HM Government
of Gibraltar

Appropriation Bill 2026

BUDGET ADDRESS

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The Hon Sir Joe Bossano MP

INTRODUCTION

Madam Speaker,

When I first addressed this House on the subject of artificial intelligence last year, much of the discussion centred on AI as a tool that could answer questions, write reports, or generate images.

In the short period since then, the technology has advanced beyond simple assistance towards autonomous action. The emergence of AI agents means that software can increasingly undertake complete tasks, manage workflows, analyse information, and make routine decisions with limited human intervention.

The implications are profound. We are no longer discussing the automation of individual activities. We are discussing the automation of entire functions within organisations. This represents a step change comparable to the transition from mechanised tools to the fully automated factory.

A second major development has been the enormous race for AI infrastructure and electricity. During last year, governments and technology companies have committed hundreds of billions of dollars to data centers, chip and power generation. The strategic asset is no longer only the AI model itself but the electricity and computing capacity needed to run it. Projects such as Stargate in the United States and the creation of sovereign AI infrastructure in countries such as the United Kingdom demonstrate that AI is increasingly viewed as a matter of national economic security.

Just as the Industrial Revolution was powered by coal and steam, the AI revolution is powered by electricity and computation.

What has become increasingly clear over the last year is that access to computing power is emerging as a strategic national resource. Nations are investing unprecedented sums in data centers, semiconductor manufacturing, electrical grids and advanced energy technologies.

The race is no longer simply to create the best AI. It is to process the infrastructure capable of supporting it. The countries that control energy, computing capacity and advanced AI systems may exercise a level of economic influence comparable to that enjoyed by the great industrial powers of the nineteenth century.

A third development is the need for fusion energy, which looks even more relevant today than it did a year ago. AI and fusion are now increasingly being discussed together, with AI being used to accelerate fusion research and fusion being viewed as a potential long-term solution to AI’s growing energy demands. Although commercial fusion has not yet arrived, the timeline is increasingly discussed in terms of the early 2030s rather than the distant future.

For more than two centuries, economic theory has largely assumed that human labour, capital, and natural resources are the principal factors of production.

Artificial intelligence challenges that assumption. If intelligence itself becomes abundant and available on demand, then society may have to reconsider how value is created and distributed. The central economic question of the coming years may not be how to increase production, but how to distribute the benefits of production when fewer people are required to create it.

But just how quickly and how widespread is still in doubt.

The conversation about AI's usefulness has matured considerably over the past year.

Outright denail of its capabilities has diminished as more people have seen for themselves what it can do in their line of work. The attle is now over exactly how much value it provides.

Evidence from past technological revolutions,where the real jumps in productivity and job displacement came from new companies and processes rather than incumbents grafting new technology onto existing workflows.

In the case of electricity in the late 19^{th} and early 20^{th} century, productivity gains were modest where factories simply replaced giant steam engines with giant electric motors but left the rest of the machinery and layout unchanged. The boom arrived decades later when engineers fitted individual workstations with their own small motors.

The announcement last month by Mastercard of agent pay for machines AP4M services, which enables AI agents and software systems to make payments to each other securely, a scale, and without human intervention, is a sign of how fast things can move in some areas.

The platform would support automated transactions across cards, bank accounts, and stable coins, while providing identity verification, spending controls and guaranteed settlement through MasterCard network.

Madam Speaker,

Population growth is one of the most important indicators that we need to monitor in order to plan the direction in which we must take our economy.

Traditionally, Gibraltar has always had strict controls on who could come to live and work in Gibraltar.

In 1972, when we negotiated our membership of the EEC together with UK, we lost control of both the residency requirements and the labour market as members.

This of course, at the time of entry in 1973, had no impact because we had an island economy without access to the Iberian Peninsula.

However, after the entry of Spain and Portugal, the EU rights, created free movement and employment rights.

Now, those rights are restricted to those EU citizens that had exercised them before we left the EU and continue to do so.

The new Treaty does not give any EU citizen the right to come to take residence or employment in Gibraltar.

We have the access to the market for goods in the EU and for services in UK, and more control about who can live and work in Gibraltar than we have had since 1972.

However, at the same time, the labour market is now open to EU citizens who acquire residence in Spain and seek employment or self-employment in Gibraltar as frontier workers.

This new framework means that we need to operate the economic policies in the new context to maximize the benefits for our country.

The £37,500 salary requirement for new residency for persons of any nationality who want to reside and work in Gibraltar will have a beneficial impact on the economy contrary to what Mr. Azopardi and presumably the Opposition party believe.

The UK has a similar, but higher, threshold for work and residence permits into the UK. So do other countries.

In Gibraltar there will be exceptions to the thresholds allowed in specific cases where there is a need.

Increasing our population with new people on low wages, which is what Mr. Azopardi advocates, reduces the average tax yield and increases the pressure on public services.

This is detrimental to economic development and the delivery of public services which would initially be reduced in quality temporarily until increased public funding was invested in increasing the supply of the services at a cost to the existing population of taxpayers.

The analysis of how average earnings have been rising in recent years, shows that the growth of the economy is accompanied by ever higher average earnings generated by higher productivity and is clear evidence of the need for the salary threshold.

Of course, monitoring the total population alone is not enough, we need to analyse for example the growth by births in Gibraltar as opposed to immigration. We also need to analyse the age structure of the population in order to identify the balance between those ages in the production of economic output; the young and the elderly, the two ends from birth to education and post age 60 in retirement pensioners, as percentages of the whole population.

The most recent figures in the 2022 Census show that the pensioner population has grown consistently if we go over previous census figures.

Over the years since the post war, the population has been as follows:

1951 20,845 - **1961** 21,636 - **1970** 24,672 - **1981** 26,479 -

1991 26,703 - **2001** 27,495 - **2012** 32,194 - **2022** 37,936.

Between 1951 and 2001 the population increase was consistent with the excess of birth of over death.

The natural rate of growth.

However, the exception to this was between 1981 and 1991 our population growth had a huge drop in the rate of increase.

The increase over 10 years was a mere 224 individuals.

Of course, this was also the period of a closed frontier and MOD cuts which led to many Gibraltarian’s going to UK and well elsewhere.

Before proceeding with the analysis I want to remind members opposite that every year I suggest that on this particular aspect of Gibraltar’s future, the management and direction of the economy it would be in the national interest to know if they agree with the analysis and the step we need to take, or disagree, or they have measures which they believe will provide a secure economy for the future which they are willing to share.

