donor funded project expenditures have been removed.

20. **The situation regarding this dimension has improved since 2010.** Variances in actual expenditure outturns were lower in the period 2010 to 2012 compared to the period 2007 to 2009 but the budget has not been fully expended. In only one year in the period 2010 to 2012 did aggregate expenditure go above 90% of the original budget. The improvement in execution of the budget in recent years reflects that, while the size of the budget has declined dramatically as a result of economic shocks (a 33% decline from a high of 957.5 in 2009 to a low of 636.2 in 2011), the actual expenditure outcomes have declined by much less (an 18% decline from 2009 to 2011). The fact that there is under spending despite large falls in the overall size of the budget is an indication of the bottlenecks that exist in the control systems in place, including in procurement processes.

**PI-2 Deviations in composition of expenditure out-turn compared to the original approved budget**

This indicator assesses the credibility of the budget by calculating the degree to which the composition of expenditures differs compared to the original approved budget for the past three years of available data.
<table>
<thead>
<tr>
<th>Minimum Requirements (scoring Method M1)</th>
<th>2010</th>
<th>2014</th>
<th>Explanation</th>
</tr>
</thead>
<tbody>
<tr>
<td>PI-2 Deviations in composition of expenditure out-turn compared to the original approved budget</td>
<td>Score C</td>
<td>Score C+</td>
<td>(i) Change in scoring methodology but same score. If current methodology had been used in 2010, score would have been D.</td>
</tr>
<tr>
<td>(i) C</td>
<td>(i) C</td>
<td>(i) Change in scoring methodology but same score. If current methodology had been used in 2010, score would have been D.</td>
<td></td>
</tr>
<tr>
<td>(ii) A</td>
<td>(ii) A</td>
<td>(ii) Dimension not part of scoring methodology used for 2010 PEFA.</td>
<td></td>
</tr>
</tbody>
</table>

**Dimension (i) Extent of variation in expenditure composition excluding contingency items**

21. **The variance in expenditure composition exceeded 10% in more than one of the last three years and did not exceed 15% in any year.** The scoring of dimension (i) requires calculating the absolute value of the variance in actual expenditure for each spending agency compared to its expected share of the budget outturn (had it spend according to its share of the original budget) and then sums these to determine an overall variance. The total variance in expenditure composition exceeded 10% in each of the last three years but this variance did not exceed 15% in any one year.
## Table 6. Variance between Actual and Budget Expenditures by Ministry (EC Million Dollars)

<table>
<thead>
<tr>
<th>Ministry</th>
<th>2010 Budget</th>
<th>2010 Actual</th>
<th>%</th>
<th>2011 Budget</th>
<th>2011 Actual</th>
<th>%</th>
<th>2012 Budget</th>
<th>2012 Actual</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Governor General</td>
<td>1.17</td>
<td>0.92</td>
<td>0.06</td>
<td>0.98</td>
<td>0.96</td>
<td>0.08</td>
<td>1.03</td>
<td>1.26</td>
<td>0.36</td>
</tr>
<tr>
<td>Legislature</td>
<td>2.32</td>
<td>2.01</td>
<td>0.03</td>
<td>2.12</td>
<td>2.06</td>
<td>0.07</td>
<td>2.28</td>
<td>2.05</td>
<td>0.01</td>
</tr>
<tr>
<td>Cabinet</td>
<td>3.34</td>
<td>2.77</td>
<td>0.01</td>
<td>3.01</td>
<td>2.88</td>
<td>0.06</td>
<td>2.86</td>
<td>3.01</td>
<td>0.18</td>
</tr>
<tr>
<td>Judicial</td>
<td>2.86</td>
<td>1.56</td>
<td>0.35</td>
<td>2.86</td>
<td>1.22</td>
<td>0.53</td>
<td>1.74</td>
<td>1.61</td>
<td>0.03</td>
</tr>
<tr>
<td>Service Commission</td>
<td>0.63</td>
<td>0.62</td>
<td>0.17</td>
<td>0.65</td>
<td>0.64</td>
<td>0.09</td>
<td>0.66</td>
<td>0.61</td>
<td>0.04</td>
</tr>
<tr>
<td>Audit</td>
<td>1.51</td>
<td>0.90</td>
<td>0.28</td>
<td>1.21</td>
<td>1.02</td>
<td>0.08</td>
<td>1.07</td>
<td>0.94</td>
<td>0.01</td>
</tr>
<tr>
<td>Pensions</td>
<td>42.80</td>
<td>55.79</td>
<td>0.56</td>
<td>44.85</td>
<td>52.86</td>
<td>0.30</td>
<td>55.30</td>
<td>55.45</td>
<td>0.12</td>
</tr>
<tr>
<td>Electoral Commission</td>
<td>3.72</td>
<td>3.62</td>
<td>0.16</td>
<td>3.51</td>
<td>3.29</td>
<td>0.03</td>
<td>4.16</td>
<td>4.29</td>
<td>0.16</td>
</tr>
<tr>
<td>Office of Prime</td>
<td>44.53</td>
<td>31.10</td>
<td>0.16</td>
<td>42.65</td>
<td>32.57</td>
<td>0.16</td>
<td>38.38</td>
<td>31.96</td>
<td>0.07</td>
</tr>
<tr>
<td>Finance</td>
<td>106.82</td>
<td>94.71</td>
<td>0.06</td>
<td>109.97</td>
<td>86.00</td>
<td>0.14</td>
<td>112.04</td>
<td>82.38</td>
<td>0.18</td>
</tr>
<tr>
<td>Agriculture</td>
<td>38.15</td>
<td>17.85</td>
<td>0.44</td>
<td>23.28</td>
<td>14.71</td>
<td>0.30</td>
<td>19.25</td>
<td>16.34</td>
<td>0.05</td>
</tr>
<tr>
<td></td>
<td>101.3</td>
<td>102.6</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Health</td>
<td>112.17</td>
<td>97.89</td>
<td>0.08</td>
<td>97.89</td>
<td>97.82</td>
<td>0.16</td>
<td>97.82</td>
<td>97.82</td>
<td>0.19</td>
</tr>
<tr>
<td>Education</td>
<td>91.12</td>
<td>76.56</td>
<td>0.03</td>
<td>82.14</td>
<td>76.56</td>
<td>0.03</td>
<td>78.85</td>
<td>76.51</td>
<td>0.09</td>
</tr>
<tr>
<td>Public Works</td>
<td>103.36</td>
<td>75.92</td>
<td>0.01</td>
<td>75.92</td>
<td>69.72</td>
<td>0.01</td>
<td>91.81</td>
<td>76.73</td>
<td>0.06</td>
</tr>
<tr>
<td>Attorney General</td>
<td>13.20</td>
<td>12.34</td>
<td>0.10</td>
<td>12.34</td>
<td>12.19</td>
<td>0.08</td>
<td>10.87</td>
<td>10.94</td>
<td>0.11</td>
</tr>
<tr>
<td>Ombudsman</td>
<td>0.46</td>
<td>0.87</td>
<td>0.17</td>
<td>0.87</td>
<td>0.36</td>
<td>0.50</td>
<td>0.48</td>
<td>0.38</td>
<td>0.10</td>
</tr>
<tr>
<td>National Security</td>
<td>102.34</td>
<td>82.24</td>
<td>0.08</td>
<td>72.84</td>
<td>72.84</td>
<td>0.02</td>
<td>82.02</td>
<td>71.95</td>
<td>0.01</td>
</tr>
<tr>
<td>Tourism</td>
<td>56.23</td>
<td>49.69</td>
<td>0.08</td>
<td>44.76</td>
<td>44.76</td>
<td>0.01</td>
<td>43.88</td>
<td>34.06</td>
<td>0.12</td>
</tr>
<tr>
<td>Total</td>
<td>726.73</td>
<td>636.18</td>
<td>0.11</td>
<td>577.3</td>
<td>577.3</td>
<td>0.01</td>
<td>574.5</td>
<td>574.5</td>
<td>0.11</td>
</tr>
</tbody>
</table>

Source: Calculation by mission team based on Budget Estimates books for 2014, 2013, 2012 and 2011, where debt service and donor funded project expenditures have been removed. This table is a summary of scoring table for this dimension supplied by PEFA Secretariat.

22. The scoring methodology of this dimension has changed since the 2010 PEFA. A modification to the scoring methodology has been introduced to measure the extent of variation in expenditure composition excluding contingency items and the requirements for scoring of the dimension are now more graduated. For purposes of comparison, the 2010 scoring has been redone using the new methodology, the score of D would have been applied using the revised methodology as the variance exceeded 15% on two of the three years assessed.

Dimension (ii) Average expenditure charged to contingency

23. Actual expenditure charged to the contingency vote was on average less than 3% of the original budget. As Antigua does not budget for or have an appropriation for contingencies, zero expenditure was charged to a contingency vote.

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13 The score of A belies the fact that significant unbudgeted expenditures occur in the Government of Antigua. The use of special warrants and supplementary budgets allows the government to accommodate unplanned expenditures in the same way that a contingency reserve would be used. If the difference between the revised...
24. The 2010 PEFA did not score this dimension as it was not included in the methodology at that time. As the situation has not changed regarding the non-use of a contingency appropriation, the score would have been A in the 2010 PEFA if it had been scored as presently.

**PI-3 Deviations in aggregate revenue out-turn compared with the original approved budget**

25. This indicator assesses the credibility of the budget by calculating the degree of variance between the actual revenue received and the original budget for the last three years of available data. Having sound revenue forecasts in the budget is essential for undertaking fiscal planning as significant variances in actual revenue outcomes will require either in-year adjustments to expenditures and/or changes in external funding in order for deficit targets to be reached.

| PI-3 Deviations in aggregate revenue out-turn compared with the original approved budget | Minimum Requirements (scoring Method M1) |
|---|---|---|
| | 2010 | 2014 | Explanation |
| Score A | Score D | The systems of revenue forecasting and revenue collection have deteriorated in the wake of the crisis, resulting in unrealistically high revenue targets. |

26. Actual domestic revenue was below 92% of budgeted domestic revenue in two or all of the last three years. The table below shows the revenue outcomes and variance compared to budget for each of the three years 2010 to 2012. In all three years, the actual revenue received was less than 92% of the original budget.

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budget and actual budget in each year were used as a proxy for expenditure of a contingency, a score of B would be assessed. This analysis is indicative only and the score of A applies.
Table 7. Actual Revenue Outcomes Compared to Budget: 2010 to 2012
(EC Million Dollars)

<table>
<thead>
<tr>
<th></th>
<th>2010 Budget</th>
<th>2010 Actual</th>
<th>%</th>
<th>2011 Budget</th>
<th>2011 Actual</th>
<th>%</th>
<th>2012 Budget</th>
<th>2012 Actual</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Direct Taxes</td>
<td>125.4</td>
<td>112.5</td>
<td>90%</td>
<td>104.2</td>
<td>85.4</td>
<td>82%</td>
<td>123.9</td>
<td>101.8</td>
<td>82%</td>
</tr>
<tr>
<td>income tax</td>
<td>105.4</td>
<td>95.1</td>
<td>90%</td>
<td>84.0</td>
<td>69.2</td>
<td>82%</td>
<td>103.5</td>
<td>81.2</td>
<td>78%</td>
</tr>
<tr>
<td>property &amp; land tax</td>
<td>20.0</td>
<td>17.4</td>
<td>87%</td>
<td>20.2</td>
<td>16.3</td>
<td>81%</td>
<td>20.4</td>
<td>20.6</td>
<td>101%</td>
</tr>
<tr>
<td>Indirect Tax</td>
<td>642.9</td>
<td>428.9</td>
<td>67%</td>
<td>528.0</td>
<td>419.2</td>
<td>79%</td>
<td>529.4</td>
<td>460.5</td>
<td>87%</td>
</tr>
<tr>
<td>International domestic</td>
<td>152.8</td>
<td>95.6</td>
<td>63%</td>
<td>153.5</td>
<td>195.5</td>
<td>127%</td>
<td>268.3</td>
<td>196.3</td>
<td>73%</td>
</tr>
<tr>
<td>Non-tax Revenue</td>
<td>68.0</td>
<td>61.2</td>
<td>90%</td>
<td>42.6</td>
<td>60.9</td>
<td>143%</td>
<td>52.8</td>
<td>50.8</td>
<td>96%</td>
</tr>
<tr>
<td>Capital Receipts</td>
<td>-</td>
<td>0.1</td>
<td>-</td>
<td>2.4</td>
<td>0.3</td>
<td>12%</td>
<td>4.0</td>
<td>1.9</td>
<td>48%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>836.3</strong></td>
<td><strong>602.7</strong></td>
<td>72%</td>
<td><strong>677.1</strong></td>
<td><strong>565.8</strong></td>
<td>84%</td>
<td><strong>710.0</strong></td>
<td><strong>615.0</strong></td>
<td>87%</td>
</tr>
</tbody>
</table>


27. The credibility of revenue forecasts has declined since the last PEFA assessment but is improving over the period under consideration on an annual basis. The quality of revenue forecasts has declined since the 2010 PEFA assessment, where a score of A was assessed on the basis that actual domestic revenue collection was below 97% of budgeted domestic revenue estimates in no more than one of the three years assessed (in 2009). 2009 was a unique year due to the unforeseen global economic crisis and the collapse of the Stanford group, both of which weighed heavily on revenue collections in Antigua.\(^{14}\) However, since 2009 there has emerged a consistent trend of revenues being overestimated in the budget, reflecting both unstable economic conditions and weaknesses in revenue forecasting. As an example of the economic challenges, growth in exports, which is a key factor in estimating revenues, fluctuated from growth of 28.6% in 2010 to a decline of 4.1% in the following year. The revenue underperformance stemmed mainly from slower-than-expected economic growth (generally owing to exogenous shocks) and weak forecasting methodology. More robust revenue forecasting methodology is required to cope with instability in the underlying drivers of revenue. Nonetheless, despite forecasts not yet reflecting the actual outcomes, the quality of the forecasts has improved in each year over the period 2010 to 2012.

\(^{14}\) There was a change in methodology. The rating would have been a C under the new methodology.
PI-4 Stock and Monitoring of expenditure payment arrears

This indicator assesses the credibility of the budget having regard to the existence of expenditure arrears. The quality of information regarding arrears and the size of reported arrears are both assessed by this indicator. The existence of expenditure arrears suggests that there are weaknesses in budget planning and execution.

### Minimum Requirements (scoring Method M1)

<table>
<thead>
<tr>
<th>PI-4 Stock and Monitoring of expenditure payment arrears</th>
<th>Minimum Requirements (scoring Method M1)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Score D+</td>
<td>2010</td>
</tr>
<tr>
<td>(i) D</td>
<td>(i) D</td>
</tr>
<tr>
<td>(ii) C</td>
<td>(ii) B</td>
</tr>
</tbody>
</table>

### Dimension (i) Stock of expenditure payment arrears (as a percentage of actual total expenditure for the corresponding fiscal year) and any recent change in the stock

28. **The stock of arrears exceeds 10% of total expenditure.** Table 9 shows the stock of arrears at the end of the four quarters up to the third quarter of 2013. This shows substantial arrears in both payments and in debt servicing as well as the existence of arrears in loans guaranteed by the government (contingent liabilities). The stock of arrears was in the range of 35% to 51% in the period covered\(^{15}\). Ministries reported to the mission team that arrears remain an issue due to rationing of payments by the Treasury for liquidity management purposes.

29. **Recent data shows no significant decline in the balance of arrears.** The performance criterion for debt servicing arrears was a ceiling set at $65.5M, being the balance of arrears as at end 2009. The performance criterion for expenditure arrears was a ceiling of $242.5 reflecting the balance of such arrears as at the end of 2011. Data from IMF shows that these criteria were met during the period 2011 to mid-2012 and the most recent available data shows that total payment arrears and debt arrears remain within these performance criteria.

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\(^{15}\) A legal basis exists for offsetting certain payment arrears with revenue arrears from a specific entity. In practice, there are understood to be large arrears in subsidies to the utility company that could offset arrears in revenues owed by that company.
Table 8. Debt Service and Payment Arrears (Million EC Dollars)

<table>
<thead>
<tr>
<th></th>
<th>2012 Q4</th>
<th>2012 Q1</th>
<th>2012 Q2</th>
<th>2012 Q3</th>
<th>2013 Q1</th>
<th>2013 Q2</th>
<th>2013 Q3</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Payment Arrears</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Personnel Emoluments</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Goods and Services</td>
<td>55.7</td>
<td>61.4</td>
<td>61.4</td>
<td>87.4</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capital Expenditure</td>
<td>103</td>
<td>103</td>
<td>98</td>
<td>98</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mount St John Medical Center</td>
<td>19</td>
<td>19</td>
<td>19</td>
<td>25</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total Payment Arrears</strong></td>
<td>177.7</td>
<td>183.4</td>
<td>178.4</td>
<td>213.2</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Debt Arrears</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest</td>
<td>19.44</td>
<td>17.82</td>
<td>18.61</td>
<td>20.85</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Guaranteed Debt</td>
<td>89.91</td>
<td>89.91</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>109.35</td>
<td>107.73</td>
<td>18.61</td>
<td>20.85</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total Arrears</strong></td>
<td>287.05</td>
<td>291.13</td>
<td>197.01</td>
<td>234.05</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Percentage of Total Expenditure</td>
<td>45%</td>
<td>42%</td>
<td>28%</td>
<td>33%</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: MFEPA monthly debt report and fiscal data files.
Note: Total Expenditure used for calculation of percentage is 700.5 million EC Dollars

**Dimension (ii) Availability of data for monitoring the stock of expenditure payment arrears**

30. **Data on the stock of arrears is generated annually, but may not be complete for a few identified expenditure categories or specified budget institutions.** Antigua and Barbuda produces regular and comprehensive data on arrears. This data was used during the course of the IMF program for tracking performance against the arrears performance criteria. The data on debt arrears is calculated by the Debt Management Unit (DMU) using the CS-DRMS data and payment arrears are tracked by the Accountant General Department (AGD). The data on debt and payment arrears as well as data on guaranteed borrowing in arrears is maintained and reported monthly by the MFEPA but does not include the age profiles of payment arrears. While the comprehensiveness of arrears reporting has improved, concerns exist as to the completeness of this data for some categories of expenditure (see PI-24 and PI-25).