They have, to date in the 14 years, never indicated that they thought my analysis of the economy and its direction is flawed, nor have they ever suggested measures that we should be doing to promote a secure economy, but we are not doing.

Mr Clinton, who speaks on public finances and the general cash movements admits that he has no knowledge of economics. Indeed, I am not too sure that he understands how the public finances work in terms of the structure in the book given the comments that we have heard over various budget debates along these years.

He also has argued occasionally that we do not have an economic policy, and that in particular it is not true that we changed our economic policy after COVID or after Brexit. This of course is totally untrue, Madam Speaker. I have pointed out in detail for example of how after Brexit we changed the target indicator from the GDP per Capita to the GDP per worker I also explained its importance. The former is an indication of consumption and the latter reflects the level of labour productivity.

I announced the change in 2019 and have subsequently given examples of how we are monitoring this. At no point have they shown the remotest interest in this or even commented whether they think its a good thing to be doing or not. Of course, it could well be that members opposite think that there is no need to have a policy, with measures on how to manage the evolution and the direction of the economy. Which, of course, also requires that we take note of the global framework in which we have to be operate and compete.

Maybe they are of the view that the economy is a self-adjusting system that acts by itself and therefore they neither support nor oppose what we believe is needed. They may think the economic structure of Gibraltar is one that is independent of policy decisions by Government. Maybe their political position is that they neither oppose nor support economic planning because is not something that they would do in Government. Therefore maybe it is that they function more at a municipal level than at a national level.

If that is the case, so be it, but I still feel it is my duty to explain the policy and invite their cooperation and if there is no change of course from one year to the next then clearly I have to assume that it's an area of policy that has no importance in their agenda. It will nonetheless be there for the record in Parliament and available to the public.

So, getting back to the process of the demographic effects that we consider needs to be analyzed, in order to ensure the economy goes in the direction that it is supposed to go. The following part of the data we have collected and analysed provides the background that shapes the policy decisions we have to take on board.

As regards the growth of the population as a whole, the figure just after the war, in 1951, at 20,845 residents showed hardly any increase from the figures 50 years earlier, in 1901, when it was 20,355.

An increase of 490 persons in 50 years, an average of less than 10 persons a year.

From 26,703 to 37,936 in 30 years, the growth had accelerated after the census of 1991 which had shown a small level of growth from 1981 at 224 persons.

From 1991 to 2022 the resident population went up by 11,233.

By contrast In the most recent 10 years to 2022 the growth in population was 5742.

To assess this increase in terms of its economic impact we need to compare the changes in ages.

This should then be related for economic impact with those areas where there would be dependence on the Government provision of services.

The under 20s population went up by 1483.

From 7098 to 8581

The over 60's from 4855 to 9614, an increase of 4659 almost doubling the numbers in this section of the population.

The 20- to 60-year-old, the economically active potential increased by 5086 persons from 14755 to 19841.

Clearly the percentage increase below 20 and above 60 was much higher than the middle group, the 20 to 60 group, but even in number of individuals, the increases were lower in the potentially productive group at 5086 against 6142 for the two groups combined.

However, we have an additional issue in Gibraltar as a consequence of a high numbers of frontier workers as a percentage of a labour market.

The issue that caused a great deal of problems in the past when the entrance of Spain into the EU, created a liability in respect of Social Security pension for former frontier workers is an example of how costly this can become if we do not plan for such contingencies. The final cost met by UK was of the order of £250m.

The 1988 GSLP government faced this issue because what could have been avoided by putting in place the necessary measures earlier was not done, even though we had put proposals to the government of the day when we were in opposition.

So experience teaches us that we have to plan for future potential issues and have a strategy to deal with them.

The position has now changed because we are no longer members of the EU. We are only in a relationship of having access to the single market.

The liability for future social security pension is therefore different.

But we need to be aware of what is currently the position which could be growing in future years.

In the last financial year, we had overseas pensioners of 40 different nationalities who were residing in their country of origin and numbered in total 5459.

The biggest groups were 2268 in Spain, 1890 in Morocco and 891 in UK the 2 other largest EU countries were Portugal with 91 and Belgium with 86, with the remaining 35 having much lower numbers.

The number of overseas pensioners are currently less than residential pensioners who number 9514 of which 7155 are male pensioners and 2359 female, but this could change in the future. The total global number of pensioners therefore comes to 13,654 and the annual payment is of the order of £54 million. Though the cost may seem high, the pattern is not unique to Gibraltar, and indeed it's much bigger in other countries, but it follows that the social structure of dependency will mean that the numbers that need social support will continue to outgrow the numbers in the labour market, producing economic activity.

A low rate of births and better medical services and quality of life has led in almost all the western countries to an ever-increasing pensioner population as an overall share of the total population. This is also happening in Gibraltar, but again to a lesser extent than elsewhere.

Just how big this change is has to be measured by looking at these percentages over a longer period of time to assess the impact of the change. It has an important effect on the demand economy and the need to maintain economic output.

Clearly the economy of a society which has a regular annual increase in the number of pensioners as a percentage of the population accompanied by a decline in birth rates and a declining level of young people and children will have a completely different demand for goods and services to what we have been used to in the past.

This is a phenomenon across the advanced economies that is creating many difficulties on how to adapt. Some countries are now closing primary schools in different parts of their territory because of lack of sufficient young children to provide the volume to maintain the schools.

In Gibraltar, we are nowhere near this level, but we need to be conscious of where the direction of travel is and prepare ourselves for the changes that need to happen.

The standard method for measuring whether a population is stable, that is, neither growing nor shrinking, is to measure the number of children in relation to the maternity rates. The established concept is that if 2:1 children are born per female in the population (which is called the fertility rate), it means that that it is sufficient to replace the parents and cater for those who have no children.

This fertility rate level is no longer happening in any advanced economy or in any European country – they are all below this rate. In Gibraltar, we are closer to the fertility rate reproduction measure than most other places but we are still growing more by immigration than by new births, as is happening elsewhere.

If it is self-evident that the proportion of pensioners in the population is increasing, then it is obvious that we need to have a strategy in the way we deploy resources as regards spending and equally in the way we raise revenue to be able to support an ever-increasing aging population.

Although many western countries and advanced economies face this problem, so far no one seems to have come up with how to deal with it other than trying to reverse the demographic position by providing subsidies to encourage an increase in births.

An example of what can happen if proper measures are not put in place beforehand to guarantee the income of pensioners, is the announcement on 9th June in the United States in respect of their Social Security trust fund.

Similar to our arrangements in Gibraltar, the trust fund provides funding for pensions and Medicare.

The announcement stated that the trust will be depleted by 2032 at which point incoming revenue will only be able to pay 78% of scheduled benefits. For the one in five Americans who receive Social Security that means a potential across the board benefit cut of some 22% unless congress intervenes and deploys public funding.

Fortunately for our elderly, me included, we are in a much better position to meet the challenge, and we are actively engaged in providing a long-term solution.

There were more people aged over 65 in the 2022 census than the previous one, although the ratio is already higher than ours in other jurisdictions.

An issue in terms of the population of Gibraltar as regards pensioners is that the increase may not be solely the result of higher life expectancy of the existing population. Gibraltar is a place which UK pensioners will find it very attractive to transfer their pension rights to and take up residence.

In UK pensions are taxed and payments have to be made for medications. Here there are no taxes on inheritance, income from savings, or pensions.

This needs monitoring to see whether the change in demographics is being affected by new residents in that category or mainly by people having longer life expediencies in Gibraltar, because it requires different policies to deal with the situation.

The need for monitoring population change has been made clear by the very high numbers seeking residence since 2022 compared to our historic population changes, which have been relatively easy to manage.

Trade with UK in services is a very important part of our economy and will continue after the Treaty comes into effect this month. But the trade in goods could be affected given that the Gibraltar UK bilateral trade will now be deemed to be between the UK and the EU.

The recent figures published by UK show the following:

Total trade in goods and services (exports plus imports) between the UK and Gibraltar was £5.4b in the four quarters to the end of Q4 2025, a decrease of 13.6% or £845m in current prices from the four quarters to the end of Q4 2024. Of this £5.4b. Total UK exports to Gibraltar amounted to £4.1b in the four quarters to end the Q4 2025. (a decrease of 4.6% or £198m in current prices, compared to the four quarters to end of Q4 2024); Total UK imports from Gibraltar amounted to £1.3b in the four quarters to the end of Q4 2025 (a decrease of 34.1% or £647m in current prices, compared to the four quarters to the end of Q4 2024). Gibratlar was the UK's 46th largest trading partner in the four quarters to the end of Q4 2025 accounting for 0.3% of total UK trade.

To put this trade figures in context we have to note that at 46th place as UK trading partner we are above Malta, which has a much bigger population and has had a similar trading relationship with UK.

We are also the 34th largest export market for UK.

Pre-Brexit bilateral trade was in a range of £2.6b to £2.9b. it went up every year from £3.7b in 2017 to reach a peak of £7.1b in 2023 and then came down to £6.2b in 24 and the figure of £5.4b of last year.

The drop is primarily in a down turn in our exports to UK which went up in 2021 to £2.4b but in 2024 started dropping to the pre-2019 figures which were in a range of £1.8b £2.2b.

The probable explanation for this is that during the Covid years 2019 and 2020 it fell to £0.7b and £0.6b and there has been a post Brexit recovery.

The bilateral trade with the EU in 2025 was slightly up at euro 7.799b with the balance in favor of the EU at euro 7.485b.

LABOUR MARKET

Madam Speaker,

As members are aware the policy on the labour market changed as a result of Brexit and whilst we were in the state of uncertainty as to whether a Treaty with the EU, that respected our red lines, could be delivered.

We changed our economic policy, to concentrating on increasing national productivity.

We concentrated on maintaining the size of the GDP with a reducing workforce, or ensuring the GDP growth was higher than the growth of the workforce.

With a preference for the first option, given the uncertainty of access for our frontier workers.

In a situation where Spain could control at any time the speed of processing travel into our country, the advantage of having frontier workers became a liability. The liability could become a choke point.

The last employment survey showed that the increase in employment level was mainly from more Gibraltarian's and more Spanish citizens, 108 and 372 respectively.

Other British were the only group to experience a decline, minus 17, down from 5825 in 2024 to 5808 in 2025 - but still in third place, behind Gibraltarian's and Spanish nationals.

The overall increase in the level of employment of the labour market to 32,206 puts it at an all time high, but only marginally above the target predicted last year at 32,200.

The increase in the 12 months, October 24' to October 25' at 572, is a high number, but not the highest.

The drop from COVID was 1214 in the private sector, but only 30 Gibraltarian's were affected and the public sector increased by 117 with health and social workers up 434.

One of the changes that has followed the Covid recovery of the economy in the context of Brexit limiting UK citizens working in the EU, which includes Spain, has been the change in the composition of the frontier workers in Gibraltar.
As I have explained in the last budget the growth and the dependence on frontier workers increased at a very much lower pace after Covid that than it was doing in previous years, is up to 2019.

In 26 Gibraltarian were down 7 at 332, UK down 104 at 1767 Spanish went up 351 to reach 937, 4 and others increased produce a total of 14.112.

So the picture is that from 14150 frontier workers in 22 we have gone to 14112 in 25 and net decline of 38.
Within this decline the number of Gibratlarian went up by 24, Uk went down 421, Spanish nationals went up 520 and others down 85.

The post COVID economic recovery in 2022 increased the workforce by 747 from 30,403 to 31,150. Moreover, there was a drop of 181 in the public sector and the growth of the private sector was even higher at 915.

Out of this figure EU citizens, including Spanish nationals, increased by 600.

So, from 31,150 in 2022 the market has grown to 31,523 in 2023, 31,634 in 2024, and now 32,206.

The labour market now compared to the October 2011employment survey is bigger by 45% in 14 years

32,206 employees up from 22,247, an increase of 9959 with the private sector growing by 8301 from 16,960 to now 25,261.

The composition of the workforce shows Gibraltarian increasing from 10,220 to 11,779, UK employees going up from 4416 to 5808, Spanish nationals from 4635 to 10,208, other nationalities from 2976 to 3604

The big increase clearly has been in Spanish workers who in 2011 were almost all frontier workers 4241 out of 4635

Into 2025 of the 10,208 workers 9374 were frontier workers

However the big increase did not change the ratio of frontier workers to Gibraltar residents, which was 91.5% frontier worker in 2011 and 91.8% frontier worker in 2025.