31. **The situation has improved since the 2010.** The quality and frequency of information about arrears has improved. In-year budget reports that are produced monthly now consolidate key fiscal data, including information about debt and payment arrears. The debt unit in the MFEPA has improved the quality of data on debt arrears in the debt management system.
B. Budget comprehensiveness and transparency

PI-5. Classification of the Budget

This indicator assesses the quality of the classification system used for formulating, executing and reporting of the central government’s budget. The assessment is based on the classification system in place for the 2013 and 2014 budget formulation and execution.

<table>
<thead>
<tr>
<th>PI-5 Classification of the Budget</th>
<th>2010</th>
<th>2014</th>
<th>Explanation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Score C</td>
<td></td>
<td>Score C ▲</td>
<td>Compared to 2010 all budget entities use program classification and for the first time, the 2014 budget was also presented by functional classification following the GFS2001 standards.</td>
</tr>
</tbody>
</table>

32. The budget formulation and execution is based on administrative and economic classification using GFS standards or a standard that can produce consistent documentation according to those standards. The formulation and execution of budget revenues and expenditures are based on administrative and economic classifications which enable consistent comparisons to be made between budgets and outturns. They are broadly consistent with the standards set out in the IMF Government Finance Statistical Manual (GFSM) published in 1986 (economic classification)\(^\text{16}\) and the available information is coherent and easily adaptable to these standards. In addition the budget is presented and reported by programs. However, Antigua and Barbuda’s budget and chart of accounts (CoA) classification systems do not contain a functional classification of expenditure. Also a clear summarized presentation of funding source in both the recurrent and capital budgets would improve the transparency and monitoring of donor funding.

33. The classification systems for the budget and the CoA are aligned. The accounting system is set up to record expenditure according to the administrative unit, economic nature and program/activity to which it relates. The in-year and annual budget execution information by administrative and economic is prepared by the budget department in MFEPA based on the monthly submissions of budget execution reports from the budget entities.

34. Some progress has been made in the area of budgetary and accounting classifications, which will translate into an improved score once a full fiscal year of 2014 is completed. For the first time the 2014 budget documentation makes reference to

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\(^{16}\) There are some inconsistencies with the GFS standards. For example the estimated capital revenue includes a loan from the World Bank which should be shown as deficit financing, not revenue. However the amount is not significant – less than 1% of total revenues.
functions\textsuperscript{17}. These are developed through the application of mapping table. The economic, administrative and program classifications employed can produce consistent documentation according to GFSM and COFOG standards at the functional as well as sub-functional level. For reporting purposes, the MFEP plans to produce information on expenditure by functions biannually - for inclusion in the budget estimates book and in the annual budget execution reports.

**PI–6. Comprehensiveness of information included in budget documentation**

This indicator assesses whether the coverage of the annual budget documentation as submitted to the legislature for scrutiny and approval allows a complete picture of central government fiscal forecasts, budget proposals and out-turn of previous years. The assessment of this indicator is based on the documentation for the 2014 budget, which was presented to Parliament in January 2014.

| PI-6. Comprehensiveness of information included in budget documentation | Minimum Requirements (scoring Method M1) |
|---|---|---|
| | 2010 | 2014 | Explanation |
| Score C | Score B | Compared to 2010 budget documentation includes information on deficit financing, debt stock and current year’s revised budget. |

35. **The most recent budget documentation of 2014 fulfils six of the nine information benchmarks.** Budget documentation is provided in various publications: the Budget Speech, the Budget Estimates of Revenue and Expenditure, the Budget Summary: Business Plans of Ministries and Statutory Organizations and the Budget Estimates for the sub-national (SN) government of Barbuda. Although the documents are not available in one comprehensive volume, they provide fairly comprehensive information for review by the Parliament. It would be important to include more explanatory materials in the budget in future, as this helps in the understanding and policy-oriented discussion of budgetary issues in parliament. The transparency would also be further enhanced through modifying the capital revenues so that it represents only genuine capital income. Table 10 below shows that 6 out of the 9 information benchmarks considered by this indicator are satisfied by the documentation sent to the Parliament.

\textsuperscript{17} Preparing a functional classification is challenged by the fact that some goods and services are funded centrally and the breakdown by government units is not available. For example the Ministry of Public Works and Transport has an allocation to provide the goods and services (air conditioning units, furniture, maintenance services, etc) to other line ministries. However the allocation and reporting is not broken down by the LMs. Therefore some of the functional expenditures for example for the health or education functions are reflected incorrectly.
Table 9. Information contained in budget documentation

<table>
<thead>
<tr>
<th>Item</th>
<th>Included</th>
<th>Source</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Macroeconomic assumptions, including estimates of aggregate growth, inflation, and exchange rate</td>
<td>No</td>
<td>Budget speech 2014 does provide information on GDP growth, not the inflation assumption.</td>
</tr>
<tr>
<td>2. Fiscal deficit, defined according to GFSM, or other internationally recognized standard</td>
<td>Yes</td>
<td>In Budget Estimates Document although some calculations are required to meet the GFS standards.</td>
</tr>
<tr>
<td>3. Deficit financing, describing anticipated composition</td>
<td>Yes</td>
<td>In Budget Estimates Document</td>
</tr>
<tr>
<td>4. Debt stock, including details at least for start of current year</td>
<td>Yes</td>
<td>In Budget Estimates Document</td>
</tr>
<tr>
<td>5. Financial assets, including details at least for the beginning of the current year in a timely manner</td>
<td>No</td>
<td>Financial assets are not detailed in budget documents. Financial statements include a statement on financial assets, but it is not submitted together with the budget to the legislature.</td>
</tr>
<tr>
<td>6. Prior year’s budget outturn, presented in the same format as the budget proposal</td>
<td>Yes</td>
<td>In Budget Estimates Document</td>
</tr>
<tr>
<td>7. Current year’s budget (revised budget or estimated outturn), presented in same format as budget proposal</td>
<td>Yes</td>
<td>In Budget Estimates Document</td>
</tr>
<tr>
<td>8. Summarized budget data for both revenue and expenditure according to main heads of classifications used, including data for current and previous years</td>
<td>Yes</td>
<td>In Budget Estimates Document</td>
</tr>
<tr>
<td>9. Explanation of budget implications of new policy initiatives</td>
<td>No</td>
<td>The budget speech outlines some new initiatives, but does not provide financial implications.</td>
</tr>
</tbody>
</table>

36. The situation regarding this dimension has improved since 2010. Efforts made in recent years have greatly strengthened the comprehensiveness and quality of information included in the budget documents. Compared to 2010, 2014 budget documentation includes information on deficit financing, debt stock and current year’s revised budget. However explanation of budget implications of new policy initiatives which was available during the 2010 PEFA assessment is not included anymore in the budget books.

PI–7. Extent of unreported government operations

This indicator measures whether all budgetary and extra-budgetary activities of central government are included in budget estimates, in-year execution reports, year-end financial statements and other fiscal reports for the public. This is needed to provide a complete picture of central government revenue, expenditures across all categories, and financing. The assessment of this indicator is based on the information and reports available for 2011-2014.
Minimum Requirements (scoring Method M1)

<table>
<thead>
<tr>
<th>PI-7. Extent of unreported government operations</th>
<th>2010</th>
<th>2014</th>
<th>Explanation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Score D+</td>
<td>Score D+</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(i) A</td>
<td>(i) D</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(ii) D</td>
<td>(ii) C</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

(i) The 2010 assessment treated wrongly two main extra-budgetary entities as SOEs and therefore the score was higher. These two EBFs expenditure account more than 30% of the central government expenditures.

(ii) Since 2010, fiscal reports include complete information on all loans, but there may be deficiencies in the reporting of grant financed projects.

Dimension (i) The level of extra-budgetary expenditure (excluding donor-funded projects) which unreported

37. **The level of unreported extra-budgetary expenditure (other than donor funded projects) constitutes more than 10% of total expenditure.** Based on the IMF Government Fiscal Statistics Manual (GFSM) 2001, Antigua and Barbuda Social Security Board (ABSSSB) and Medical Benefits Scheme (MBS), which are established as statutory bodies, should be defined as extra-budgetary funds for budget and reporting purposes. The total expenditures of ABSSB and MBS as a percentage of total Consolidated Fund expenditures were more or less constant during FY2011 and FY2012 being equivalent to about 27% of total expenditures and percentage of revenues was 26-30% of total revenues in the same years (See Table 10). These amounts do not include other statutory bodies which might be treated as extra-budgetary entities (EBFs). Budgets and accounts of the EBFs, with the exception of transfers to them from the CG budget, remain outside government budgeting and accounting systems. However, the budget documentation submitted to the Parliament

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18 The IMF GFSM 2001 considers that central government comprises all units at the central level carrying out government policies. This includes not only the line ministries, their departments and agencies that operate as part of the government as a single reporting entity, but also non-market non-profit institutions that are controlled and mainly financed by government. Most special funds, social security funds and other autonomous agencies are likely to fall within this definition, except public business enterprises.

19 The latest available budget execution reports for both extra-budgetary funds were from 2011. The approved budget of 2012 was also used for estimating the stability of unreported extra-budgetary activities. The 2011 budget execution and 2012 approved budget were part of the business plans submitted with the FY2013 Budget Estimates vol 2. Data on their revenue and expenditure extracted, with any received government grants netted out.

20 There are six statutory bodies that are government controlled non-market non-profit institutions that incur expenditure and raise revenues. The non-commercial statutory bodies are Antigua and Barbuda Investment Authority, Antigua and Barbuda Tourism Authority, Antigua Pier Group, Board of Education, Development Control Authority and Financial Services Regulatory Commission.
includes business plans of statutory bodies, including their financial plans. Only a few of them actually present their business plans on time to be included in the submission to the legislature (please see PI-9 for details).

Table 10. Overview of extra-budgetary activities

<table>
<thead>
<tr>
<th></th>
<th>Revenues</th>
<th></th>
<th>Expenditures</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2011 Actuals</td>
<td>2012 Approved budget</td>
<td>2011 Actuals</td>
<td>2012 Approved budget</td>
</tr>
<tr>
<td>Medical benefits Scheme</td>
<td>90,139,137</td>
<td>89,202,460</td>
<td>58,554,532</td>
<td>65,536,934</td>
</tr>
<tr>
<td>Social Security Board of Control</td>
<td>78,884,647</td>
<td>94,317,283</td>
<td>95,836,131</td>
<td>107,088,775</td>
</tr>
<tr>
<td>Total</td>
<td>169,023,784</td>
<td>183,517,743</td>
<td>154,390,663</td>
<td>172,625,709</td>
</tr>
<tr>
<td>Consolidated Budget</td>
<td>565,797,993</td>
<td>710,041,645</td>
<td>577,322,530</td>
<td>644,500,000</td>
</tr>
<tr>
<td>% of extra-budgetary activities</td>
<td>30%</td>
<td>26%</td>
<td>27%</td>
<td>27%</td>
</tr>
</tbody>
</table>

38. The situation regarding this dimension has not improved since 2010. The 2010 assessment treated two main extra-budgetary entities (ABSSB and MBS) as SOEs and therefore the score was higher than it would have been if the 2010 assessment would have followed the GFSM 2001 criteria for extra-budgetary activities. According to the 2014 assessment these two entities should be treated as EBFs. As their expenditure accounts more than 30% of the central government expenditures, the score would be D.

Dimension (ii) The income/expenditure information on donor-funded projects included in fiscal reports.

39. Complete income/expenditure information is included in fiscal reports for all donor financed loan projects. In the last completed fiscal year, 2013, the budget estimates did not identify any loan financed projects. While the capital projects are presented in the budget with each program/activity separately identified and with any expected contribution from a donor indicated in each case, the presentation of projects financed under recurrent expenditure is deficient – the project and funding source is not always available. Nonetheless, the clear procedures and processes for debt management are in place and one unit - the DMU - is in charge of managing all Government’s loans, including those on projects. 21

40. Grant financed projects may not be comprehensively included in the reports. As an upper-middle income country, grants are not an important source of the revenue for Antigua and Barbuda. In the budget estimates of 2010, 2011 and 2012 the total estimated

21 Annual financial statements for 2013 were not available at the time of the assessment.
grants constitute around 3% of total central government revenues. At present it is left to each line ministry involved in preparing the capital projects or formulating the recurrent budget to include the information on donor funding into proposals transmitted to the DPU or budget requests to the BO. Based on the interviews with line ministries and MFEPAA the grants received outside the budget framework are rare and mostly in-kind transferred directly to the primary service units or SOEs. However the available actual budget execution reports (2010-2012) may not reflect all grant financed expenditures as the respective years’ budget estimates and execution differ considerably. According to the interviews some donors pay directly to the contractors and do not use the government accounts under the control of the treasury. The OFS has made efforts to improve the budget formulation and execution process, including more frequent communication with donors, to ensure that the full information about all projects benefiting from external grants is captured in the budget reports.

41. The situation regarding this dimension has improved since 2010. All loan financed projects are included in the budget and the loan agreements are monitored by the DMU. Also OFS has strengthened the monitoring of donor funding.

PI–8. Transparency of intergovernmental fiscal relations

This indicator assesses the transparency and objectivity of the allocations and timeliness of reliable information to SN governments, and extent of consolidation of fiscal data for general government according to sectoral categories. The assessment of this indicator is based on the budget process and documentation for the 2014 budget and reports submitted in 2012-2013.

<table>
<thead>
<tr>
<th>Minimum Requirements (scoring Method M2)</th>
<th>2010</th>
<th>2014</th>
<th>Explanation</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>PI-8. Transparency of intergovernmental fiscal relations</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Score D+</td>
<td>(i) D</td>
<td>(i) D</td>
<td>(i) The system of transfer is not rule based nor transparent.</td>
</tr>
<tr>
<td>(ii) B</td>
<td>(ii) B</td>
<td></td>
<td>(ii) The information on likely transfer is provided in a timely manner.</td>
</tr>
<tr>
<td>(iii) D</td>
<td>(iii) D</td>
<td></td>
<td>(iii) No consolidated reports are prepared.</td>
</tr>
</tbody>
</table>

Dimension (i) Transparent and rules based systems in the horizontal allocation among subnational governments of unconditional and conditional transfers from central government.

42. No part of the allocation of transfer from central government is determined by transparent and rules based systems. At the end of 1990s an expert was provided by the British Government to make recommendations about the financial relationship between the
government of Antigua and Barbuda and SN government of Barbuda. Based on the assessment of needs of Barbuda the expert recommended the principles for the calculation of annual transfer to the Barbuda. In 2000 and 2004 the Commonwealth Secretariat conducted a review of these recommendations, but no formula or other rules were agreed or established in the law. The SN government of Barbuda receives a yearly unconditional “block grant” which is not earmarked for the provision of specific services. The transfer of financial resources to SN government is essentially done on an incremental basis and has not increased in the recent years. The funds transferred from central government to Barbuda represent approximately 1% of the central government expenditure.

Dimension (ii) Timeliness of reliable information to subnational governments on their allocations from central government for the coming year.

43. Barbuda is provided reliable information on the allocations to be transferred to them ahead of completing their budget proposals, so that significant changes to the proposals are still possible. According to the Local Government Act (1976), the SN government of Barbuda should prepare annually the estimates of revenue and expenditure and submit to the MFEPA before July 31 in the preceding year for the approval of Parliament. In practice, this deadline is not respected and the budget process is kicked-off by the budget circular sent by the MFEPA to Barbuda as reminder to start the budget preparation. The budget ceiling for SN government is not part of the circular as is the case for all budget entities participating in the central budget preparation process. Basically, the MFEPA receives bid from Barbuda, negotiates it through one-to-one meetings with local authority representatives, establishes an aggregate allocation and then requires local authorities to keep their budget submission within an agreed transfer. The budget negotiation process takes place as part of the CG budget preparation and leaves sufficient time for Barbuda to include significant budget changes if needed. The budget estimates of the SN government of Barbuda are submitted before the Parliament as part of the budget approval process.

Dimension (iii) Extent to which consolidated fiscal data is collected and reported for general government according to sectoral strategies

44. Fiscal information that is consistent with central government fiscal reporting is collected, but consolidation into annual reports does not take place. Barbuda receives allocations of the grant on a quarterly basis and reports back to MFEPA on a quarterly basis. The Council of Barbuda should prepare and submit to the Director of Audit and to the

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22 The Budget Estimates for the CG for 2014 include a transfer to the SN government of Barbuda in the amount of ECS 6.5 million under the heading of MFEPA. However, the budget estimates book for Barbuda submitted along with the CG budget includes a transfer from the CG in the amount of ECS 8.5 million. There is also a difference in the actual execution of 2012.
MFEP in the month of March in every year a financial statement of its accounts for the previous year. The reports are submitted, but not always in a timely manner. The consolidated reports are not prepared by the MOFEP.

PI–9. Oversight of aggregate fiscal risk from other public sector entities

This indicator has two dimensions and assesses the: (i) extent of central government monitoring of EBU and public enterprises; and (ii) extent of central government monitoring of SN governments’ fiscal position.

<table>
<thead>
<tr>
<th>PI–9. Oversight of aggregate fiscal risk from other public sector entities</th>
<th>2010</th>
<th>2014</th>
<th>Explanation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Score D+</td>
<td>Score D+ ▲</td>
<td>(i) An SOE Unit has been set up and the first fiscal risk analysis has been carried out, however the adequate monitoring is impeded by low compliance by SOEs to the legal requirements of reporting.</td>
<td></td>
</tr>
<tr>
<td>(i) D</td>
<td>(i) D ▲</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(ii) A</td>
<td>(ii) A</td>
<td>(ii) SN government cannot generate fiscal liabilities for central government.</td>
<td></td>
</tr>
</tbody>
</table>

Dimension (i) Extent of central government monitoring of AGAs and public enterprises

45. **Annual monitoring of SOEs takes place, but it is significantly incomplete.** Public Enterprises (PEs) and Autonomous Government Agencies (AGAs) in Antigua and Barbuda are referred to together as statutory bodies. In total there are 26 entities considered as statutory bodies. Reporting requirements of statutory bodies are included in the law (FAA 2006). SOEs may also not borrow from the financial markets without the explicit authority of the Minister of Finance and Cabinet. They should submit to the MFEP the following main documents a draft business plan for the next financial year and a financial statements together with proper and adequate explanatory notes that should also be audited. Complementing the annual audited financial statements, in order to manage fiscal risks, the MFEP requires regular in-year reporting (Quarterly Management Reports) from SOEs. However, although the legal requirements exist, compliance is weak and there are no sanctions in the laws to enforce these. Only five of the 26 statutory bodies provided business plans in 2013 and 2014 for the Budget Estimates. Some statutory corporations have not provided this information for many years. About on average 50% of SOEs have submitted the quarterly reports in 2013, a few SOEs submit annual financial statements. It is doubtful

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23 The Budget Estimates vol I include an overview of public sector debt, including loans of public corporations.

24 This requirement is enforced by the Cabinet’s decision from July 2013.
that all SOEs are in a position to prepare such reports. Thus an adequate monitoring of the fiscal risks generated by these entities is difficult to conduct.

46. **Despite the difficulties some progress has been achieved in the monitoring and oversight of SOEs since 2010.** An SOE Unit that was set up in the MFEP with the Cabinet’s decision of July 2013 has been tasked to carry out the fiscal oversight of SOEs and assess the risks to the government arising from exposure to the SOEs. The decision also established an SOE Oversight Committee (SOC) which should meet once a month and consider the reports prepared by the SOE Unit and the submissions of the SOEs. As of today only two meetings have taken place because the data from the SOEs has not been received in a timely manner. The SOE Unit has also taken steps to establish an internal monitoring scheme for fiscal risk analysis, but no consolidated overview of the fiscal risk has been prepared yet. In addition they work on improving the communication with the SOEs to increase the compliance with legal requirements, e.g. by organizing regular meetings with the SOE boards and CEOs; sending out regular reminders to submit their business plans and reports. However without clear legal sanctions the outcomes are so far limited. The Budget Office has also commenced collaboration with the SOEs and provided assistance for preparation of their business plans.

**Dimension (ii) Extent of central government monitoring of subnational governments’ fiscal position.**

47. **SN government cannot generate fiscal liabilities for central government without prior approval.** Barbuda may borrow only with the prior approval by the Cabinet and Parliament and on terms as the Cabinet shall deem fit. Local government submits quarterly and annual reports of revenue and expenditure to the MFEP, using the same chart of accounts as the central government.

**PI-10. Public access to key fiscal information**

This indicator assesses transparency by ascertaining the accessibility of fiscal information to the public against a number of information benchmarks. The assessment of this indicator is based on the information available for the fiscal years 2013 and 2014.

<table>
<thead>
<tr>
<th>PI-10. Public access to key fiscal information</th>
<th>Minimum Requirements (scoring Method M1)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2010</td>
</tr>
<tr>
<td>Score D</td>
<td>Score D</td>
</tr>
</tbody>
</table>

48. **The government makes available to the public none of the 6 listed types of information.** The Government of Antigua and Barbuda website has been further developed since 2010, and some budget information is published like the budget speech, fiscal reviews and approved budget. However the relevant information available is not comprehensive and
published in a timely fashion. Also the government’s website is not user-friendly and easy to navigate to find the necessary information.

Table 11. Key fiscal information made available to the public

<table>
<thead>
<tr>
<th>Item</th>
<th>Available</th>
<th>Source</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Annual budget documentation when it is submitted to the legislature</td>
<td>No</td>
<td>The annual budget documentation is available only after adoption of the budget by the Parliament.</td>
</tr>
<tr>
<td>2 In-year execution reports within one month of end of period</td>
<td>No</td>
<td>In-year budget execution reports are only available upon request. Press briefings by the MFEPA to the public were held till mid-2013, but have been discontinued.</td>
</tr>
<tr>
<td>3 Year-end financial statements within 6 months after completed audit</td>
<td>No</td>
<td>The audited financial statements should be available to the public once tabled. Effectively they are not.</td>
</tr>
<tr>
<td>4 External audit reports within 6 months of completed audit</td>
<td>No</td>
<td>The audit reports are not available.</td>
</tr>
<tr>
<td>5 Contract awards above USD100,000 posted quarterly</td>
<td>No</td>
<td>Only bids are available in the local press.</td>
</tr>
<tr>
<td>6 Resources available to primary service units</td>
<td>No</td>
<td>The budget estimates document has information on primary health and primary education but this information is aggregated and not broken down to individual primary schools or primary health care centers.</td>
</tr>
</tbody>
</table>

Source: MFEPA, the Economy, Public Administration, Public Broadcasting and Information; Ministry of Health, Social Transformation, Consumer Affairs and Local Government.

49. **Some initiatives are underway to improve the access of the public to key fiscal information.** Budget hearings are held between the MFEPA and stakeholders in the public, private and social sectors prior to the budget submission to the Parliament to discuss the next year’s budget priorities. The government has also started preparations for the development of a Transparency Portal. The main objective of the portal will be to make available some key financial information to the public.

C. **Policy-based budgeting**

PI-11. **Orderliness and participation in the annual budget process**

This indicator assesses the effective participation of all affected spending and revenue collecting agencies, as well as the cabinet and political leadership in the budget formulation process. The assessment of this indicator is based on the documentation for the 2011-2014 budgets.
Minimum Requirements (scoring Method M2)

<table>
<thead>
<tr>
<th>PI-11. Orderliness and participation in the annual budget process</th>
<th>2010</th>
<th>2014</th>
<th>Explanation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Score</td>
<td>Score</td>
<td>D+</td>
<td></td>
</tr>
<tr>
<td>C+</td>
<td>(i) D</td>
<td>(i) D</td>
<td>(i) Although the budget calendar has not been established, the MFEPA has prepared a pamphlet on planning and budgeting principles, including suggested budget calendar.</td>
</tr>
<tr>
<td>(ii) C</td>
<td>(ii) D</td>
<td>(ii) Budget circular is issued, but the ceilings are not pre-approved by the Cabinet and do not include capital expenditures.</td>
<td></td>
</tr>
<tr>
<td>(iii) A</td>
<td>(iii) C</td>
<td>(iii) In two of the last three years the budget has been approved after the start of the fiscal year compared to the timely approval in 2010.</td>
<td></td>
</tr>
</tbody>
</table>

**Dimension (i) Existence of and adherence to a fixed budget calendar**

50. A budget calendar is not prepared. The FAA, 2006 defines the deadline to submit the budget bill to the Parliament, but it does not outline other key stages of budget preparation. Also the budget procedures are not guided by a specific budget calendar defined in other documents or regulations. The lack of precise and well-defined dates on the intermediate stages that need to be followed in the budget formulation and approval creates a certain level of disorder and reduces the adequate participation of all stakeholders in the development of the annual budget. The time allowed for budget preparation from issuance of the budget call circular to the budget discussions is typically eight to ten weeks. Line ministries interviewed by the assessment team for the most part indicated that the time available was sufficient to finalize their submissions if the circular is issued in June-July, and they generally adhered to it. However for the preparation of the 2014 budget, some slippages occurred in the timetable implementation and line ministries were not provided sufficient time to adequately prepare their budgets.
Table 12. Budget submissions

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Circular sent</th>
<th>Recurrent budget: Submission due</th>
<th>Weeks provided</th>
<th>Development projects: Submission due</th>
<th>Weeks provided</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>July 18, 2012</td>
<td>October 1, 2012</td>
<td>10.5 weeks</td>
<td>September 19, 2012</td>
<td>8.5 weeks</td>
</tr>
<tr>
<td>2014</td>
<td>September 11, 2013</td>
<td>October 4, 2013</td>
<td>3 weeks</td>
<td>September 20, 2013</td>
<td>10 days</td>
</tr>
</tbody>
</table>

Source: FY2013 and FY2014 Budget Circulars

51. **Recent initiatives should improve the orderliness of the budget preparation.** In 2014 the MFEPA prepared two pamphlets - Planning and Budgeting for 2014 for the Ministries and Planning and Budgeting for 2014 for the Statutory bodies. Both publications included a proposed budget calendar/timetable, but in practice it was not followed. Also the pamphlets were not widely circulated in 2014. However preparation of these pamphlets is a good effort to raise the awareness of the budgeting and would facilitate the understanding of the budget preparation process in Antigua and Barbuda and consequently improve its efficiency and effectiveness.

**Dimension (ii) Clarity/comprehensiveness of and political involvement in the guidance on the preparation of budget submissions**

52. **A budget circular is issued to LMs, including ceilings for individual administrative units.** In Antigua and Barbuda, the budget circular is a letter from MFEPA sent to all budget entities and statutory bodies. It is sufficiently comprehensive and for most part can be described as clear and useful\(^{25}\), however no relevant macroeconomic information or aggregate fiscal targets are passed on to the line ministries\(^{26}\), and there are no explicit budget ceilings for capital budget at the outset of the budget preparation process (the capital budget is currently limited and centrally decided). It reflects only ceilings of the recurrent budget for the fiscal year. The budget ceilings are determined by the MFEPA in accordance with policy and cognizant of resource envelope constraints and, at that stage, not approved by the Cabinet. In addition the budget circular requests business plans, presents guidelines for preparing the recurrent and capital budget submissions and indicates the deadline for submitting the budget requests.

\(^{25}\) Compared to 2010 the Budget Circular has been further improved with the assistance from the IMF experts by providing more detailed guidelines to line ministries and statutory bodies on budget preparation, including improved templates for baseline budgeting and preparing business plans.

\(^{26}\) The authorities have started preparing a mid-year budget review in 2013, which is an essential part of the budget monitoring and preparation, as well as multi-year budgeting process. The first draft was prepared by the Budget Office in 2013, but no decision on the utilization of this midterm review has been made, and further work is needed before it can be used and officially published.
Dimension (iii) Timely budget approval by the legislature.

53. The legislature has, in two of the last three years, approved the budget within two months of the start of the fiscal year. The assessment of this dimension is based on the last three years’ budgets, i.e. 2011, 2012 and 2013. Table 14 shows the dates on which the budget estimates were presented to the Parliament and the dates of the approval for each of the last three budgets. Submission of the budget estimates to the Parliament in late December made it difficult for the Parliament to adopt the budget by the end of the fiscal year.

Table 13. Budget submission and approval dates

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Budget submitted</th>
<th>Budget Approved</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>December 5, 2011</td>
<td>December 21, 2011</td>
</tr>
<tr>
<td>2013</td>
<td>December 17, 2012</td>
<td>January 16, 2013</td>
</tr>
<tr>
<td>2014</td>
<td>January 23, 2014</td>
<td></td>
</tr>
</tbody>
</table>

Source: MFEPA

54. The situation regarding this dimension has deteriorated since 2010. During the period 2008–10 the budgets were adopted by the Parliament prior to the beginning of the corresponding fiscal year. In the three years reviewed, the Parliament approved the budget prior to the start of the fiscal year only in one year – 2012.

PI-12. Multi-year perspective in fiscal planning, expenditure policy and budgeting

This indicator measures implications of the expenditure policy decisions and their alignment with the availability of resources in the medium-term perspective. The assessment of this indicator is based on the information available for the 2013 and 2014 budgets.
<table>
<thead>
<tr>
<th>Dimension (i) Preparation of multi-year fiscal forecasts and functional allocations</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Minimum Requirements (scoring Method M2)</strong></td>
</tr>
<tr>
<td><strong>PI-12. Multi-year perspective in fiscal planning, expenditure policy and budgeting</strong></td>
</tr>
<tr>
<td>2010</td>
</tr>
<tr>
<td>Score</td>
</tr>
<tr>
<td>(i) C</td>
</tr>
<tr>
<td>(ii) A</td>
</tr>
<tr>
<td>(iii) D</td>
</tr>
<tr>
<td>(iv) C</td>
</tr>
</tbody>
</table>

55. **No forward estimates of fiscal aggregates are undertaken.** The budget documents show expenditure estimates or outturns for each budget head (i.e., line ministry or department of line ministry) for the most recently completed fiscal year, for the current year, and for the planned fiscal year. The Budget Speech has usually included a section on the government policy and key macroeconomic objectives, covering fiscal targets such as the overall fiscal balance and the evolution of government debt. But this is not presented in the medium-term. Meanwhile budget preparation has to be started afresh each year without any clear medium-term perspective. It is to be noted that a national vision, mission and development objectives have been articulated within the National Economic and Social Transformation (NEST) Plan 2010–14. It was formally launched in 2009 as the vehicle to deal with the immediate socio-economic situation and to place the economy on long-term sustainable footing. The design provides a comprehensive package of programs and policies which seek to stimulate activity; repair the fiscal and financial health of the economy; and bring relief to the less fortunate members of the society. However the NEST is not a costed plan.

56. **In 2013 the MFEPA started reforms to establish multi-year budgeting.** The Cabinet has approved the establishment of macro-fiscal policy unit in the MFEPA which should be staffed in 2014. Also the MFEPA has recently started to develop a medium-term...
fiscal framework (MTFF). A well-designed MTFF should eventually enable the government to establish strategic goals, prioritize expenditures and link resources to policy objectives.

57. **Compared to 2010 PEFA assessment the situation regarding this dimension seems to have deteriorated.** According to the 2010 assessment the forecasts of fiscal aggregates were prepared for three years on a rolling annual basis. Based on the interviews conducted during the 2014 PEFA assessment, it is understood that these forecasts were internal documents developed for preparing the NEST. Presently no forward estimates are prepared.

**Dimension (ii) Scope and frequency of debt sustainability analysis**

58. **DSA for external and domestic debt is undertaken annually.** The authorities conduct the public debt sustainability assessment (DSA), including both the central government external and domestic debt on an annual basis. It is performed by the DMU, which has established a good capacity for addressing debt-related issues. Among other issues the debt sustainability is measured using the solvency indicators (e.g., looking at the stock of the debt burden) and liquidity indicators (looking at the burden of debt service). The authorities have prepared a new medium-term debt management strategy (MTDS) covering 2013–17 which has been reviewed by and discussed in the Cabinet. One of the main objectives of the MTDS is to ensure that debt management is consistent with the economic and fiscal policy and to help reduce the debt burden.

**Dimension (iii) Existence of sector strategies with multi-year costing of recurrent and investment expenditure**

59. **Sector strategies do exist for only a few of the key sectors (public works and transport and education) or are under preparation (health).** As there are no forward estimates, the recurrent and development expenditures of the existing strategies are not aligned to the available resources in the medium-term. The budget circular requests ministries and statutory bodies to present their budget requests with a strategic element – business plan for three year.28 However, the financial plans that are part of the business plans contain no link to the set priorities or strategies. Regardless, this practice provides the opportunity to introduce the elements of strategic planning and management and move towards the fully costed sectoral strategies.

60. **Reforms have started in the strategic planning area.** A realistic macroeconomic and fiscal framework is a necessary precondition for the implementation of costed sector

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27 The sectoral plan of the public works and transport is in the form of a strategic development plan.

28 Although the circular asks the business plans to cover the next three years, the budget documents will include only information for the next year.
strategies. The country is currently addressing it and is putting in place the appropriate fiscal framework for the development of a realistic, medium-term fiscal and macroeconomic framework. The authorities have started the process of preparing some sectoral strategic plans (e.g. in 2014 a health sector strategy will be developed). Also the Government has started preparing a medium-term development strategy which would highlight measures to improve economic growth and reduce the debt burden. Once the MTFF is operational, it will be possible to align the sectoral strategies’ expenditures with the available resource envelope.

**Dimension (iv) Linkages between investment budgets and forward expenditure estimates**

61. **Budgeting for investment and recurrent expenditure are separate processes with no recurrent cost estimates being shared.** The recurrent and development budgets are linked in as much as they are reported together in the same budget document, they are both prepared by the MFEPA, but different units, and they are covered jointly by the same budget circular. There is no formal analytical framework in place to assess the overall recurrent cost implications of capital projects, and efforts to collect future current expenditures of capital projects are undermined by the absence of forward estimates. While NEST and sector strategies generally should guide the inclusion of capital projects into the budget, line ministries interviewed indicated that a clear process of selection of investments for inclusion in the budget is not in place. In practice actual selection seems to be based principally on resource availability determined centrally rather than a prioritization of investment plans according to strategic priority and recurrent cost implications.²⁹

62. **The situation regarding this dimension seems to have deteriorated since 2010.** In the 2010 PEFA assessment this indicator was scored C because forward estimates were prepared and recurrent costs of investments were taken into account for most projects but for the budget year only. However, the preparation of recurrent and capital budgets has not changed and therefore the 2010 score seems to be too generous and not fully justified.