It is likely that any further increase this year will be in frontier workers.

With the new frontier conditions, it is not possible to make an assessment for the size of the market in October this year.

Labour productivity measures the value of the output of the economy, the GDP, by reference to the size of the labour market. That is how many employees were engaged in creating the output that is being measured.

We now monitor this because we consider it more relevant than dividing the output by the population when the resident workforce is half or less of the total workforce.

Other countries also measure productivity in this way, but the majority use GDP per capita for international comparisons.

The GSD produced a level of GDP in the last year in government, 11/12, which amounted to £1,201.31b with a workforce of 22,247.

This resulted in a value of output per worker of £53,999.

The following year, 12/13, we delivered an economic output, the GDP of £1,317.06b, an increase of £115.75m.

But more important than the increased output is the fact that we achieved it with a reduced workforce at 21,519 thereby increasing per worker productivity by £7,206, from the figure the previous year of £53,999 to £61,205.

From October 12 to October 19 the workforce grew from 22,247 to 29,995, an increase of 7748, 35% in seven years.

In the next six years, the slow down is remarkable from 29,995 in the 2019 it grew to 32,206 by 2025.

An increase of 7% in six years compared to the previous 35%.

This is the change of policy that I have explained in previous budgets. The policy of growth of productivity as apposed to growth in the size of the GDP.

I have, in previous budget, also charted it's effect in specific years.

An additional element worth examining is how the growth of the economy pre-2019 with higher labour input compares with the lower labour growth post 2019.

By 25/26, after 14 years, we have delivered an estimated GDP of £3,252.55b.

This, after the setback suffered by our economy of the impact of Brexit and the impact of COVID, which led to two years of GDP declines.

This first estimate for 25/26, which will be increased when the final results are calculated, put the value of the economy produced by a workforce of 32,206, the average output per worker at £100,992.

An increase of £46,993 per worker compared to the results for 11/12.

We are now in the select club of output per worker of £100,000+

The countries with higher output per worker, that is higher productivity, are Luxembourg, Ireland, Norway, Switzerland, Singapore, Qatar, United States, Denmark, Iceland and us in 10th place.

This is real and not distorted as in the case of GDP per capita.

When the final figures for last year are calculated, we are likely to move to eighth place after the United States and above Denmark and Iceland.

In the last year of the GSD government, the global payroll, that is wages and salaries of the whole of Gibraltar's labour market, was £564.6m paid to a total workforce of 20247 producing an average earnings level of £25.8K.

The average earnings in the public sector came to £33.6K and in the private £23.3K.

In 2012 when the workforce was reduced the earnings went up.

The global figure went up from £564,643,981m to £566,802,956m just under £2m more, and the workforce was 21519 down from 22,247.

728 workers less and £2m more in payroll.

This is the evidence of what an economy with labour shortage needs to do. High productivity has to be the core economic policy. This is as important in 2026 as it was in 2012.

Since the Covid recovery, the growth of the labour market has been slower than the growth in average earnings. The numbers are as follows:

Year	**Employee**	**earnings**
2021	23.389	£29.751K
2022	24.308	£31.770K
2023	24.504	£34.158K
2024	24.490	£35.220K
2025	25.029	£37.999K

The picture is clear and indicate a labour market in which positions with higher earnings are replacing lower paid jobs.

The increase in jobs at 1640 was 7% and the average pay has gone up over the same period by £8248 which is a 27.7% increase.

Private sector employment went from 15598 workers in 2012, with average earnings of £24,332, to 23,752 workers and average and earnings of £28,776 in 2019, pre-Covid.

By 2020 the numbers had fallen in the private sector labour market to 22.539 but average earnings were up to £29,553.

Again reflecting higher movement in the level of earnings than in the number of workers in the labour market.

SAVINGS BANK

Madam Speaker

The Honorable Mr. Clinton identified the GSB'S economic development role, by saying it performed the role of an Economic Development Bank, many years ago when he was less hostile to its existence than he has become recently. His new strategy appears to be the one he started last year that is he chooses to attack the Savings Bank and me just before the budget with accusations that are incorrect and unjustified as I explained when I answered him in my budget speech last year.

We have a repeat this year but it has now gone further and become more nasty and unjustified, with false personal accusations in the article that he published. He has every right to have a different view of what is good for our Gibraltar. But that does not give him the right to make false accusations.

Last year the Honorable Mr. Clinton published an article in which he said. “So the lending to government is now causing a loss to be incurred by the Savings Bank despite Sir Joe Bossano's boasts of his financial genius”.

I expressed in my budget speech the view that what he had said in his article was not justified.

I refuted his accusation of loss to the Savings Bank when all the government had to do what was pay higher interest and then withdraw the created profits as owner. Which he later accepted as making no difference to the result but claimed his way was more transparent. An issue of form rather than content And I categorically rejected that I had ever claimed, let lone boasted, that `I was a financial genius.

I said in my speech “This time he exceeded his previous attempts at undermining the Savings Bank by the stupidity and ignorance revealed in his accusations and in the process, claiming that I was boasting of my financial genius.

I said “This accusation is totally false and unworthy of the Hon Member. I have never cosidered myself a geius in fiance or aything else.”

In his Speech following mine the Honourable member set out to put the record straight and because I was not in the chamber, said he hoped I was listening to him.

He said:

“I regret that Sir Joe is not present in the chamber today to hear what I have to say about his contribution, but perhaps he is listening online. What I was going to say, which I am going to say, is I apologise to the Father of the House if he was in some way offended that I referred to him as a genius, because he can rest assured I would never call him the opposite.”

In the 54 years that I have been in this place I have always believed the members on either side were entitled to have different views and express them on any policy. But not to attack the honesty or integrity of someone because of the difference in political evaluations of what should be done.

Having tried to make amends last year, which I welcome, he then goes on this year to publish an article that goes further, than his previous one.

This time suggesting and questioning my political integrity and honesty, that requires that in discharging my duties on behalf of the Government for over sight of the operation of the Savings Bank.

He suggests that I am biased in the decision-making process, depending on who is involved.

No other person other than him has ever said that of me, to date.

Let me make it absolutely clear if a proposal for funding failed to pass the technical assessment then that is the end of the story.

If the recommendation is favorable, then it comes to me for approval and I review the numbers and if I am not satisfied that it is safe I don't approve.