**D. Predictability and control in budget execution**

**PI-13 Transparency of Taxpayer Obligations and Liabilities**

This indicator assesses whether the overall control environment that exists in the revenue administration system and the direct involvement and co-operation of the taxpayers from the individual and corporate private sector allow for effective assessment of tax liability. The quality of such control is very much linked to the degree of transparency of tax liabilities,

²⁹ Capital expenditures, including financed by loans and grants, constitute only about 9-13% of total expenditures.
including clarity of legislation and administrative procedures, access to information in this regard, and ability to contest administrative rulings on tax liability.

<table>
<thead>
<tr>
<th>PI-13 Transparency of Taxpayer Obligations and Liabilities</th>
<th>Minimum Requirements (scoring Method M2)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2010</td>
</tr>
<tr>
<td></td>
<td>Score C</td>
</tr>
<tr>
<td></td>
<td>(i)C</td>
</tr>
<tr>
<td></td>
<td>(ii)C</td>
</tr>
<tr>
<td></td>
<td>(iii)C</td>
</tr>
</tbody>
</table>

**Dimension (i) Clarity and comprehensiveness of tax liabilities**

63. **Legislation and procedures for some major taxes are comprehensive and clear, but the fairness of the system is questioned due to substantial discretionary powers of the government entities involved.** Income tax, company tax, ABST and customs each have their own law and supporting regulations, which governs the respective operations:

- A comprehensive and modern Customs (Control and Management) Act (CCMA) was enacted in April 2013 replacing 1993 legislation;

- A Tax Administration Procedures Act (TAPA) which will consolidate all procedures could be adopted in the future. While passing TAPA will be an improvement, the tax laws and procedures are nonetheless comprehensive and clear.

Provision for waivers and exemptions are included in the tax laws or in other specific laws that govern a specific area. While there are exemptions, the majority should be based on qualifying rules and is not discretionary, but some arbitrary exemptions have been granted in the recent past. In addition, some discretionary powers exist. The Cabinet is granted the power to remit the whole or any or all of the tax payable by any person; the Minister of Finance can waive tax on grounds of hardship or injustice; and the environmental levy in full or part can be waived by the Minister of Environment. Currently there are no statistics on the value of discretionary exemptions granted, or indeed non-discretionary exemptions.
Dimension (ii) Taxpayer access to information on tax liabilities and administrative procedures

64. **Taxpayers have easy access to comprehensive, user friendly and up-to-date information on tax liabilities and administrative procedures for some of the major taxes, while for other taxes the information is limited.** The various tax laws are available from the Government Printery. All the laws are in electronic format and most laws are on the government website and for customs on its website. Both Customs and IRD have now a taxpayer services section that is involved in media campaigns, and taxpayer education programs. While the existence of tax payer services is acknowledged by the private sector, the need for a more proactive rather than a reactive approach to changes would be necessary, according to interviews with the private sector.

65. **The situation regarding this dimension has improved since 2010.** The IRD and Customs have developed their tax payers’ outreach activities over the last years, and the IRD is currently developing a website which is expected to go live in May 2014 and will include all laws and amendments.

Dimension (iii) Existence and functioning of a tax appeals mechanism

66. **A tax appeals system of administrative procedures has been established, but needs substantial redesign to be fair, transparent and effective.** Each of the Acts governing a specific tax has a section that deals with the appeals process. The ultimate course of action is the Court system, but there are steps that are available before resorting to the full legal system. Both the Customs and IRD operate a three stage appeal system: the first recourse is within the agency itself, the second is to an appeals board and the third is to the courts. However, the procedures put in place within the IRD facilitate the resolution of disputes without the intervention of the Tax Appeal Board. With respect to customs the appeals mechanism has an Appeals Commission that is suitably empowered, but remains to be appointed by the Minister, which is expected to be completed by the middle of the year 2014.

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30 The main focus of the Customs Department is Brokers but has provided some 16 stakeholder groups (including Antigua & Barbuda Chamber of Commerce, Employers’ Federation, Defence, Coast Guard, Police, Brokers’ Association, Heritage Quay Merchants’ Association, Office of the National Drug Control and Policy, Police, Immigration etc.), were engaged in consultations to discuss various service and operational issues – to promote better understanding of customs laws and better working environment among the various stakeholders. Tax information, brochures etc are provided upon request at the IRD Office. Throughout the year, various media outreach programmes are held (for example making radio and T.V appearances). Intermittent taxpayer training is also executed (e.g. annual training at the Government Training Division). The Taxpayer Services Unit of IRD also conducts training, upon request, at various business places, and as well with professional bodies and associations. All major changes to legislation or regulations are publicized, using various media, before they come into effect.
PI-14 Effectiveness of measures for taxpayer registration and tax assessment

Effectiveness in tax assessment is ascertained by an interaction between registration of liable taxpayers and correct assessment of tax liability for those taxpayers. This indicator assesses these elements of tax administration.

<table>
<thead>
<tr>
<th>PI-14 Effectiveness of measures for taxpayer registration and tax assessment</th>
<th>Minimum Requirements (scoring Method M2)</th>
<th>2010</th>
<th>2014</th>
<th>Explanation</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Score D+</td>
<td>Score C+</td>
<td>(i) Taxpayers are registered in databases, but their linkages are limited.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(i) C</td>
<td>(i) C</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>(ii) D</td>
<td>(ii) C</td>
<td>(ii) Since 2010, the penalty regime has been upgraded for Customs only.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(iii) D</td>
<td>(iii) B</td>
<td>(iii) Since 2010, a risk based approach to audit has been developed, however it is not yet fully effective.</td>
</tr>
</tbody>
</table>

Dimension (i) Controls in the taxpayer registration system

67. Taxpayers are registered in database systems for individual taxes which may not be fully and consistently linked. Linkages to other registration/licensing functions may be weak but are then supplemented by occasional surveys of potential taxpayers:

- The Tax Identification Number (TIN) system is in place and applies to all taxes, including personal income tax and 51,206 TINs have been issued. The Inland Revenue Department (IRD) has the responsibility to register the taxpayer initially and assign a 5-digit unique Tax Identification Number (TIN) to the taxpayers. The importers/brokers so registered with the IRD will have to bring in the “Enterprise Report” generated by the IRD with the unique TIN to Customs to get registered on the CASE system. Tax compliance certificate is being used as an enforcement tool. Effective February 2012, no importer without a tax compliance certificate (TCC) issued by the IRD is allowed to do business with Customs though the Customs Comptroller can override the requirement for a TCC from IRD;

- Regarding registration systems linkage, a formal memorandum of understanding (MOU) for data sharing exists between the IRD and Customs as well as IRD and Social Security, but these have yet to be fully implemented. Informal information sharing is done with the Office of National Drug and Money Laundering Control Policy (ONDMLCP), Intellectual Property Registry and the Police. Additionally,
banks solicit information, which is provided by IRD, but this arrangement is not reciprocal.

(ii) Effectiveness of penalties for non-compliance with registration and declaration obligations

68. Penalties for non-compliance generally exist, but substantial changes to their structure, levels or administration are needed to give them a real impact on compliance. Each of the Tax Laws has a section outlining penalties for non-compliance with registration, filing and payment of assessments. The fines and penalties are considered adequate by the mission to serve as a deterrent for both IRD and Customs; however, IRD encounters problems with enforcement. As the penalty regime differs from one IRD tax type to another, a decision was made to standardize the fines, penalties and interest across tax types, and as well introduce new measures that would strengthen the capacity of the IRD to enforce the laws. Customs report that the number of penalties in 2011 was 45 with EC$169k in value; in 2012, 29 and EC$436.7k; and in 2103, 37 and EC$314.3 k, similar data is not available for IRD.

Dimension (iii) Planning and monitoring of tax audit and fraud investigation programs

69. Tax audits and fraud investigations are managed and reported on according to a comprehensive and documented audit plan, with clear risk assessment criteria for all major taxes that apply self-assessment. Both Customs and IRD has electronic databases for administering taxes and all tax files are on the system, which have been used for developing risk based audit:

- Customs created in September 2012 a risk management unit and a post clearance audit division to improve compliance and deter tax evasion. In this context, 110 risk profiles of importers have been built and used for carrying out targeted physical inspections which have been reduced by 60% when compared to 100% in the past. This has also resulted in speedier processing of goods and reduction in release times. The same profiles are also picked up by the post-clearance audit to target and plan their audits which are also based on topical/systems audit – e.g., by exemptions, sectors. However, post-clearance audit is under-staffed and cannot be considered to be effective.

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31 For ABST, CIT and PIT, penalties are in place (e.g. failure to register for ABST incur charges twice the amount of tax payable; failure to pay -20% of the tax payable, failure to file - the greater of 5% of the tax liability or $500). For PIT, tax evasion incurs an additional 200% charge of the tax evaded. There are also a range of additional penalties throughout the various tax legislations. Non-compliance with registration results in non-facilitation of the imports at Customs. Regarding declaration obligations in the Customs context, the CCMA 2013 lays down effective penalties regime. For example, the untrue declaration of entries now attracts EC$ 50,000 when compared to EC$ 10,000 in the old legislation. The penalty for non-keeping of records is EC$ 100,000 as against EC$ 10,000 in the past.
The IRD initiated a tax stratification exercise in 2012 for risk based auditing. Audits are done on a risk-assessment basis based on a number of criteria using data in SIGTAS to build up a tax payer profile – e.g. ABST turnover and throughput. Tax audits are executed at an average of 118 per year.

Investigative audits which will be focused on suspected fraud have not started yet.

**PI-15 Effectiveness in collection of tax payments**

This indicator assesses the accumulation of tax arrears and the collection of tax debt as they lend credibility to the tax assessment process and reflects equal treatment of all taxpayers. Prompt transfer of the collections to the Treasury is essential for ensuring that the collected revenue is available to the Treasury for spending.

<table>
<thead>
<tr>
<th>PI-15 Effectiveness in collection of tax payments</th>
<th>Minimum Requirements (scoring Method M1)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2010</td>
</tr>
<tr>
<td>Score D+</td>
<td>Score NR</td>
</tr>
<tr>
<td>(i) NR</td>
<td>(i) NR</td>
</tr>
<tr>
<td>(ii) B</td>
<td>(ii) A</td>
</tr>
<tr>
<td>(iii) D</td>
<td>(iii) A</td>
</tr>
</tbody>
</table>

**Dimension (i) Collection ratio for gross tax arrears, being the percentage of tax arrears at the beginning of a fiscal year, which was collected during that fiscal year (average of the last two fiscal years)**

70. The debt collection ratio in the most recent year was below 60% and the total amount of tax arrears is significant (i.e. more than 2% of total annual collections). The stock and flow of arrears for ABST, PIT and Customs are shown in Table 15 below; however data on tax arrears are not known with certainty. Both IRD and Customs have taken steps to stop arrears increasing. IRD has set up a Collections Unit and a Late Filers unit to pursue potential arrears. Customs has now instigated a cash and carry basis of importation. No imports are allowed on credit basis and in theory new tax arrears should not exist in the present system. The old practice of late payment of taxes and duties assessed at the time of importation was disbanded as of December 2011, and Customs arrears have started to decline. However, should the provision in law on the off-setting of tax against payments due
from Government be implemented (FR, 2010, articles 165-167), arrears on both tax and payments may decrease significantly.

Table 14. Tax arrears (ECD millions)

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2012</th>
<th>Variation of stock (%)</th>
<th>2013</th>
<th>Variation of stock (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>ABST</td>
<td>191.2</td>
<td>200.4</td>
<td>5%</td>
<td>223.1</td>
<td>11%</td>
</tr>
<tr>
<td>PIT</td>
<td>37.2</td>
<td>31.3</td>
<td>-16%</td>
<td>31.5</td>
<td>1%</td>
</tr>
<tr>
<td>Customs</td>
<td>4.6</td>
<td>4.6</td>
<td>0%</td>
<td>4.1</td>
<td>-11%</td>
</tr>
<tr>
<td>Total stock of arrears</td>
<td>233</td>
<td>236.3</td>
<td>1%</td>
<td>258.7</td>
<td>9%</td>
</tr>
<tr>
<td>Revenue</td>
<td>565.5</td>
<td>613.1</td>
<td>8%</td>
<td>757.8</td>
<td>24%</td>
</tr>
<tr>
<td>Collection ratio</td>
<td>41.20%</td>
<td>38.54%</td>
<td></td>
<td>34.10%</td>
<td></td>
</tr>
</tbody>
</table>

1/ These arrears do not include arrears on company tax as IRD has not computed them, which accounts for accounts for about 6 per cent of total tax revenue. The arrears also include penalties and interest but these cannot be shown separately.

2/ Budgeted

Source: IRD and Customs, PI – 3 for 2011 and 2012 revenue and 2014 Budget Book for 2013 revenue

Dimension (ii) Effectiveness of transfer of tax collections to the Treasury by the revenue administration

71. All tax revenue is paid directly into accounts controlled by the Treasury or transfers to the Treasury are made daily. For Customs, at the end of the business hours, the total tax collections are accounted for every entry submitted for payment. The collections are daily deposited in to the accounts held and controlled by the Treasury with the designated banks. The deposit slip advice and the daily cash collection statement are also transmitted to the Treasury for reconciliation purposes. The AGD reconciles the deposit advices received from the banks on the following day with the advices submitted by the Customs. Also at the end of each day, Customs intimates the AG via email, the total collections for the day in order to assist in expenditure cash flow planning in advance. Taxes collected by IRD are paid by check and are deposited into the appropriate AGD account daily. Debit cards and credit cards payment is also used but not extensively.

Dimension (iii) Frequency of complete accounts reconciliation between tax assessments, collections, arrears records and receipts by the Treasury

72. Complete reconciliation of tax assessments, collections, arrears and transfers to Treasury takes place at least monthly within one month of end of month. For IRD, information on payments made and received are recorded in the SIGTAS system, except for corporate tax, and reflected on the tax payer’s file immediately, as the process is automated.
The system also stores information on when payments are due so information on late filers are available electronically. This triggers notices for follow up. For Customs Collections, the reconciliation is done daily on receipt of payment as customs operations are on a case by case basis. The total collections reconciliation for the year is carried out at the end of the year which aggregates the daily reconciliations against payments, transfers to Treasury and assessments.

73. **Since 2010, the situation regarding dimensions (ii) and (iii) has improved.** Since 2010, significant efforts have been done for improving the data transmission from IRD and Customs to the AGD, via the use of specific revenue voucher forms completed by the respective departments (the amounts reported on the revenue vouchers must match the amounts deposited). Therefore, reconciliations process has significantly improved.

### PI-16 Predictability in the availability of funds for commitment of expenditures

This indicator assesses whether the spending ministries, departments and agencies (MDAs) receive reliable information from the MFEPA on availability of funds within which they can commit expenditure for recurrent and capital inputs.

<table>
<thead>
<tr>
<th>PI-16 Predictability in the availability of funds for commitment of expenditures</th>
<th>2010</th>
<th>2014</th>
<th>Explanation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Score D+</td>
<td>Score D</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(i) D</td>
<td>(i) D</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(ii) D</td>
<td>(ii) D</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(iii) C</td>
<td>(iii) D</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

(i) There is no medium term cash horizon; however a cash flow committee looks at cash available on a weekly basis.

(ii) Ministries are still given monthly authorisation to spend which is not necessarily supported with funds.

(iii) No changes in this dimension, the 2010 rating appear overrated as it did not refer to the provision of the law with respect to special warrants

**Dimension (i) Extent to which cash flows are forecast and monitored**

74. **Cash flow planning and monitoring are not undertaken or of very poor quality.** Cash flow forecasting was initiated in 2013 and is not effective yet, as no revenue forecast broken down by in-year periods is prepared. Since 2013, the Minister of Finance chairs a weekly cash management committee which has the FS, Deputy Financial Secretary (DFS),
heads of DMU, BO, AGD, Customs and IRD as members. The committee decides which invoices to pay in the light of available revenue.

**Dimension (ii) Reliability and horizon of periodic in-year information to MDAs on ceilings for expenditure commitment**

75. **MDAs have no reliable indication at all of actual resource availability for commitment.** The approved budget allocation provides predictability to Ministries to spend for the next month. The annual voted budget is allocated monthly based on previous years’ pattern of expenditure by Ministries. Ministries can request advances from a future month’s allocations if justified to the MFEPA. Nevertheless, due to uncertainty of cash availability, ministries cannot be sure that if expenditure is incurred based on the monthly allocation, that there will be funds available to ensure invoices are met when presented within the accepted payment terms.

**Dimension (iii) Frequency and transparency of adjustments to budget allocations, which are decided above the level of management of MDAs.**

76. **Significant in-year budget adjustments are frequent and not done in a transparent manner.** The FAA, 2006 provides for Supplementary Budgets. Under Article 30, the Minister responsible for Finance has the power in anticipation of a supplementary appropriation to issue special warrants up to 25 percent of the original budget (through an accumulation of special warrants) without going to Parliament so long as these warrants are laid before the House as soon as reasonably possible after the date of the warrant. However, in practice, these warrants are not reported and laid before the House within the year, as was noted by the DoA in his most recent report on the 2010 annual financial statements of the GoAB. Information on warrants from the MFEPA is as follows:

- 2011 - Total number of warrants - 214; Total supplementary budget - $33,095,873 ;
- 2012 - Total number of warrants - 376; Total supplementary budget - $47,797,294 ;
- 2013 - Total number of warrants - 624; Total supplementary budget - $343,814,320.

77. **The BO has engaged in clearing the backlogs of Supplementary Budgets.** These have been prepared, and it is expected that they will be presented to the Parliament in 2014. Procedures for preparing supplementary budgets in a timely manner have also been developed.

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32 This amount includes a warrant for a judgment warrant that had to be in value of $194,201,543.
PI-17 Recording and management of cash balances, debt and guarantees

Efficient management of debt and debt guarantees is an essential component of fiscal management. Poor management of debt and debt guarantees can create unnecessarily high debt service costs. With regard to efficient cash management, an important requirement for avoiding unnecessary borrowing and interest costs is that balances in all government-held bank accounts are identified and consolidated (including those for extra-budgetary funds and government controlled donor-funded project accounts). This is assessed in this indicator.

<table>
<thead>
<tr>
<th>Minimum Requirements (scoring Method M2)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>PI-17 Recording and management of cash balances, debt and guarantees</strong></td>
</tr>
<tr>
<td>Score C</td>
</tr>
<tr>
<td>(i) C▲</td>
</tr>
<tr>
<td>(ii) C</td>
</tr>
<tr>
<td>(iii) C▲</td>
</tr>
</tbody>
</table>

Dimension (i) Quality of debt data recording and reporting

78. **Domestics and foreign debt records are complete, updated and reconciled monthly; data considered of fairly high standards but minor reconciliations problems occur ; comprehensive management reports are produced:**

- The DMU\(^{33}\) has the responsibility of recording and maintaining debt data in the CS-DRMS system (which Antigua has operated since 1991) and manages domestic and foreign debt and liabilities. The system is in the process of being updated, to accommodate recording of new categories of instruments (e.g., overdrafts). The most complete and up-to-date information is maintained in Excel spreadsheets, detailing debt status by individual lender itemizing stock of debt, repayment of interest and principal, total outstanding and arrears (interest and principal) for both domestic and external debt ;

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\(^{33}\) The DMU, created in 2009, is in charge of public debt management and reporting. It assists in formulating debt management policies and strategies; managing the debt portfolio to minimize costs with an acceptable risk profile; conducting risk analysis and developing risk management policies and conduction debt sustainability analyses.
• Reconciliations are performed regularly, and at least annually. As part of the 2010 debt restructuring the DMU carried out a debt verification exercise in conjunction with all the creditors. This verification exercise was based on both the DMU’s database and each creditor’s records. Since then, reconciliations have been performed following different procedures: monthly for domestic creditors, quarterly or annually for external creditors (depending on payments done). Data is considered as up-to-date each month, as reconciliations are systematically done when a payment is reported to the Unit. However, reconciliation with information maintained at the AGD is not being done on a regular basis. In addition, the classification of loans taken by the government on behalf of the SOEs may be questioned.

• A monthly statistical report is sent to Budget Office, ECCB, Debt advisors and AGD, but there is no Debt report. However, this debt data is not published by the GoAB, and no debt management report is established\(^\text{34}\).

**Dimension (ii) Extent of consolidation of the government’s cash balances**

79. **Calculation of balances takes place irregularly, if at all, and the system used does not allow consolidation of bank balances.** As indicated in PI 22, GoAB currently operate a number of separate bank accounts, which are held in several commercial banks. The balances are checked daily and the balances are swept only for accounts in the same bank. Currently the cash balances on the main accounts are obtained daily from the banks, and available cash is calculated only on these accounts, as was the case in 2010.

**Dimension (iii) Systems for contracting loans and issuance of guarantees**

80. **Central government’s contracting of loans and issuance of guarantees are made against transparent criteria and fiscal targets.** A medium-term debt management strategy, which includes transparent criteria for debt, is implemented since 2010. There is a long term debt-to-GDP ratio target of or close to 60 per cent by 2020 and a debt service ratio of no more than 20 per cent of current revenue\(^\text{35}\). The principal sums of outstanding Treasury Bills at any one time should not exceed 30 per cent of the estimated revenue of the current financial year. However, there are no targets set for guarantees.

81. **Loans and guarantees are approved by a responsible government entity:**

• The favorable opinion of the Minister of Finance is required for contracting loans and issuing guarantees. The legal basis for borrowing and issuing of guarantees is the FA Act of 2006, the LSA Act of 2005 and the TB Act of 2005. While the FA Act states

\(^{34}\) Other reports are ad hoc and information is included in the budget speech and fiscal reviews.

\(^{35}\) As set by the ECCB’s Monetary Council for all ECCU members
“No money shall be raised on the credit of the Government except under the authority of an Act of Parliament or of a resolution of the House” the responsibility has in effect been ceded to the Minister of Finance. Article 52 (2) states that the Minister cannot increase the present value of public debt except with the approval of the House;

- After the creation of the DMU, the Minister’s opinion is based on analysis and recommendation of the DMU. In particular, as regards guarantees, a government guarantee policy has been adopted by the Cabinet in 2012, it states that the DMU participates in the process by assessing financing terms that are consistent with the debt management strategy;

- With respect to Treasury Bills the power to borrow is also invested in the Financial Secretary on the Minister’s instructions;

- The Attorney General (AtG) gives legal opinion on behalf of Government on any instrument that commits Government on borrow, before the loans agreements are signed. In addition the AtG drafts and scrutinizes legal documents related to borrowing and guarantees, participates in negotiations on external loans and verifies that projects presented for loan guarantees qualify for such guarantees.

This indicator has improved since the 2010 PEFA through the work on the Debt Management Unit and the developments of a debt management strategy.

**PI-18 Effectiveness of payroll controls**

This indicator assesses the integrity of personnel records and efficiency of the processes of human resource management and payroll processing in Government.
Minimum Requirements (scoring Method M1)

<table>
<thead>
<tr>
<th>PI-18 Effectiveness of payroll controls</th>
<th>2010</th>
<th>2014</th>
<th>Explanation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Score D+</td>
<td>(i)</td>
<td>D</td>
<td>(i) The introduction of the CSM module in FreeBalance has improved data consistency and reconciliation.</td>
</tr>
<tr>
<td></td>
<td>(ii)</td>
<td>C</td>
<td>(ii) The process and procedures have been improved.</td>
</tr>
<tr>
<td></td>
<td>(iii)</td>
<td>C</td>
<td>(iii) The process and procedures with respect to internal controls on processes and audit trail.</td>
</tr>
<tr>
<td></td>
<td>(iv)</td>
<td>D</td>
<td>(iv) The continued lack of a payroll audit (though one is planned) has meant the overall score remains the same.</td>
</tr>
</tbody>
</table>

### Dimension (i) Degree of integration and reconciliation between personnel records and payroll data

82. **Personnel database and payroll are directly linked to ensure data consistency and monthly reconciliation.** Central Government payroll and personnel files are linked in the Civil Service Management (CSM) module in FreeBalance operated by the Treasury:

- Central Government’s established personnel data, including data entry for payroll processing, are managed through the Establishment Office (EO) of the MFEPA. A personnel file is maintained at the EO and the relevant elements for payroll are included in the CSM which then computes the appropriate pay and deductions;

- Non-established payroll is managed by the Treasury based on payroll information supplied by the PS of the relevant Ministry. Before the non-established payroll is run, there is a check for anomalies such as a person being paid twice.

Personnel data and payroll data are reconciled monthly. The monthly payroll for each ministry is sent to the individual ministry after pay has been made with the individual pay slips detailing details of pay: gross and itemised deduction. This is checked for any errors at the individual Ministry. Any errors are conveyed to the EO by the submission of a change form. Similarly the Treasury sends a payroll list for non-established personnel to the relevant ministry for checking each month. Since payroll changes are approved and processed centrally, any requested change must be properly documented. For example, changes due to...
sickness must have a doctor’s certificate; changes due to promotion and new recruitment for established officers must be accompanied by the approval letter from the PSC.

The situation regarding this dimension has improved since 2010. Launching the CSM module in FreeBalance has ensured the data consistency of payroll and a personnel list, and allows conducting monthly reconciliation in a timely manner. However, direct integration of the CSM modules entries into the general ledger is not fully effective yet.

Dimension (ii) Timeliness of changes to personnel records and the payroll

83. Required changes to the personnel records and payroll are updated monthly, generally in time for the following month’s payments. Retroactive adjustments are rare (if reliable data exists, it shows corrections in max. 3% of salary payments). Changes in established officers’ personnel records and payroll need to be approved centrally by the Public Service Commission and recorded in CSM by the EO after a change form has been received from the line ministry. A change form has to be submitted by the 15th of the month (though later (urgent) submission can be accommodated) and the EO inputs the request into the CSM. For weekly paid non established employees the change form is submitted on the Tuesday of the week of payment. In most instances, agencies submit requests in a timely manner thereby resulting in no delays with registration and payment. Retroactive payment may result from delays in submitting change forms. The Establishment Office reports that that there are only a few cases of retroactive payments and this has been confirmed by the Line Ministries that the PEFA Team met. The Accountant General also reported no concerns in this regard.

84. The situation regarding this dimension has improved since 2010. While in 2010 there were no reports produced to provide accurate data and changes might have implemented in the system with three month delay, now the line ministries submit their requests in a timely manner and retroactive changes are rare.

Dimension (iii) Internal controls of changes to personnel records and the payroll

85. Authority to change records and payroll is restricted and results in an audit trail. The centralized procedures for approving and processing changes in personnel records ensure an appropriate level of control over records and payroll at the Central Government level. All changes made at the EO are subject to checks and balances. Data entry has to be approved and checked by a supervisor in the EO. All workflows are controlled by username and passwords and all changes can be tracked by the administrator. Non established payroll in managed by the Treasury and the Line Ministry who is responsible for hiring the employee.

86. The situation regarding this dimension has improved since 2010. Launching a CSM has allowed to establish better controls on the changes and monitor the work flows.
Dimension (iv) Existence of payroll audits to identify control weaknesses and/or ghost workers

87. **No payroll audits have been undertaken within the last three years.** The Internal Audit Unit did attempt to carry out an audit of payroll as a data cleansing exercise during November and December 2010 but it was not completed due to staffing problems. It has started in 2014. Nevertheless an audit of the GoAB payroll was carried out in January 2011\(^{36}\) by external consultants and the Government appointed a Working Group comprising four Government Officers to support the Audit Team. The Audit Team Leader considered that this was neither a statutory audit nor a conventional audit governed by generally accepted audit principles and procedures, as would be stipulated by the institutes of certified public accountant in any jurisdiction. Nonetheless, it is likely that the implementation of the recommendations has been an important factor is the strengthening of the scores in dimension (i) to (iii) since the 2010 PEFA.

**PI-19 Transparency, competition and complaints mechanisms in procurement**

A well-functioning procurement ensures that money is used efficiently and effectively. This is assessed in this indicator.

\(^{36}\) Payroll Audit Report by Kithinji Kiragu, CPA and Public Sector Management Specialist, Kenya Megan Samuel - Fields, CPA and Attorney at Law, Antigua and Barbuda Sandrena Cuthbert, BSc, Antigua and Barbuda  First Draft -February 2011 Final: 5 May 2011. As the field work was in January 2011 on 2010 payroll data and procedures, this is outside the time frame of three years to score a B.
The methodology for this indicator has been modified since the 2010 PEFA; however, the overall assessment procurement procedures remain weak.

**Dimension (i) Transparency, comprehensiveness and competition in the legal and regulatory framework**

88. **The legal framework on procurement, meets three of the six requirements listed in the PEFA methodology.** Regarding the legal framework on procurement, Antigua and Barbuda is currently in an in-between situation. Indeed, while a new Procurement and Contract Administration Act was adopted in 2011, this new law has yet to be implemented. The rating was therefore based on a review the Tenders Board Act, 1991 still in use, but a review of the new law has also been realised to highlight upcoming improvements to the procurement system (Table 16): the new law clearly defines open, competitive procurement as the default method and defines other methods and the conditions under which they may be used. Refinements and complement to the provisions of the law are expected to be included in regulations that are being drafted.
Table 15. Compliance of the Tenders Board Act, 1991 and of the Procurement and Contract Administration Act, 2011 with PEFA requirements

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Compliance</td>
<td>Explanation</td>
<td>Compliance</td>
</tr>
<tr>
<td>(i) organized hierarchically and precedence clearly established</td>
<td>Yes</td>
<td>The law governs the procurement system, consistent with the legal traditions in Antigua/Barbuda.</td>
</tr>
<tr>
<td>(ii) freely and easily accessible to the public through appropriate means</td>
<td>Yes</td>
<td>The law has been published on the government’s website which is freely and easily accessible. Access can be improved by having a dedicated procurement site.</td>
</tr>
<tr>
<td>(iii) applied to all procurement undertaken using government funds</td>
<td>Yes</td>
<td>The law applies to all procurement undertaken using government funds.</td>
</tr>
<tr>
<td>(iv) making open competitive procurement the default method of procurement and define clearly the situations in which other methods can be used and how this is to be justified</td>
<td>No</td>
<td>The law authorizes competitive and selective procurement.</td>
</tr>
<tr>
<td>(v) providing for</td>
<td>No</td>
<td>The law does not</td>
</tr>
<tr>
<td>---------------------------------------------------</td>
<td>------------------------</td>
<td>-----------------------------------------------</td>
</tr>
<tr>
<td>Compliance</td>
<td>Explanation</td>
<td>Compliance</td>
</tr>
<tr>
<td>public access to all of the following procurement information: government procurement plans, bidding opportunities, contract awards, and data on resolution of procurement complaints</td>
<td>cover this.</td>
<td>cover this.</td>
</tr>
<tr>
<td>(vi) providing for an independent administrative procurement review process for handling procurement complaints by participants prior to contract signature</td>
<td>No</td>
<td>The law does not provide for this.</td>
</tr>
</tbody>
</table>

Dimension (ii) Use of competitive procurement methods

89. **There is no available data regarding the value of the contracts awarded using open competition or methods other than open competition.** The Tenders Board has records of the actions it handles. They show that in the last three years only a very limited of full and open competitive tenders have been undertaken, and that most procurement undertaken was handled through a restricted procurement method (short listing). Nevertheless, not all government and statutory bodies adhere to the practice of having their procurement handled by the Tenders Board, therefore there is no complete and reliable data available regarding the value and procurement methods of the contracts awarded over the last years.

Dimension (iii) Public access to complete, reliable and timely procurement information

90. **The government does not systematically make key procurement information available to the public.** Only one invitation to tender has been published in the local newspaper in 2013. Government procurement plans, bidding opportunities, and contract awards are not published.

Dimension (iv) Existence of an independent administrative procurement complaints system
91. **There is no independent administrative procurement complaints review body.** In practice, the Tenders Board may address complaints from third parties, and this has happened twice in 2013. However, it does not operate under a formal procurement complaints mechanism.

**PI-20 Effectiveness of internal controls for non-salary expenditure**

This indicator assesses the existence, understanding and compliance with internal control systems relating to expenditure commitments and payment of goods and services purchased by public entities.

<table>
<thead>
<tr>
<th>Minimum Requirements (scoring Method M1)</th>
<th>2010</th>
<th>2014</th>
<th>Explanation</th>
</tr>
</thead>
<tbody>
<tr>
<td>PI-20 Effectiveness of internal controls for non-salary expenditure</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Score D</td>
<td>(i)</td>
<td>(i)</td>
<td>(i) There are no changes in the score, as the commitment control has remained weak.</td>
</tr>
<tr>
<td>(ii) D</td>
<td>(ii)</td>
<td>(i)</td>
<td>(ii) The implementation of the FR has helped implementing a basic set of internal controls, however it is difficult to assess their efficiency.</td>
</tr>
<tr>
<td>(iii) D</td>
<td>(iii)</td>
<td>(ii)</td>
<td>(iii) No change since 2010, as compliance concerns remain.</td>
</tr>
</tbody>
</table>

**Dimension (i) Effectiveness of expenditure commitment controls**

92. **Commitment control systems are generally lacking.** The documented commitment control procedures are in the Finance Administration Regulations, paragraph 23 (1), (2) and (3) and the Finance Administration Act, 2006. In practice, each ministry maintains a Vote Book into which the monthly allocation of the annual budget is entered. These Vote Books are paper ledgers.\(^{37}\) A request to incur a recurrent expenditure has to be signed by the Permanent Secretary (or is delegated to an officer), and a request to incur capital expenditure has to be submitted to the Development Planning Unit. After approval, the purchase order is prepared. However, it is only at the time of submitting the invoice to the AGD for payment (payment voucher) that the Commitment\(^{38}\) is reported into the Vote Book, and subtracted from the monthly warrant of the line-ministry to produce a new amount that is available for

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\(^{37}\) The Ministry of Health is currently operating both a paper Vote Book and an electronic Vote Book in parallel.

\(^{38}\) Even if this stage is considered as the commitment stage, it is in practice the due for payment stage.
purchasing goods and services. A monthly report on what has been committed is prepared. In theory, this would act as a commitment control, but in practice, as the process has remained mostly manual, purchase order, and therefore commitments, can be done above the monthly ceiling without being entered in the Vote Book, or commitments can possibly be reported with significant delays.

93. **The roll out of FreeBalance that has started in 2013 both in terms of replacing manual Vote Books and its functionality is expected to improve the situation.** The implementation of the *Commitment Module* represents an important improvement since 2010, and the commitment control should be effective once the roll-out will be complete. As at today, already, a number of ministries operate in parallel manual and electronic Vote Books. The requirement to enter the date of PO and invoice in the system as well as sanctions against not following the process should be required to ensure compliance.

**Dimension (ii) Comprehensiveness, relevance and understanding of other internal control rules/procedures**

94. **Other internal control rules and procedures consist in a basic set of rules for processing and recording transactions, which are understood by those directly involved in their applications; however, controls may be deficient in some areas.** The financial regulations that have been implemented since 2010 are setting a number of basic rules for processes and recording transactions. Interviews with line ministries indicate that the rules are understood by those directly involved in their applications. However, the absence of a set of procedures remains a concern.

**Dimension (iii) Degree of compliance with rules for processing and recording transactions**

95. **Rules are complied with in a significant majority of transactions, but use of simplified/emergency procedures in unjustified situations is an important concern.** As was already noted during the 2010 PEFA, the lack of up to date audit reports or existence of internal audit reports means that it is difficult to obtain confirmation of any shortfalls in the level of compliance with regulations. Also, there is no routine compilation of errors rate or rejection rates at the AGD. Interviews with line ministries indicate however that compliance concerns exist, as expenditures have in the past been recorded inappropriately. As well, the most recent DoA report on the 2010 annual financial statements identifies compliance issues on a significant number of expenses.