In all the proposals that have been submitted to date only one was turned down, which coincidentally happened to be put by someone that is my friend.

This is what I need to do because many people tell me that they buy debentures because I am there and they trust me and above all I owe it to them, to those people to make sure that the funding is safe.

Let me make it clear that the funding is from the pool of money held by the Savings Bank special fund, currently over £400m in cash deposits.

So I totally reject his accusation. There is no shred of evidence in any explanation that I provided in answer to his question to suggest that I am discriminating in what I'm doing.

He cannot expect to get away with putting in articles that he publishes in the press personalized attacks on me and then coming here to put things right. Not everybody who reads his articles will be following the commentary he makes in this house to put things right.

Having tried to make amends last year, which I welcome, he then goes on this year to publish an article that goes further.

I want to remind members what were the exchanges with the honorable member when I was answering his questions and the information that I supplied to him.

Apart from the attack of my integrity, the honorable member made the number of false statements in his article knowing they were false.

The Hon Member asked me in Parliament where it was advertised and this was my reply "you do not need to advertise anything - the reality is that without advertising people approach me, so why should I have to advertise it? I mean, the whole of the private sector of Gibraltar is very small, everybody in every sector of the private sector knows what everybody else is doing - either he is living in a different Gibraltar to the one I know, or he has not taken that into account. The reality is that the mechanism we are using is sufficiently in the public domain by word of mouth for people not to need to be advertised."

There is no question about the scheme, not being known. It has been going on since 2023 when I informed all the stakeholders that is persons with savings bank debentures or accounts that the savings bank was creating the Economic Development Debentures, and that there was a special email site for comments from users of the Savings Bank, which could be addressed to me, and I would clear it up, any problems or answer any queries. No negative response was received from the customers of the Savings Bank. Sp the purchasers were aware that the debentures could be used to provide funding benefiting the economy.

So creating the impression of something new being discovered a few months ago is deliberately misleading.

Indeed, it is more than that. It is a complete lie, it is the very opposite of the explanation that I provided in Parliament.

The way the Hon Clinton clearly misrepresented what I said above is by stating the following n the article: "at a time or great financial uncertainty for the general business community, given the EU Treaty, some may ask why is it that the Bank of Joe is only for the select few and not open to all?

In this respect the inclusive approach of the Bank of Dave had it right were this GSLP Government continues to get it wrong.

Blatant lie.

I told the honorable member the initiative had come from the business community and I was responding to it.

Many would not have any reason to ask themselves what he suggests if they were told the truth as I explained it to him. But in the last line of the article, he accuses the government, i.e. me, of not being available to all who have a viable project, What he call the inclusive approach he says we fail to have.

So since he has attacked me allegedly for restricting this to a few, which is not true, and says the correct thing is to open it to everyone I take note that he is now encouraging me to ensure that more local businesses should be provided with loans and I will wait and see what he will say when it happens.

Or perhaps, we will not need to wait to see what happens since the leader of the opposition has told the House yesterday that he is horrified that we have reinvested so far, a quarter of the money that our customers have placed in purchasing Economic Development Debentures. So, it's clear that if we promote the project to ensure that other businesses put proposals to us the figure increases. It would result in the

Honourable Mr. Azzopardi increasingly more horrified and I'm not sure the Hon Mr Clinton would want that to happen.

I must remind members that when the explanations were given the Hon Mr Clinton expressed his gratitude for the explanation on the note deny that what I was doing and support of a private sector. The Hon. Member said "I am grateful to the Minister for expanding on his answer. If I may ask Madam Speaker, he just mentioned as a queue of people wanting to access the services or facilities provided by presumably meant Community Credit Union Cooperative Limited. Can I ask how does one go about doing that I mean where is it advertised I mean is there a leaflet people can pick up.

What has been written in his article cannot be justified by the exchanges in this House. He has implied that I was deliberately providing support to my friends or those who could persuade me, "who bend my ear" in his terminology, this is a total fiction and nothing that I said in reply justifies it.

In December 2023, I informed GSB Customer of the introduction of the Economic Development Debentures (EDD). These create a pool of money which may be reinvested locally in projects that support Gibraltar's economy.

This also enables us to pay higher interest to depositors while funding assets that generate economic activity and increase government revenue, helping to pay for the public services we enjoy in Gibraltar, free at the point of consumption. Ost unlimited financial advantage using Savings Bank deposits.

The third lie in the article is that the government claimed to have no information as to the lending activities of Community Credit Union Limited, this is what the article says "So we have a situation where Sir Joe makes decisions to fund projects backed by Community Credit Union Limited evaluated by Treasury but the Government claims to have no information as to the lending activities of the company."

If the activity is one that is funded by loan notes purchase by the Savings Bank, this can only happen because a business case has been vetted and approved. The government therefore has not said they have no information.

What the government has said is that the fact that it knows where investment is going to take place does not mean that it is free to publish that information anymore than it would publish the information of the money which amounts £1 and 3/4b which is placed with different lending institutions in Gibraltar and in the United Kingdom who then reinvest that money into products in respect of which we have no knowledge and no say as to whether we would want to make the funds available all.

The Hon Member thanks me for the information. I provided to his questions and then misrepresents what I have said to attack my honesty and integrity in a way that I deliver my obligations in the government with responsibility for the Savings Bank.

A responsibility that I have discharged in this 14 years and in the 8 years before that I was in government, which have been the two periods of the greatest growth and service to savers, greater than in than any other period before or after.

Is this me boasting, no this is me reminding Members of the facts, the numbers speak for themselves.

Honorable Member may not understand why I work seven days a week. It's because I want to, not because I have to.

I see anyone with a problem that comes on a weekend on a Saturday or a Sunday without caring who they vote for or even whether they can vote because even the nationality doesn't matter to me.

He accused me of doing the very opposite of what I've been doing in the 54 years as a member and done whether I've been in government or in Opposition.

The reason why I do it, he may not understand because he doesn't share my values, but it is simple why I do it when I better somebody's situation in respect of any problem, they make me feel great satisfaction, which I don't get from doing anything else other than being able to help someone. If he knew that about me, he would know that to accuse me of approving loans for my friends and excluding others is to trash everything I believe in and the values by which I have lived all my life.

To suggest that this is what I'm up to based on the answers, I've given him in Parliament is adding insult to injury.

Madame Speaker,

I am trying to understand his performance, I have come to the conclusion that the trouble with the honorable member is that he is a chronic conspiracy theorist.