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39 This is identified when the AGD considers that a monthly warrant has been fully executed, while the line ministries vote book does not show a similar information.

40 The report (section 7.1) mentions that “Audit examination of the relevant vouchers revealed that the internal control for the system is very weak. My observation revealed that information recorded in Freebalance from
PI-21 Effectiveness of internal audit

This indicator assesses the effectiveness of the internal audit function based on the scope and quality of the audit function, in the manner and timing of the report of the findings, and in the administration’s reaction to the findings and recommendations of the internal audit.

<table>
<thead>
<tr>
<th>PI-21 Effectiveness of internal audit</th>
<th>Minimum Requirements (scoring Method M1)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2010</td>
</tr>
<tr>
<td>Score D</td>
<td>Score D</td>
</tr>
<tr>
<td>(i). D</td>
<td>(i) D</td>
</tr>
<tr>
<td>(ii). D</td>
<td>(ii) D</td>
</tr>
<tr>
<td>(iii). NA</td>
<td>(iii) D</td>
</tr>
</tbody>
</table>

Dimension (i) Coverage and quality of the internal audit function

96. **There is little or no internal audit focused on systems monitoring.** The Internal Audit (IA) function was established in 2009 and is part of Treasury. It takes its mandate from the FAA, 2006 Part II Section 7. The capacities have evolved as the staff, particularly the Director, has benefited from regional workshops, training and mentoring. However, the IA Unit activities are still limited. Currently the IA has 3 staff out of an established complement of 5. There were only three audit undertaken in 2011, two in 2012, and one on pensions in 2013. The audits that have been carried out indicate a methodological approach that is mostly compliant with good practices.

Department’s vouchers were “created” and “approved” by the same officer at the Treasury Department and most often without a second approval. For example, sixty–two (62) transactions for the Ministry of Health–Central Board of Health were reviewed and seventy-five percent (75%) of the transactions were created and approved by the same individual.”, and (section 7.8) that “of the four percent (4%) transactions reviewed in Freebalance, our findings revealed that there were discrepancies with thirty percent (30%) of this amount.”
Dimension (ii) Frequency and distribution of reports

97. **Reports are either non-existent or very irregular.** Internal audits are infrequent as noted above. Reports were prepared by the Internal Audit Unit following the audit undertaken in 2011, 2012, but with significant delays. The report on the pension audit realized in 2013 is not yet available. Reports are addressed to the Financial Secretary and copied to Accountant General and Auditor General and the head of the agency that had been audited.

Dimension (iii) Extent of management response to internal audit findings

98. **Internal audit recommendations are usually ignored (with few exceptions).** Each of the reports has recommendations. One of the reports contains the management response which is mixed in terms of the acceptance of recommendations. While the other four earlier audits had recommendations, the procedures have not evolved to include a management response. Up to now, there has been no specific follow up to any of the internal audit reports. The IA function seems to be generally misunderstood in the Government and explaining it remains a major part of any audit.

99. **Some reforms are underway for reinforcing the internal audit function.** Since the 2010 PEFA the internal audit function has been established and while not extensively implemented, it has produced some audit reports. The IA system reports are infrequent but when they are produced, are directed appropriately. For 2014, the Internal Audit Unit plans to reinforce its activities: two departments and to conduct three audit at the Treasury are planned. Also, the internal audit framework is being developed. To date, there is an Internal Audit Manual which is according to Standards of the Institute of Internal Auditors (IIA). There is also an Internal Audit Charter that governs the carrying out of audits. An annual audit plan has been drawn up in conjunction with External Audit Department based on perceived risks.

E. Accounting, recording, and reporting

PI-22 Timeliness and regularity of accounts reconciliation

This indicator assesses the extent to which both bank accounts and suspense accounts or advance accounts, are regularly reconciled, adjusted, or settled in order to ensure that government financial statements are accurate.
Dimension (i) Regularity of bank reconciliations

100. **Bank reconciliation for Treasury managed bank accounts take place with backlogs of several months.** The government holds 50 bank accounts as of the date of the assessment\(^{41}\), to be compared with 78 in 2010. These bank accounts include (i) active accounts – that is “operating” accounts, accounts related to donors’ funding, terms deposit – and (ii) inactive accounts in the process of being closed. The closing of a number of bank accounts and the development of automated tools for bank reconciliations have helped improving the completeness and timeliness of the bank reconciliations over the last years (this allowed to clear the backlog of financial statements, see PI-25 Quality and timeliness of annual financial statements). However, the reconciliation process is different for each category of accounts. While since end of 2012 the operating accounts have been reconciled on a monthly basis within 2 months, other accounts are only monitored via bank statements. In addition, the upgrade, in June 2013, of the IFMS has generated some technical issues that resulted in longer delays for realizing the bank reconciliations since September 2013. Therefore, at the time of the assessment, bank reconciliations of the “operating” accounts were realized with a backlog of more than two months, and the most recent bank reconciliations available were dated of June, 2013. Consequently, improvements over the last years are not reflected in the scoring of the dimension.

\(^{41}\) Government’s bank accounts cannot be opened without the approval of Accountant General, who therefore maintains a complete list of these, subject to the bank accounts of the Statutory Bodies that are not under the AGD’s control. Loans’ bank accounts are managed by the DMU.
Dimension (ii) Regularity of reconciliation and clearance of suspense accounts and advances

101. Reconciliation and clearance of suspense accounts and advances take place less frequently than annually. There are four categories of suspense and advance accounts defined in the FAA, 2006 and FR, 2010. Reconciliation and clearance of these accounts follow different procedures, which are discussed in the table 17 below. Routine and year-end procedures for reconciliation and clearance of accounts have been put in place for Suspense Accounts and Advances. However, stronger controls are needed for ensuring that the use and balance of the four categories of suspense accounts are correct. The most recent report of the Director of Audit on the annual financial statements of the Government of Antigua noted concerns over the reliability of the balances of these accounts, due mainly to old entries that remain to be written off. Therefore, improvements over the last years are not reflected in the scoring of the dimension.

Table 16. Suspense and advance accounts

<table>
<thead>
<tr>
<th>Legal provisions</th>
<th>Current use</th>
<th>Reconciliation and clearance</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Advances</strong> (s35, FAA and s25 FR) are for the payments to government or international organizations; to Special Funds; for expenditures in anticipation of loans; to statutory bodies and companies; to public officers; or to individuals.</td>
<td>They appear to be used for inter-island recoverable payment of pensions; for various personnel loans; and other use (including for a capital injection to the ABI Bank).</td>
<td>Advance accounts are cleared by the AGD in accordance with the agreed terms defined at the time of authorization and issuance of the advance.</td>
</tr>
<tr>
<td><strong>Suspense Accounts</strong> (s26 FR) are for temporary register of expenditures and receipts, pending charge to the appropriate account, to be cleared within 60 days.</td>
<td>They appear to be used used as intended, for uncleared checks and/or revenue deposits from Inland Revenue or Customs.</td>
<td>A task force has been set up for reviewing these accounts and developing a reconciliation and clearance routine procedure; however, balances remain uncleared as of 31st December, 2013 (e.g., accounts 562#, uncleared checks).</td>
</tr>
<tr>
<td><strong>Imprests</strong> (s36, FAA and s104 FR) are for the purpose of making payments of small amounts that cannot conveniently be made through the Treasury, to be regularized and retired by the end of</td>
<td>They appear to be used used as intended.</td>
<td>There was no movement on any suspense account in 2012, although one is a negative balance.</td>
</tr>
</tbody>
</table>

---

42 The latest audited financial statements are the 2010 Annual Financial Statements.
Legal provisions | Current use | Reconciliation and clearance
---|---|---
the financial year in which the imprest was made | | 
Deposit accounts (s27, s113 FR) are for the recording and settlement of debt, and for checks issued but uncashed after 3 months. | They appear to be used for temporary storage of amounts deducted from salaries, pending transfer to the receiving body (eg social security contributions); the settlement of on-lending and other loans to public bodies; unallocated postmaster receipts pending classification; and the temporary deposit of sums by third parties (e.g funds in court). | There is no reconciliation and clearance process in place at the moment.


**PI-23 Availability of information on resources received by service delivery units**

The indicator covers primary education and health care service delivery units that are under the responsibility of the Government. This indicator verifies whether information is available and reported on with respect to the planned and actual resources received by primary service delivery units.

| PI-23 Availability of information on resources received by service delivery units | Minimum Requirements (scoring Method M1) |
|---|---|---|
| | 2010 | 2014 | Explanation |
| Score D | Score D | (i) | D | (i) | D | (ii) No change in the score, as there is no comprehensive data collection on resources received by service delivery units yet. |

Dimension (i) Collection and processing of information to demonstrate the resources that were actually received (in cash and kind) by the most common front-line service delivery units (focus on primary schools and primary health clinics) in relation to the overall resources made available to the sector(s), irrespective of which level of government is responsible for the operation and funding of those units.
102. **No comprehensive data collection on resources to service delivery units in any major sector has been collected and processed within the last 3 years.** There is no information available in the budgeted and actual resources received by operational units. In the budget nomenclature, the expenditure is not broken down to operational units, and the ministries do not maintain any register on resources given to clinics or primary schools. As well, the operational units do not maintain any financial reports, and no special survey was realized during the last years.

**PI-24 Quality and timeliness of in-year budget reports**

This indicator assesses the extent to which comprehensive, timely and accurate budget execution reports are prepared for management. Timely and regular information on actual budget performance must be available to MFEPA (and Cabinet), in order to monitor performance.

<table>
<thead>
<tr>
<th>PI-24 Quality and timeliness of in-year budget reports</th>
<th>Minimum Requirements (scoring Method M1)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2010</td>
</tr>
<tr>
<td>Score D+</td>
<td></td>
</tr>
<tr>
<td>(i) D</td>
<td></td>
</tr>
<tr>
<td>(ii) B</td>
<td></td>
</tr>
<tr>
<td>(iii) D</td>
<td></td>
</tr>
</tbody>
</table>

**Dimension (i) Scope of reports in terms of coverage and compatibility with budget estimates**

103. **Comparison of in-year reports to the budget is possible only for main administrative headings, and expenditure is captured only at commitment stage.** As shown in the above table, a number of in-year reports on budget execution are prepared monthly, by the departments, the Debt Unit, the DPU and the Budget Office. The main one is the *Monthly Fiscal Report* prepared by the Budget Office, which consolidates reports provided by other departments. This report provides a complete and consolidated overview of budget execution, compared with the budget. It is presented by economic classification. Information is provided for payment order stage (that is when invoices are due for payment).
Dimension (ii) Timeliness of the issue of reports

104. **Reports are prepared monthly, and issued within 4 weeks of end of the period.**

As showed in the Table 18 below, all the in-year reports are to be issued during the next month of the reported period, and this is observed in practice. The *Monthly Fiscal Report* prepared by the Budget Office is sent to the FS Office, which transfers it to various stakeholders including the ECCB, as well as to the Cabinet when requested.

Dimension (iii) Quality of information

105. **There are some concerns about the accuracy of the information, which may not always be highlighted in the reports, but this does not fundamentally undermine their basic usefulness.** The *Monthly Fiscal Report* prepared by the Budget Office is mostly based on information transmitted by other departments, as shown in Table 18 below. Departments are establishing their reports based on their *vote books* (see PI-20). Approved budget and payroll information are downloaded from the IFMS. While these manual procedures raise some concerns about the accuracy of the information, the monthly reporting remains useful.

### Table 17. In-year reports on budget performance

<table>
<thead>
<tr>
<th>Report</th>
<th>Contents</th>
<th>Data sources</th>
<th>Date and audience</th>
</tr>
</thead>
<tbody>
<tr>
<td>Monthly financial report on recurrent expenditures and revenue, prepared by departments</td>
<td>Actual expenditures and revenue. economic classification as in the budget</td>
<td>Departments’ vote books</td>
<td>By 7th following month, recipient: Budget Office.</td>
</tr>
<tr>
<td>Monthly report on project expenditure, prepared by the DPU</td>
<td>Project, approved cost, actual expenditure by month and accumulated for year</td>
<td>Departments</td>
<td>By 5th following month, recipient: DPU</td>
</tr>
<tr>
<td>Monthly debt report, prepared by the Debt Unit</td>
<td>Loans by creditors, payments/dischursement, arrears.</td>
<td>CRDMS, AGD.</td>
<td>By 5th following month, recipient: Budget Office.</td>
</tr>
<tr>
<td>Monthly Fiscal Report, prepared by the Budget Office</td>
<td>Actual Recurrent expenditure, actual capital expenditure, interest expenditure, capital repayments, and revenue</td>
<td>Departments reports on recurrent and capital expenditures, Debt Unit report, data from IRDIRD and Customs.</td>
<td>18th of the month following end of period, recipient: ECCB, IMF, CDB through FS, copy to Minister.</td>
</tr>
</tbody>
</table>

The situation regarding this dimension has improved since 2010. Significant efforts have been made by the authorities for improving the monitoring of the budget execution since 2010, as part of the effort for providing better information to various stakeholders.

PI-25 Quality and timeliness of annual financial statements

Consolidated and timely year-end financial statements are critical for transparency in the PFM system. This indicator assesses the completeness, timeliness and robustness of the last annual financial statements prepared by the Government.

<table>
<thead>
<tr>
<th>PI-25 Quality and timeliness of annual financial statements</th>
<th>Minimum Requirements (scoring Method M1)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Score D (i)</td>
<td>Score D+ (i)</td>
</tr>
<tr>
<td>D</td>
<td>D</td>
</tr>
<tr>
<td>D (ii)</td>
<td>B</td>
</tr>
<tr>
<td>D (iii)</td>
<td>C</td>
</tr>
</tbody>
</table>

Dimension (i) Completeness of the financial statements

A consolidated financial statement is prepared annually; but the financial records are too poor to enable audit. The Financial statements for the most recent year (2012) comprise eight statements and a set of notes to the accounts. Comparison against the detailed requirements of the FAA, 2006 (see Table 19) shows that many but not all requirements are met. Nevertheless, information on revenue, expenditure and bank account balances is provided. However, some concerns exist regarding the reliability of these
financial statements. The latest audited financial statements are the 2010 Annual Financial Statements, on which the Director of Audit issued a disclaimer opinion due to the lack of supporting documents and records, and the fact that a number of accounts balances could not be verified.

**Table 18. Content of the Annual Financial Statements of the Government of Antigua**

<table>
<thead>
<tr>
<th>Requirement as per s56 of the FAA</th>
<th>Included in 2012 account</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) a summary statement of revenue and expenditure of the Consolidated Fund by standard object code;</td>
<td>Yes</td>
</tr>
<tr>
<td>(b) a statement of assets and liabilities;</td>
<td>Yes (some financial assets and liabilities only)</td>
</tr>
<tr>
<td>(c) a comparative statement of actual and estimated revenue by detailed object code;</td>
<td>Yes</td>
</tr>
<tr>
<td>(d) a statement of each Special Fund;</td>
<td>Yes – opening and closing balances only</td>
</tr>
<tr>
<td>(e) a statement of the balance in each Deposit Fund;</td>
<td>Yes</td>
</tr>
<tr>
<td>(f) a statement of investments showing the funds on behalf of which the investments were made;</td>
<td>No</td>
</tr>
<tr>
<td>(g) a statement of public debt and accumulated sinking funds;</td>
<td>Yes</td>
</tr>
<tr>
<td>(h) a statement of the balance in any fund, other than a sinking fund, for which provision is made by or under an Act;</td>
<td>n/A</td>
</tr>
<tr>
<td>(i) a statement of contingent liabilities of the Government;</td>
<td>Yes</td>
</tr>
<tr>
<td>(j) a statement of balances on advance accounts from the Consolidated Fund and Deposit Funds analysed under the various categories set out in section 35(1);</td>
<td>Yes</td>
</tr>
<tr>
<td>(k) a statement of arrears of revenue by detailed object code;</td>
<td>No</td>
</tr>
<tr>
<td>(l) a statement of losses of cash and stores;</td>
<td>No</td>
</tr>
<tr>
<td>(m) the summary statements referred to in section 19(1)</td>
<td>No</td>
</tr>
</tbody>
</table>


**Dimension (ii) Timeliness of submission of the financial statements**

108. **The statements are submitted for external audit within 7 months of the end of the fiscal year.** The FAA, 2006 (Section 56 (2)) requires the Accountant General to prepare, sign and submit financial statements to the Director of Auditor within 6 months after the

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43 The audit of the 2011 and 2012 Annual Financial Statements has not been finalized yet.

44 A summary statement of (a) the remissions under section 16 the write offs under section 17 and the settlements under section 18; and (b) remissions, write offs and settlements made under the authority of any other Act
close of financial year. While this legal timeline has not been respected, the following Table shows that delays were reduced from 14 months to less 7 months over the last three years.

Table 19. Financial Statements submission timeline

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>End of Fiscal Year</th>
<th>Accountant General</th>
<th>Delay for submission</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Legal timeline</td>
<td>Actual</td>
</tr>
<tr>
<td>2012</td>
<td>Dec. 31, 2012</td>
<td>June 30, 2013</td>
<td>July 2013</td>
</tr>
</tbody>
</table>

Sources: AGD, Director of Audit.