If something is done in a way different from the way, he would do it, then something sinister must be behind it.

This is why from the beginning we had the nonsense of the two budget books soon after his arrival here.

And then the sinister reason for the £30 million annual payment to cover government company losses, many of which he inherited in 2011.

Which then became the excuse for voting against the expenditure in the national budget for some years.

Then there was the issue of the delay in company accounts. This was, he said, to hide things and a lack of transparency.

Never mind that we told him that his party in government had never closed a single company account in 15 years, never made a return to company house.

We never attacked that GSD from the opposition benches no imputed sinister motives. We just assumed they had other more important things to do, but then we never had a conspiracy theorist in our ranks.

And then there was his speech in 2025 where the fact that the government was getting a particular low rate of interest on its debentures purchased by the savings bank was attributed by him to me doing it to make the consolidated fund look better.

His explanation of the reason was total rubbish. The consolidated fund would have looked the same or better by the extra revenue to the GSB from debt servicing and the consolidated fund being credited with a dividend from the Savings Bank. We may still do it this way, but in any event, the most important reason why his explanation was a lot of rubbish was because what he attributed to me was never my doing.

The proposal came from the treasury and I supported it.

This is what happens in government.

When ministers have to give political approval to professional advice from the experts in the public service, and then what we have approved, we have to defend.

It happens in every department.

In a similar vein, we have The Clinton debt which he has labeled “government indirect gross debt” and is fictitious

On the nature of debt the GSD government maintained that any reference to gross debt was evidence of economic ignorance, by the user and that the economically correct definition of debt was net debt. The Hon Mr Clinton prefers gross because it sounds worse.

For those who do not understand the difference, It’s quite easy to explain.

If you have cash or assets that you can use to pay and reduce your gross debt then, is the net debt.

That is the balance that you owe.

That was the standard for defining public debt introduced by the GSD government and we have not changed it.

The Clinton debt, is different from the definition of public debt in the constitution, which limits it, to borrowing by the government to support general expenditure.

Of course, the GSD government never used the Clinton definition. They used the definition in the constitution as we do.

I have to hand it to the honorable member after just one year in this parliament, he managed to persuade the GSD that they had been wrong about the public debt in respect of their 15 years in government.

However, Madam Speaker the issue is that either he doesn't know what he's talking about or that he knows and what he's doing is cooking the numbers.

Madam Speaker,

I hate to have to say this, but the Gibraltar Savings Bank has had an excellent result this year and is increasing the support to the Gibraltar business community and helping the economy to grow and become more efficient.

The GSB last month reached a new high in non-Government deposits.

In particular the Economic Development Debentures reached a level of £499.99m. Which I am sorry to say will set the

This level, almost £500m, is unlikely to be reinvested in the local economy. At least not in the current financial year and on the basis of the projects that are now under consideration through the existing mechanism and two or three of which will probably be finished shortly in conjunction with local banks.

The other GSB debentures which have reached a level of £919 are where the biggest proportion of the pensioners are included.

Members will know that this 10-year debentures at 5% are not linked to market rates and we continued paying our pensioners, the 5% return even when the UK bank rate was as low as 0.75% in 2022, providing a secure, reliable income to our pensioners.

The figures recently given to this House show that the resident individuals and a small number of residues companies are the main group of investors in the Savings Bank and the non-resident depositors take up a fairly low proportion.

This is important because our deposit base is predominantly local and committed in the support for their bank.

International funds are more likely to come in when there are higher returns but would move to other jurisdictions if more attractive products become available elsewhere.

There are possibilities that in the new situation under the treaty the incoming residents could lead to more investment in our debentures from the new arrivals.

Other initiative will be looked at during this year to explore growth how the savings invested in the bank can be stimulated beyond the present level.

The target of £2b by 2027, which we set out in 2023 has already been achieved, but the level now probably is as much as we can expect in terms of our share of the local market and with a population of our size around 38,000 people, therefor the next stage will have to be exploring new products that might be attractive to investment from outside.

DEPARTAMENTAL EXPENDITURE

Madam Speaker,

The anticipated forecast balance for 1st of April last year was £169.56m.

This has now been upgraded to £178.319m, an improvement of £8.753m.

Last year, the forecast outturn of 24/25 revenue was £813,363m

The Hon Mr. Clinton announced in his speech that this level of revenue was unsustainable.

One issue which reflects his understanding of public finance, or lack of it, is that almost in every budget the Honourable member has had difficulty in believing the numbers in the estimate book.

He started very early in his career here by claiming there were"two books" and that surpluses were the result of hiding expenditure in the "second book" to make the first book look better.

He stopped saying this when I pointed out to him that the numbers do not get put in the book by ministers. The book is put together by treasury officials and no one else in the time I have been here has suggested that the treasury cooks the book to please the political government.

Certainly, I have never done so in all years that I have been in opposition.

Well, he was wrong that the forecast revenue was unsustainable because in fact the actual figures now have come in at £821,218m that is £7.855m higher than his unsustainable verdict.

And this year the the revenue of £821,218m, which he was convinced was unsustainable, has been converted into a forecast revenue of £883,468 and thus over passing the Clinton unsustainable level of revenue by £70,105m

I understand how disappointed the Hon Member must be over our country's finances, turning out to be so much better than he predicted.

The forecast annual revenue for 25/26 came in at £883,468 instead of the estimated £773,659, an additional £109,809m.

This level of revenue has to be compared to the 18/19 pre-COVID level of £708.3m, which was the highest ever level of annual revenue achieved.

This is an increase over the previously achieved highest ever level of over £175m for the year.

Income tax yield in 18/19 was £181.9m and last year it was £281m.

An increase of almost £100m.

Company tax in 18/19 was £163.8m and last year it reached £252m an increase of almost £89m.

These two sources of revenue make up and surpass the rest of the heads of revenue, which collectively came in below estimate. In 18/19 other than tax, the revenue was £362.561m and last year the comparable number was £350.428m.

The Hon Mr. Clinton on this aspect said last year.

“Meanwhile, departmental fees and other charges borne by the general public continue to increase, from electricity to the social insurance cap increase.

I am assuming that the Honourable member speaks for the views of the opposition on the state of our finances.

The figures I have given show a lower figure of revenue collected in recent years than in the past except on tax on incomes.

In any event, the 2 revenues that he mentioned specifically were first electricity which is subsidized.

So is he saying that the subsidy should be increased if costs of fuel go up?

Does he know, or does he care, that the GSD Government had a draft agreement ready to implement in 2011 with funding suppliers for the construction and running of a disastrous diesel generating station which provided for an annual 5% increase of the cost of the project just to service the loans.

And in Social Insurance is the policy of the opposition now no longer what it was in government and has been the policy of every government since their social insurance system was created in the 1950s.

This is that it had to be self-financing by contributions from employers and employees as is normal in any pension system and not run at a loss which would require subsidies from general revenue whilst at the same time, he tells us we are currently at an unsustainable level of income. So is he advising us that we should stop increasing social insurance to match increasing costs and instead subsidize and is that their new policy?

The fact that all the increase in revenue is from higher income tax yield from individuals and higher company tax yield from companies, indicates that personal incomes and company profits have more than fully recovered from COVID levels.

It is a good sign because unlike taxes on consumption, taxes on income, especially at this level, indicate much faster economic growth.

Last year when I addressed Parliament of the revenue and expenditure over recent years, I concentrated on showing how the effect of the Covid 24 months’ shutdown on our economy had impacted on government and expenditure and how the recovery was taking place and was not just one year phenomenon.

When the recovery started the Hon. Mr Clinton expressed doubts about the recovery and hoped that it would not be a one-year phenomenon and said that he would welcome if it continued, so I hope that he’s happy that it is continuing. Or perhaps not, since he only seems to be happy when he can find something to criticize.

This year I will demonstrate how the level of revenue and expenditure have developed over the last 14 years from March 2012, the last year GSD financial year to March this year. This will show how expenditure increases are concentrated in a number of areas of public expenditure and how and why this is the case. It will give a more realistic and accurate account of the size of increase in recurrent departmental expenditure.

The comparison for the 14-year periods is in the costs of the delivery of Public Services which we inherited in 2011/12 from the GSD administration and it is comparing those costs with what it costs now based on the forecast outturn for March 2025/26, 14 years later.

The total departmental budget finished above the approved estimate at £332.8M.

This was in spite of the fact that we introduced measures to reduce spending to avoid us having to go to Parliament in our first few months, to seek permission to breach the limit on the public debt in the law introduced by the GSD.

This is what they had planned to do had they been re-elected in 2011.

Indeed, they made clear to us from the Opposition that we should bring a motion to breach the public debt limit, and that they would support it.

In that year there was of course a £28m contribution to the government companies who inherited from the GSD which had accumulated losses and it was not the intention of the previous administration to do something about those losses since no indication had been given beforehand.

The forecast outturn for the year just finished is above the approved estimate and is at £722.4m.

So, running the public services of Gibraltar is costing now £309.6M more than the last year of the GSD government or £389.6M constituted an increased cost of 117% over the cost 14 years ago. In the same period inflation has been 41.8% so the cost therefore has to be revalued by this figure.

We have had on occasions people questioning the accuracy of the rate of inflation that we published in Gibraltar which has not changed the methodology of the 15 years of the previous administration or indeed the 8 previous years when I was in government but one important thing to note is that as I have argued in public the inflation in Gibraltar is predominantly imported inflation because we are not producers of manufactured goods or natural resources so we buy finished products. The GSD, the government made the same argument.

In addition, our imported inflation runs about three months after Uk because of the time luck in reaching our markets.

The inflation in the United Kingdom of the same 14 years has been in fact 48.01. So taking this into account a difference of six point in 14 years is not significant.

So if we had done nothing new or added anything in the 14 years and kept everything as we inherited but upgraded the cost for the 41.8% inflation the £332.8m budget would have increased by £139.1m to £471.9m.

Strictly speaking this is not an accurate calculation because the increase in the index of retail prices measures the increase of costs of a basket of house hold goods and the payroll and supplies of the public sector could have gone up by much higher figures but those figures.

In Education we have invested a lot of capital in new schools but that is not reflected in these figures which are recurrent expenditure. In fact, we have built every school since 1988 and before us the only new school was paid for by UK development aid in the close border period.

The recurrent cost of our education services increased in the 14-year period by having more staff, with employment now of 1192 where there used to be 607, an increase of 585, almost double the previous complement. The payroll has therefore gone up from £19.2m to £50.8m over 2 and half times almost 2.7 times.

The total cost has gone up from £28.5m to £78m an increase of £49.5m.

So, if we apply the inflation figure of 41.8% to the original cost of 14 years ago, we get a cost increase of £11.9m as the adjustment and therefore are left with an above inflation increase in cost of £37.6m.

Of course, that would be the case if the manning levels of the education department schools had no need to have any changes, but if we compare like with like then the comparative expenditure increase of £31.6m is a combination of higher payrolls and more people.

Without doing a detailed analysis of the additional jobs and pay scales we can adjust the increase by assuming that the cost of the original 607 employees applies to the 585 new additional employees which produces roughly the doubling of the original payment to £38.4m and reduces the increase to £12.4m for payroll.

The other charger's element out of the total of £28.5m that is removing the original salaries of £19.2m gives a net amount of £9.3m

So, the adjusted cost with higher staffing levels at 2012 salaries comes in at £47.7m and reduces the overall cost increase to £23m.

If we then apply the inflation adjustment to the £47.7m the cost increase comes in at £23m compared to the adjusted cost increase that has taken place of £20.3m.

In other words, the analysis shows that almost the entire increase is in extra staff and inflation.

So, this is an example of a waste that the honourable Mr. Clinton is convinced exists in the education department, one of the biggest increases in the 14 years compared to other departments. It can be explained, almost totally by higher staff levels, and 14 years of inflation.

We know that we have more teachers and more learning assistants.

We also know we have more pupils and more children with learning difficulties.

If this is waste of money, then it can only be that we have over provided.

But education has been a GSLP core value from the beginning of the party. We campaigned for 15 years for full free scholarships for our children who met the criteria to enter university, and it only happened after 1988 when we had the first socialist government in Gibraltar, and it was the first thing we did.

That is also why we then went on this time to provide the additional support for a master's after the first degree for those who want to continue, to progress in developing their knowledge beyond a first degree.

And that is why we created our own university when we had a windful addition to revenue, and we continue to support the university and its expansion. For almost all the socialist parties that have ever existed providing universal education has been a primary objective for a very basic reason.