Dimension (iii) Accounting standards used

109. Statements are presented in a consistent format over time with some disclosure of accounting standards. Under the FAA, the Accountant General is required to prepare the Public Accounts “in accordance with generally accepted accounting principles as determined in writing by the Minister.” The notes to the Annual Financial Statements include a section on accounting policies that summarizes the broad principles applied for preparing the financial statements. However, these accounting principles have not been formally endorsed by the Minister, and they must be developed further. Indeed, as the accounts are maintained on modified cash basis, which is an between the two well recognized basis of accounting – cash and accrual – the principles for recognizing and classifying a number of assets and liabilities remain unclear. Some others could be revised.

110. The situation has improved since 2010. Past accounting problems, and limited use of FreeBalance, have undermined the reliability and timeliness of financial information in Antigua and Barbuda in the past. However, since 2010, the reengineering of the main accounting business processes and improvements to bank reconciliations’ procedures have helped clearing the backlog of year-end financial reporting (see table 20), and improve the timeliness of the financial statements. Efforts have also been made for improving the completeness and presentation of the financial statements, which include a set of notes.

F. External scrutiny and audit

PI-26 Scope, nature and follow-up of external audit

This indicator assesses quality of the external audit function and the degree to which audits identify and promote changes to address systemic issues.
<table>
<thead>
<tr>
<th>Minimum Requirements (scoring Method M1)</th>
<th>2010</th>
<th>2014</th>
<th>Explanation</th>
</tr>
</thead>
<tbody>
<tr>
<td>PI-26 Scope, nature and follow-up of external audit</td>
<td>Score D</td>
<td>Score D+</td>
<td>(i) Improvements have been made in the scope and nature of audits – as reflected in the audit of 2010 financial statements.</td>
</tr>
<tr>
<td></td>
<td>(i) D</td>
<td>(i) C</td>
<td>(ii) No change.</td>
</tr>
<tr>
<td></td>
<td>(ii) D</td>
<td>(ii) D</td>
<td>(iii) No change.</td>
</tr>
<tr>
<td></td>
<td>(iii) D</td>
<td>(iii) D</td>
<td></td>
</tr>
</tbody>
</table>

**Dimension (i) Scope and nature of audit (including adherence to audit standards)**

111. **Central government entities representing at least 50 percent of total expenditures are audited annually.** The Director of Audit undertakes an audit of the Annual Financial Statements of the Government of Antigua and Barbuda that are produced by the AGD. While the Director of Audit has the legal right to audit the statutory bodies, the enabling legislation for these bodies also generally proscribes that each entity undergo an independent external audit. Despite this, many of these entities have not done so in recent years. The statutory bodies are estimated to account for around 40 percent of total expenditure and some of these are non-financial public corporations and thus would not be classified within the central government sector. Overall coverage of audit by the DoA within the central government sector is thus greater than 60 percent.

112. **Audits predominantly comprise transaction level testing, but reports identify significant issues.** The most recent year for which financial statements are audited is 2010. The 2010 included transaction level testing of compliance using a risk based sampling technique. In addition, important systemic issues where examined and reported upon, including for example the existence of unauthorized expenditures. Examination of these systemic issues was supported by a series of 12 separate audits of specific departments/units undertaken during 2010.

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45 2010 audit report produced by the Auditor-General contains a table which identifies those statutory bodies that have undergone audit.


47 PI-7(i) examines in further detail the size of the statutory bodies.
Audit standards are disclosed to a limited extent only. The OAG is on a pathway to full adoption of international audit standards, including ISSAI and CAROSAI. Progress has been made towards reflecting these standards in the work practices of the office but achieving international standards regarding the independence of the Director of Audit will require final approval of the draft external audit legislation currently before the Parliament.

Dimension (ii) Timeliness of submission of audit reports to legislature

Audit reports are submitted to the legislature more than 12 months from the end of the period covered (for audit of financial statements from their receipt by the auditors). The following table sets out the dates at which financial statements were received by the Director of Audit, as well as the dates at which the completed audits were submitted and tabled in Parliament. Whereas, for many years, the OAG had no financial statements to audit, seven sets of annual financial statements covering the years 2006 to 2012 were submitted for audit between September 2011 and July 2013. The mostly recently completed audits were tabled in parliament in January 2014 and, of these, 2010 was the most recent year for which financial statements were audited. The 2010 audit took 21 months to complete.

Table 20. Key Dates in Completion of Recent External Audits of Financial Statements

<table>
<thead>
<tr>
<th>Year</th>
<th>Date submitted to Director of Audit</th>
<th>Date Audit completed</th>
<th>Date submitted to Minister</th>
<th>Date tabled in Parliament</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>Dec. 2012</td>
<td>Not completed</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>2012</td>
<td>July 2013</td>
<td>Not completed</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

Source: Mission, MFEPA

Dimension (iii) Evidence of follow-up on audit recommendations

There is little evidence of formal response or follow up to external audits. There are fundamental weaknesses in the processes that would normally be associated with a requirement to follow-up on audits. There is ambiguity in existing laws as to who should publish audits, formal follow-up of audit findings is not a feature of the audit system and the Public Accounts Committee is not actively engaging in oversight of audit outcomes (see PI-28). This is not to say that there is no follow-up on the specific audits of particular

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48 Therefore the audits are not sent to the bodies being audited. The AGD, for example, explained that they had not formally received the most recent audit of the financial statements that they had produced.
departments or functions that are performed by the AGD – indeed many such audits have contributed to positive changes. However, this follow-up relies on the professionalism of the management of the entity rather than being a systemic feature of the external audit framework. The absence of meaningful response to audit findings is most apparent in relation to the audit of annual financial statements, for which there are no formal responses produced and important systemic weaknesses are raised in consecutive audit reports without being addressed.

116. **Improvements have been made since the 2010 PEFA.** Improvements include introduction of new audit techniques, introduction of a new audit charter reflecting international standards, and risk based audit planning. This is reflected in an audit report for the government’s 2010 financial statements that is significantly superior to previous efforts. In addition, it is expected that a new audit law that is currently in the approval phase should have a positive impact on establishing the greater independence for the Director of Audit, further embed international standards, and enhance arrangements for promoting meaningful follow-up of audit findings.

**PI-27 Legislative scrutiny of the annual budget law**

This indicator assesses the role of Parliament in setting fiscal policy and having this reflected in the annual budget. The power to give the government authority to spend rests with the legislature, and is exercised through the passing of the annual budget law and is an important link in the chain of accountability for fiscal policy outcomes. Assessing the legislative scrutiny and debate of the annual budget law will be informed by consideration of several factors, including the scope of the scrutiny, the internal procedures for scrutiny and debate and the time allowed for that process.

<table>
<thead>
<tr>
<th>PI-27 Legislative scrutiny of the annual budget law</th>
<th>Minimum Requirements (scoring Method M1)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2010</td>
</tr>
<tr>
<td>Score D+</td>
<td></td>
</tr>
<tr>
<td>(i) C</td>
<td>(i) C</td>
</tr>
<tr>
<td>(ii) B</td>
<td>(ii) B</td>
</tr>
<tr>
<td>(iii) D</td>
<td>(iii) C</td>
</tr>
<tr>
<td>(iv) C</td>
<td>(iv) D</td>
</tr>
</tbody>
</table>
Dimension (i) Scope of the legislatures scrutiny

117. The legislature’s review covers details of expenditure and revenue, but only at a stage where detailed proposals have been finalized. The Constitution of Antigua and Barbuda provides for special arrangements for the approval of “Money bills”\(^{49}\) which require that such bills require only the approval of the House of Representatives. This reflects the fact that ability to pass a budget is a fundamental element of the forming and retaining government in a Westminster form of democracy. In practice, the debate is robust and issues including overall fiscal strategy, policy direction and detailed appropriations are debated in the Parliament. Nonetheless, as is characteristic of Westminster democracies, the Government typically uses its numbers in the Parliament to approve the budget without amendment.\(^{50}\)

Dimension (ii) Extent to which the legislature’s procedures are well-established and respected

118. Simple procedures exist for the legislature’s budget review and are respected. As outlined above, the process for approval of the budget is the same as for any other piece of legislation. It is a process that allows for discussion and debate, through multiple readings of the bill before it is finally approved and the appropriation bill becomes a law. There are no specific committees or review processes for the budget but the overall process is robust and well understood. The budget receives a high level of focus and participation by members of the Parliament and is conducted with a high level of public access and interest.

\(^{49}\) Money bills are those associated with taxation, spending from the consolidated fund, debt servicing and guarantees.

\(^{50}\) Consistent with the Westminster style of democracy that is in place in Antigua, the political party that forms government does so as a result of a majority in Parliament and operates as a de-facto executive arm of government. The ability of that party (or coalition of members) to formulate and have passed its budget is a fundamental test of its ability to hold government. As such, much of the deliberation regarding the formulation of a budget is done at the level of the Cabinet. While the Parliament retains its right to examine and debate the budget, and the budget is the key fiscal policy document for which the Government will be held accountable, the Westminster system does not encourage active negotiation of the content of the budget during the stage of parliamentary approval. In
Dimension (iii) Adequacy of time for the legislature to provide a response to budget proposals both the detailed estimates and, where applicable, for proposals on macro-fiscal aggregates earlier in the budget preparation cycle (time allowed in practice for all stages combined)

119. The legislature has at least one month to review the budget proposals. PI-11 sets out the time at which the budget was tabled in Parliament and the date of final approval. In 2013, the Parliament had one month to review the budget.

Dimension (iv) Rules for in-year amendments to the budget without ex-ante approval by the legislature

120. Rules regarding in-year budget amendments are unclear or are not respected. In Antigua, the rules for undertaking transfers between and within appropriation lines are clear and generally well respected. However, the recent practices in relation to supplementary appropriations indicate that the rules for these adjustments to the budget are either unclear or not respected. Section 92 of the Constitution provides the possibility for supplementary appropriation to be sought when actual expenditures exceed the original appropriations. However, the Constitution does not specify a timeframe within which such expenditures should be regularized. In practice, spending has exceeded appropriations in previous years and supplementary appropriation is only now in the process of being sought (see PI-16). This is an important systemic issue and is discussed in some detail in the most recent external audits of the annual financial statements.

PI-28 Legislative Scrutiny of External Audit Reports

This indicator assesses the role of the Parliament, including the Public Accounts Committee, in ensuring accountability and promoting positive change in public financial management in response to external audit findings.

<table>
<thead>
<tr>
<th>Minimum Requirements (scoring Method M1)</th>
<th>2010</th>
<th>2014</th>
<th>Explanation</th>
</tr>
</thead>
<tbody>
<tr>
<td>PI-28 Legislative scrutiny of external audit reports</td>
<td>Score D</td>
<td>Score D</td>
<td>No change, the PAC in Antigua remains largely inactive.</td>
</tr>
<tr>
<td>(i) D</td>
<td>(i) D</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(ii) D</td>
<td>(ii) D</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(iii) D</td>
<td>(iii) D</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Dimension (i) Timeliness of examination of audit reports by the legislature

121. Examination of audit reports by the legislature does not take place or usually takes more than 12 months to complete. A Public Accounts Committee of the Parliament is place in Antigua but is not active in engaging in examination of audit reports. The Public
Accounts Committee attempted to meet at least three times during 2013 but on only one of these occasions was there a quorum of members present and activities of the committee have not yet extended to reviewing the audits tabled before Parliament. As a result of the PAC not being sufficiently active, there has been no examination by Parliament of audit reports.

Dimension (ii) Extent of hearings on key findings

122. **No in-depth hearings are conducted by the legislature.** The activities of the PAC have not yet extended to holding any hearings or attempting to hold civil servants to account for audit findings or the follow-up of audit findings.

Dimension (iii) Issuance of recommended actions by the legislature

123. **No recommendations are being issued by the legislature.** The activities of the PAC have not yet extended to making any recommendations with regard to the system issues raised by audits.

G. Donors’ practices

D-1 Predictability of direct budgetary support

This indicator measures the correlation between forecasted direct budget support provided by external donors and actually disbursed budget support during the last three years. The indicator considers annual deviations of actual budget support from the forecast provided by donors; it also assesses the extent to which the disbursements of the budget support are predictable during the year on a quarterly basis.

<table>
<thead>
<tr>
<th>D-1 Predictability of direct budgetary support</th>
<th>Minimum Requirements (scoring Method M1)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2010</td>
</tr>
<tr>
<td>Score N/A</td>
<td>Score N/A</td>
</tr>
<tr>
<td>(i) N/A</td>
<td>(i) N/A</td>
</tr>
<tr>
<td>(ii) N/A</td>
<td>(ii) N/A</td>
</tr>
</tbody>
</table>

124. **The GoAB does not receive direct budget support from donors.** For a number of years, Antigua and Barbuda has not been eligible for direct budget support, and has financed its deficit via a debt issuance, multi-lateral or bilateral loans. Therefore, in the 2010 PEFA, this PI was not rated. As of today, the situation has remained the same.\(^{51}\)

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\(^{51}\) The Caribbean Development Bank (CDB) policy based loan of US$13.8 million, on which disbursements were made in 2011, was identified as possible direct support. However, the CDB indicated that this loan is a non-concessional financing.
D-2. Financial information provided by donors for budgeting and reporting on project and program aid

The indicator measures the extent to which government receives adequate financial information on donor-executed programs and projects. Information received on a regular and timely basis is important to allow the government to properly allocate resources towards priorities, to balance the distribution of aid on a sectoral and geographic basis, and to estimate the recurrent cost implications.

<table>
<thead>
<tr>
<th>D-2. Financial information provided by donors for budgeting and reporting on project and program aid</th>
<th>Minimum Requirements (scoring Method M)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2010</td>
</tr>
<tr>
<td>Score D</td>
<td>(i) D</td>
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<tr>
<td>(ii) D</td>
<td>(ii) D</td>
</tr>
</tbody>
</table>

125. **The GoAB receives project grants.** A table of projects externally funded included in the budget is presented below. (The World Bank’s Public and Social Sector Transformation project loan of US10 million is reported as recurrent revenue is the 2014 Budget estimates and therefore not included in the table.) In the budget documentation, the nature of the funding is not précised. However, based on interviews held at the MFEPA, the main project grant is from the People’s Republic of China; Primary and Secondary school capital grant (EC27 million, in 2013)\(^\text{52}\).

\(^\text{52}\) Source: GoAB, Antigua Budget Estimates for 2011, 2012, and 2013
### Table 21. Projects External Funding Reported in Budget Estimates

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
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<tr>
<td>CDB</td>
<td>0.8</td>
<td>0.8</td>
<td>1.2</td>
<td>0.8</td>
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<tr>
<td>Govt of Japan</td>
<td>19.4</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>British Development Aid</td>
<td>0.3</td>
<td>0.1</td>
<td>0.1</td>
<td></td>
</tr>
<tr>
<td>Peoples republic of China</td>
<td>24</td>
<td>27</td>
<td>14</td>
<td></td>
</tr>
<tr>
<td>European Dev. Fund</td>
<td></td>
<td></td>
<td>1.6</td>
<td></td>
</tr>
<tr>
<td>FAO</td>
<td></td>
<td>0.2</td>
<td>0.2</td>
<td></td>
</tr>
<tr>
<td>CARICOM</td>
<td></td>
<td></td>
<td>6.2</td>
<td></td>
</tr>
<tr>
<td>Other external grants</td>
<td>0.2</td>
<td>0.7</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>20.2</td>
<td>25.1</td>
<td>28.6</td>
<td>23.6</td>
</tr>
</tbody>
</table>


126. It is to be noted that Antigua and Barbuda has also received assistance through regional mechanisms. For example, Canada and the CDB provided regional project and programme aid assistance, of which Antigua was a recipient.

### Dimension (i) Completeness and timeliness of budget estimates by donors for project support

127. Not all donors provide budget estimates for disbursement of project aid at least for the government’s coming fiscal year and at least three months prior its start. The CDB provided regional project and program aid assistance, but did not provide budget estimates to national authorities. As regards the World Bank loan, the annual budget preparation is under the responsibility of the project coordinator, and involves consultations with the representatives of the line ministries and the MFEP A Budget Office, project procurement specialist, project financial management specialist, and the World Bank. It is presented in the project budget according to the government's own budget classification. Once prepared, the budget is included to the GOAB budget as one of the programs under the heading of the MFEP A and aggregated at the components level.

### Dimension (ii) Frequency and coverage of reporting by donors on actual donor flows for project support

128. Donors do not provide quarterly reports on the disbursements made. Very limited information is provided to the GoAB on donors’ disbursements. Indeed, the main donors provide a reporting to the authorities at year-end only.

### D-3. Proportion of aid that is managed by use of national procedures

Donor procedures frequently pose an additional burden on the already constrained capacities of national authorities. Furthermore, utilizing national procedures helps to strengthen these procedures. The indicator therefore attempts to assess the degree of alignment with national
procedures in the management of official development assistance. National procedures are reviewed with respect to procurement, payment/accounting, audit and reporting.

<table>
<thead>
<tr>
<th>D-3. Proportion of aid that is managed by use of national procedures</th>
<th>Minimum Requirements (scoring Method M1)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2010</td>
</tr>
<tr>
<td>Score D (i) D</td>
<td>Score D (i) D</td>
</tr>
<tr>
<td></td>
<td>(i) No change since 2010, main donor aid is managed with donor-specific procedures</td>
</tr>
</tbody>
</table>

(i) Overall proportion of aid funds to central government that are managed through national procedures.

129. **Less than 50% of aid funds to central government are managed through national procedures:**

- Based on interviews with the MFEPA staff, it is understood that loans and grants provided by the Chinese government are maintained in a separate bank account, with the Chinese government paying direct to suppliers based on a request from the government. As Chinese grants represented more than 50% of the project funding reported in the budget estimates, it is considered that less than 50% of aid funds are managed through national procedures;

- Disbursements on use of World Bank funds for projects in Antigua and Barbuda are prepared by the Project Management Unit (PMU) maintained with the MFEPA. The World Bank advances funds to a Designated Account and then the PMU/MFEPA would submit documentation to the World Bank periodically to substantiate the eligible expenditures spent by the project. Based on the periodic reports provided, the World Bank would then reimburse and provide further advances to the project. External audit is carried out by a commercial audit firm, not the Auditor General. For 2013, the World Bank disbursed $1.489 million to this project.
IV. REFORMS

A. Recent initiatives and ongoing reforms

130. In support of the Government’s fiscal consolidation program, a comprehensive Public Financial Management (PFM) Reforms program has been implemented since 2010. Following a Public Expenditure and Financial Accountability (PEFA) assessment in May 2010, the GoAB has developed a PFM Reform Action Plan, which was endorsed by the Cabinet in November 2010. The 2014 Budget Speech presents the objective of this PFM Reform program as follows:

- Ensuring transparency and accountability in the use of public funds;
- Increasing oversight and management of government expenditure;
- Modernizing and streamlining institutional arrangements and procedures for public financial and operational management;
- Enhancing predictability and control in budget execution;
- Ensuring efficient and cost effective delivery of Government services.

131. Some successes have already been achieved; however, many of the reforms are still in progress. Progress towards critical dimensions of performance of the PFM systems are described in the section IV above. However much of this progress has not yet resulted in an improvement of the applicable performance indicators. The authorities’ PFM Reform Action Plan, updated as of November 2013, shows that 13 of the 60 actions are considered as completed, and identifies several partially completed or incomplete actions. This acknowledges that significant work remains to be done in order to consolidate the progress made, and address the remaining weaknesses in PFM system. The ongoing and planned reform efforts include:

- Improvements to the PFM legal framework: (i) a new Audit Act providing that is expected to provide for greater organizational independence for the Director of Audit and giving greater responsibility to the Public Accounts Committee has received a first reading on August 28, 2013; (ii) new Procurement regulations have been drafted; (iii) possible amendments the FAA, 2006, or adoption of new financial regulations are discussed;

53 They include, for example, the improvements to the budget preparation procedures (presentation of the budget information); the work on bank reconciliations and subsequent reduction of the financial statements’ backlog; the setting-up of a framework for internal and external audit activities and capacities’ building in both areas; the creation of a State Owned Enterprises Unit.
Businesses processes reengineering and upgrade of the IT systems: (i) a new version of the IFMS is developed, and the business processes are currently reviewed and reengineered as part of this IT project; and, possibly, (ii) ASYCUDA World for the Customs administration.

Reinforcement of resources and capacities: budget allocations for the creation of a Macrofiscal Unit and a Procurement Unit in the MFEPA have been approved by the Parliament (2014 budget), and it is expected that these units will be operational by the end of the first semester of 2014;

Public access to information: the authorities have projects for launching (i) a Transparency Portal that would possibly present the voted budget, financial reporting, and procurement information is currently discussed; and (ii) a Customs Portal.

132. **Reform risks remain, and an update of the PFM Reforms action plan will be important for achieving results over the next years.** As discussed above, most of the reforms are still on-going, and critical steps towards improvements to the legal framework and reengineering of business processes remain to be done. Inability to reach agreement at key decision points – particularly regarding the legal framework – and technical impediments on systems implementation as well as change management issues represent the main risks to the reform effort. In this context, decisions made regarding the update of the PFM Reforms action plan, based on the results of the 2014 PEFA assessment, will particularly important.

133. **The PFM reform implementation should be supported by the Public and Social Sector Transformation project also undertaken by the GoAB.** As underlined during the 2014 Budget Speech, under this project, a capacity building program will be designed for public sector entities to enhance their ability to execute their functions. Based on the recommendations flowing from functional reviews of all ministries, including the Cabinet Secretariat, new structures, reengineered business processes, and information technology will be used to boost organizational capacity across Government.
B. Institutional factors supporting reform planning

134. **The monitoring of reforms by the GoAB has been limited over the last years, but has been reinforced recently.** While limited resources were allocated at first to the monitoring of the reforms, a number of actions have recently been undertaken for strengthening and monitoring of the PFM reforms. As of today, reform planning is supported by the following structures:

- A PFM Reforms Steering Committee. This Committee met twice in 2012, and three times in 2013. Its role is to monitor the implementation of the PFM Reforms action plan. It is chaired by the Finance Minister and involves all the relevant departments/ministries, the EU and the IMF;

- A Deputy Financial Secretary designated in December 2012 as the PFM reforms coordinator. However, limited resources for undertaking the monitoring of the reforms have impaired their oversight. Therefore, a budget allocation for the creation of a PFM Coordination Reform Unit in the MFEPA was has been approved by the Cabinet in 2013 Parliament (2014 budget). This unit would also be in charge of donor coordination;

- An Apex Steering Committee (ASC) has been created for providing an overarching view of the portfolio of inter-related reform projects and ensuring a more efficient allocation of resources, but it has not met yet.

135. **In implementing this PFR Reforms program, the Government has benefitted from significant technical assistance over the last four years.** The EU has demonstrated a strong commitment to supporting PFM and taxation reforms in Antigua and Barbuda. In October 2011, in response to a request from the MFEPA, the Economy and Public Administration (MFEPA) of Antigua and Barbuda, the IMF (acting as the executing agency), and the European Union (EU) signed a 28-month contribution agreement for strengthening both revenue administration and PFM. The EU has also provided additional support to customs of EUR 680,000 for the installation of Asycuda World ++ in 2014. The authorities have selected PFM as the focal sector for the 11th EDF support from the EU that would follow-up on the current project ending in June 2014. DFID and CARTAC also provided support prior to the EU program.

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54. This agreement was signed under the 10th European Development Fund (EDF), the EU provided EUR3.68 millions to support the PFM and revenue administrations reforms.

55. The 11th EDF National Indicative programme for support to Antigua and Barbuda 2015-2020 is still in the approval process.
136. **Political support is key to achieving the desired reform.** The political support for PFM reforms implementation has also been sometimes lacking, which has resulted, for example, in some delays for adoption of new laws, and outstanding bills waiting to be approved. Therefore, the Cabinet’s support will be instrumental for achieving progress in many areas that require better discipline from departments (for example, commitment control, or SOEs oversight). Parliament support will in particular necessary for improving the legal framework.
### ANNEX 1. List of documents/reports consulted

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Documentary evidence</th>
</tr>
</thead>
</table>
| PI-1, 2 and 3 | FY2011, 2012, 2013 and 2014 Budget Estimates  
FY2012 Financial statements |
| PI-4 | IMF Staff Report for the 2012 Article IV Consultation  
Monthly debt report of the Government of Antigua and Barbuda  
Fiscal Data files supplied MFEP |
| PI-5 | FY2013 Budget Estimates  
FY2014 Budget Estimates  
Chart of Accounts Book, January 2014 |
| PI-6 | Budget speech 2014  
FY2014 Budget Estimates  
FY2012 Financial statements  
The Budget Summary: Business Plans of Ministries and Statutory Organizations  
The Budget Estimates for the SN Government of Barbuda |
| PI-7 | FY2013 Business Plan of Antigua and Barbuda Social Security Board (ABSSB)  
FY2013 Business Plan of Medical Benefits Scheme (MBS)  
FY2013 and 2014 Budget Estimates  
Overview of SOEs provided by the SOE Unit in the MFEP |
| PI-8 | Barbuda Local Government Act (1976)  
The Budget Estimates for the SN Government of Barbuda  
Quarterly Report prepared by SN government of Barbuda and provided by the Budget Office of MFEP |
Overview of SOEs provided by the SOE Unit in the MFEP  
A number of Quarterly Management Reports prepared by SOEs  
FY2012, 2013 and 2014 : The Budget Summary: Business Plans of Ministries and Statutory Organizations  
Fiscal Risk Analysis provided by SOE Unit  
Barbuda Local Government Act (1976) |
| PI-10 | The Government of Antigua and Barbuda website  
FY2014 Budget documentation  
FY2012 Financial Statements  
FY2010 Audit Statement |
| PI-11 | Fiscal Administration Act (2006)  
FY2013 and 2014 Budget Circular  
Pamphlets: Planning and Budgeting for 2014 for the Ministries and Planning and Budgeting for 2014 for the Statutory bodies  
Schedule of recurrent budget allotments 2014 provided by the MFEP |
| PI-12 | Budget speech 2014  
Draft MTFF 2014-2018 provided by the office of Financial Secretary  
Draft mid-term review 2013  
Medium-term debt strategy 2013-2017  
Debt Sustainability Assessment 2012 and 2013  
Antigua and Barbuda, Debt profile review, 2006-2010  
The Economic and Social Transformation (NEST) Plan 2010-2014  
Guidance document for development of investment proposal submissions, June 2006  
An example of capital project provided by the DPU |
<p>| PI-13, 14 and | Legal documentation (Income Tax act, Sales Tax act, Company Tax act) |</p>
<table>
<thead>
<tr>
<th>Indicator</th>
<th>Documentary evidence</th>
</tr>
</thead>
</table>
| 15        | AB Investment Act, Customs Duties Act - No 20 of 2011,…)  
            IRD Leaflets  
            Date from customs and IRD on penalties and arrears |
| PI-16     | The Finance Administration Act, 2006  
            The Finance Administration Regulations, 2010  
            Data from the BO on warrants |
| PI-17     | Debt Management Unit Procedures Manual  
            2012 Cabinet decision on guarantees issuance  
            Treasury Bills Prospectus January 2014  
            Debt statistical reports for 2013 |
| PI-18     | FreeBalance Manual  
            Payroll Audit Report by: Kithinji Kiragu, CPA and Public Sector Management Specialist,  
            Kenya Megan Samuel - Fields, CPA and Attorney at Law, Antigua and Barbuda  
            Sandrena Cuthbert, BSc, Antigua and Barbuda  
            First Draft -February 2011 Final: 5 May 2011 |
| PI-19     | Tenders Board Act, 1991  
            Procurement and Contract Administration Act, 2011 |
| PI-20     | The Finance Administration Act, 2006  
            The Finance Administration Regulations 2010  
            FreeBalance Manual  
            Report of the Director of Audit for the Accounts of Antigua and Barbuda for the period  
            ending 31 December 2010 |
| PI-21     | Internal Audit Manual  
            Code of Ethics  
            Internal audit reports  
            Internal audit Plan |
| PI-22     | Statement of bank reconciliations as of December, 2013 (AGD)  
            Trial Balance 2013  
            GoAB Financial statements 2012  
            Report of the Director of Audit for the Accounts of Antigua and Barbuda for the period  
            ending 31 December 2010 |
| PI-24     | Monthly fiscal reports 2013 |
| PI-25     | GoAB Financial statements 2012 |
| PI-26     | Finance Administration Act (2006)  
            Report of the Director of Audit for the Accounts of Antigua and Barbuda for the period  
            ending 31 December 2009, 2009 and 2010  
            Performance Audit on the National Solid Waste Management Authority 2013 |
            Finance Administration Act (2006)  
            Budget speech 2014  
            Constitution of Antigua and Barbuda |
| PI-28     | Finance Administration Act (2006)  
            Report of the Director of Audit for the Accounts of Antigua and Barbuda for the period  
            ending 31 December 2009 and 2010 |
**ANNEX 2. People consulted**

<table>
<thead>
<tr>
<th>Name</th>
<th>Department, Organization</th>
</tr>
</thead>
<tbody>
<tr>
<td>Whitfield Harris</td>
<td>Finance Secretary, MFEP</td>
</tr>
<tr>
<td>Rasona Davis</td>
<td>Deputy Finance Secretary, MFEP</td>
</tr>
<tr>
<td>Cleopatra Gittens</td>
<td>Accountant General, MFEP</td>
</tr>
<tr>
<td>Shireen Etinoff McAlmont</td>
<td>Accountant General Office, MFEP</td>
</tr>
<tr>
<td>Joel Merchant</td>
<td>Accountant General Office, MFEP</td>
</tr>
<tr>
<td>Nicole Carter</td>
<td>Accountant General Office, MFEP</td>
</tr>
<tr>
<td>Carolyn Tonge</td>
<td>Budget Office, MFEP</td>
</tr>
<tr>
<td>Nicole Parker</td>
<td>Budget Office, MFEP</td>
</tr>
<tr>
<td>Donna Sandy</td>
<td>Budget Office, MFEP</td>
</tr>
<tr>
<td>Nadia Spencer-Henry</td>
<td>Debt Management Unit, MFEP</td>
</tr>
<tr>
<td>Karel Forde</td>
<td>Debt Management Unit, MFEP</td>
</tr>
<tr>
<td>Claudia Steele-Henry</td>
<td>Debt Management Unit, MFEP</td>
</tr>
<tr>
<td>Tiffany Varge</td>
<td>Debt Management Unit, MFEP</td>
</tr>
<tr>
<td>Yolanda Joseph</td>
<td>Debt Management Unit, MFEP</td>
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<td>Shiron Burton</td>
<td>Debt Management Unit, MFEP</td>
</tr>
<tr>
<td>Dean Evanson</td>
<td>Auditor General</td>
</tr>
<tr>
<td>Hortermsia Brookes</td>
<td>Developing Planning Unit, MFEP</td>
</tr>
<tr>
<td>Tracelyn John-Spencer</td>
<td>Developing Planning Unit, MFEP</td>
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<tr>
<td>Kimbalie Constant</td>
<td>Developing Planning Unit, MFEP</td>
</tr>
<tr>
<td>Alton Forde</td>
<td>Fiennes Institute, Ministry of Health, Social Transformation, Consumer Affairs and Local Government (MOHSL)</td>
</tr>
<tr>
<td>Sharon Chiddick</td>
<td>Central Board of Health, MOHSL</td>
</tr>
<tr>
<td>Clarence E. Pilgrim</td>
<td>Clarevue Hospital, MOHSL</td>
</tr>
<tr>
<td>Sandy Daniel</td>
<td>MOHSL</td>
</tr>
<tr>
<td>Sandra Derrick</td>
<td>SOE Unit, MFEP</td>
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<tr>
<td>Dane Solomon</td>
<td>SOE Unit, MFEP</td>
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<tr>
<td>Ted Lewis</td>
<td>Macro-fiscal Unit, MFEP</td>
</tr>
<tr>
<td>Sean Cenac</td>
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</tr>
<tr>
<td>Lebrecht Hesse</td>
<td>Solicitor General, Tenders Board</td>
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<tr>
<td>Joan Roberts</td>
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</tr>
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<td>Natasha Drew</td>
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<td>Doug McLaren</td>
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<td>Everet Christian</td>
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<td>George Brown</td>
<td>Customs and Excise Division</td>
</tr>
<tr>
<td>Caroline Luby</td>
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<tr>
<td>Raju Buddu</td>
<td>Customs and Excise Division</td>
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<tr>
<td>Francia Sheppard</td>
<td>Establishment Office</td>
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<td>Rosa Greenway</td>
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<tr>
<td>Nicola Edwards-Francis</td>
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<tr>
<td>James Orlnston</td>
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</tr>
<tr>
<td>Christine Mills</td>
<td>Establishment Office</td>
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<tr>
<td>Jarret Knight</td>
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<tr>
<td>Daniel Knight</td>
<td>IT Department, MFEP</td>
</tr>
<tr>
<td>Kenisha Abbot</td>
<td>IT Department, MFEP</td>
</tr>
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<td>Yolanda Honore</td>
<td>IT Department, MFEP</td>
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<tr>
<td>Name</td>
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<tr>
<td>Renee Baltimore</td>
<td>IT Department, MFEP</td>
</tr>
<tr>
<td>Walter P. Christopher</td>
<td>Ministry of Public Works and Transport</td>
</tr>
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<td>Elise James</td>
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<tr>
<td>Curtis McKay</td>
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<td>Pierre Richardson</td>
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<tr>
<td>La Verne Francis-Brouse</td>
<td>Medical Benefits Scheme</td>
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<td>Hue Brown</td>
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<tr>
<td>Jo-Anne Lovell</td>
<td>Medical Benefits Scheme</td>
</tr>
<tr>
<td>Therez David</td>
<td>Ministry of Education, Sports, Youth and Gender Youth Affairs</td>
</tr>
<tr>
<td>Joan Carrott</td>
<td>Ministry of Education, Sports, Youth and Gender Youth Affairs</td>
</tr>
<tr>
<td>Valerie Mussing Ton</td>
<td>Ministry of Education, Sports, Youth and Gender Youth Affairs</td>
</tr>
<tr>
<td>Errol Samuel</td>
<td>Chamber of Commerce</td>
</tr>
</tbody>
</table>
Disclosure of Quality Assurance Mechanism

The following quality assurance arrangements have been established in the planning and preparation of the PEFA assessment report for the Antigua and Barbuda, final report dated February 2014.

1. Review of Concept Note and/or Terms of Reference

   - Draft concept note and/or terms of reference dated January 2014 was submitted for review on January 9, 2014 to the following reviewers:
     - 1) Xavier Rame and Jean-Pierre Nguenang, IMF
     - 2) Colette O’Driscoll, EU
     - 3) David I, WBG
     - 4) John Edwards and Karel Forde, Government of Antigua and Barbuda
     - 5) Phil Sinnett, PEFA Secretariat
   
   Final concept note and/or terms of reference forwarded to reviewers on February 3, 2014.

2. Review of draft report(s)

   - Draft report dated February 2013 was submitted for review on March 7, 2014 to the following reviewers:
     - 1) Xavier Rame and Jean-Pierre Nguenang, IMF
     - 2) Colette O’Driscoll, EU
     - 3) David I, WBG
     - 4) John Edwards and Karel Forde, Government of Antigua and Barbuda
     - 5) Phil Sinnett, PEFA Secretariat

3. Review of final draft report

   A revised final draft assessment was forwarded to reviewers on October 7, 2014 and included a table showing the response to all comments raised by all reviewers.