Because education for all is the great equalizer that gives the children of the working class, the opportunity to do better and go further.

It is why we now have a great number of highly qualified some of them in this House and many outside too, professionals providing the economic activity for Gibraltar, and many outside who are the sons and daughters and grandchildren of many of the founding members of our party.

Of course, if you don't share those values, you can say that it is a waste of public money.

I for one believe that education is the number one priority not just as a route to better paid jobs, but because knowledge is the hallmark of our species, what makes us different, and it should be available to all who want to access it and can benefit from it.

In 2011/12 the Care Agency had incorporated in it the Elderly Care facility at Mount Alvernia, and has also seen a substantial budget increase.

The joint cost of the Agency was £18.1m for the 2 entities combined. The forecast outturn of the two facilities this year came to £45.2m, of which £4.7m was a one-off compensation payment leaving a recurrent cost of £40.5m for the Care section and £23m for the Elderly section, making a combined total of £63.5m compared to £18.1m in 2012.

The increase therefore in this area of the government services has been £45.4m.

The inflation adjusted costs of the original of £18.1m comes to £7.4m and therefore the additional post inflation cost comes down to £38m (comprising employees and payroll).

The combined workforce of the Care Agency and ERS in 11/12 was 503 and in our first year 12/13. It went up by 65 to 588.

Was this the waste that the honorable Mr. Clinton is looking for, a substantially increased resources for the care of the elderly and the vulnerable?

In 25/26 the Care Agency alone employed 320 and the ERS another 390 a total of 639 compared to the 503 in 11/12 and increase of 136. The increasing need of provision for the elderly is clear from the statistics on the demographic changes in the population here and everyone else. The continuing need for higher provision in this area is clear from the statistics on the demographic changes in the population here and everywhere else. So is the GHA with more staff and higher pay after 14 years, also wasting money? Every year the approved estimate is a reduced version of the request for funding.

Mr. Clinton criticizes this, well I can assure him that every government has cut back the request for funding and then provided supplementary funding to cover expenditures that could not be avoided.

The GSD on one occasion removed the relief cover vote from the GHA budget and transferred it to Number 6 to exercise control and eventually admitted defeat and had to send it back again.

The Leader of the Opposition some years ago boasted of the growth in funding for the health service under the GSD, which went from a cost of £20m in 1996 to £89m in 11/12 and 4 and 1/4 and 1/2 times, more expensive, if the increase had been done by us, but a 4 and 1/2 times improvement if it's done by them.

When looking at the increase costs of departments, all are said to have and unsustainable expenditure based on unsustainable revenue, by the Hon Mr Clinton, so it is interesting that the police budget is considered to be too low and should be increased. Of course, unless compensated by cut somewhere else this increase would lead to more unsustainability if what Mr. Clinton says is believed by the rest of the members opposite.

In rough numbers, the police department went up in 14 years by approximately an increase in manning of 10% an increased in budgeted of 72%, inflation was 48.1% and the population grew by 17%.

So if this is the criteria that members opposite believe should be used to arrive at spending needs then many other departments would have a case for arguing for more spending and only a few should be pending less principally, the ones that have mentioned earlier.

THE FUTURE

The most important development in the future planning of the economy is the use of AI in both the public and the private sectors so that we continue and indeed increase the rate of labour productivity.

The only real way of creating wealth and more prosperity and increasing the standard of living of everyone in Gibraltar is by productivity.

The future of successful economies will be determined by the degree of adaptation of AI in the labour market.

In the local economy we already have a number of companies and individuals who are experts in this field and selling their expertise to the UK market. We are currently engaged with them to apply those skills here in Gibraltar and to promote the growth of this industry to attract others to come to sell their services from here into the UK.

The two biggest and most important investments already commenced are the £2 billion investment in the Eastside new city, which is progressing currently and must be supported and the £2 billion investment in electricity supply and data centre construction.

Equally important is a step taken by Gibdock to invest in UK dockyards as subsidiaries of the Gibraltar operation.

The possibility of Royal Navy work in Gibraltar is also an important development for growth.

The West side reclamation project reminiscent of the new harbour reclamation and the buildings on it of co-ownership 50/50 homes for sale will have a huge impact in reducing the serious housing shortage that exists.

Gibraltar's position as a City State operating with access to the European Single Market is already more successful than it counterparts, as regards the size and growth of its economy.

Gibraltar in size is bigger the Monaco and smaller than San Marino.

In population it is bigger than San Marino and smaller Monaco.

In economic growth it beats both of them.

In the last 14 years Gibraltar's economy has grown faster than those other economies.

It was in third place in 2012, has overtaken San Marino and is closing the gap with Monaco.

The figures are as follows.

Gibraltar GDP 2011/12 £1.2b increased to £3.25b in 2025/26 in the same period Monaco went fro £3.7b to £8.8b and San Marino from £1.8b to £2.1b.

Finally, the most important challenge we will face and have to resolve is the one that faces all advanced economies, an ageing population and a shrinking labour market.

Although many western countries and advanced Asian economies, face this problem, so far no one seems to have come up to how to deal with it other than trying to reserve the demographic position by providing subsidies to encourage an increase in births.

Fortunately for our elderly, we are in a much better position to meet the challenge and actively engage in a long - term solution.

It is obvious that we need to have a strategy in the way we deploy resources as regarding spending and equally in the way we raise revenue to be able to support an ever-increasing aging population

We have the solution to both.

We have done what no one has done in any other country, harmonized state pensions for men and women at age 60 instead of 65, from this month whilst others have delayed pension rights to even later dates - currently at 67 in some EU countries and some are even talking of moving eventually to over 70.

The Government has been able to implement this benefit because the terms of the Treaty now clarify an important issue - who will be eligible for Gibraltar Social Security pensions based on contributions that are aggregated from non-resident workers and particularly those that have retired outside Gibraltar. Until this came into effect, it was not possible to estimate the cost going forward.

On a number of occasions members opposite criticized the delay in implementing this policy, even though they would not have introduced it if they were in government and have never committed themselves to it. There was a very valid reason for the delay but even if there had not been, the simple answer to the Opposition members is, better late than never.

We will not only keep the 60 years pension but we will keep it non-taxable and without a requirement to stop working.

We will restore the reserves of Community Care and encourage the charity to enhance the House Supplementary Support (HSS) so that no pensioner falls below the level of the minimum wage.