

THE BUDGET ADDRESS 2000

“EQUIPPING OUR NATION FOR THE INFORMATION AGE”

1. **Mr. Speaker, I beg to move that the 2000 Appropriations Ordinance to provide for the administration and delivery of the public services of Anguilla for the year 2000 be read a second time.**
2. The 1999 Budget Address, which it was my privilege to deliver, in giving due recognition to the important role of our democratic system and process stated in part as follows:

“1999 will be an important year for the Government and people of Anguilla, because the machinery of our representative democratic system will once again be tested and proven in elections”

That address was delivered in December 1998. At the time I had no idea how prophetic this comment would turn out to be nor of the extent to which I would become intimately and pivotally involved in using the democratic process over the past year to effect a change of the Government of Anguilla.

3. Mr. Speaker, the handling of the constitutional and political crisis of the past year, resulting in its peaceful resolution at the March 3rd 2000 General Elections, has demonstrated the strength of democracy in Anguilla. It points to the maturity of the people of Anguilla and the commitment of our political leadership to the use of the democratic process to resolve crises of governance. It emphasizes the critical importance that should be attached to observance of the spirit and intent of the provisions in the Anguilla Constitution. It shows that, in the evolution of our democracy, there is great value in making use of the best practices observed by the most enlightened democracies at critical stages in the development of their systems, to aid us in building our Anguillian democracy.
4. The approach which was followed deliberately or otherwise in the resolution of the political crisis of 1999, demonstrates that we too as Anguillians, must creatively and imaginatively forge our own unique way to achieve a political and constitutional climate for peace and stability. Such an environment let me remind you Mr. Speaker is vital to the pursuit of sustainable economic and social development and the achievement and maintenance of a decent standard of living for all.
5. The peaceful and democratic transition from one Government to another in the space of one year proved the growing strength of our democracy. It also showed that we, as a people, are developing the political maturity required to effectively and responsibly address and resolve our political and constitutional difficulties, by using the democratic mechanisms available to us. I take this opportunity therefore to thank my colleagues on this side of the House for the support they gave me during the period. I wish also to thank them for their patriotic and wise leadership of the people of Anguilla, which made it possible for us to forge the United Front in a principled and committed way to return stable Government to Anguilla. But most of all, I wish once again to thank the people of Anguilla for the confidence they have reposed in the United Front, indeed for the mandate they have given us to govern in their best interest, in all of our best interest.
6. The 1999 Speech also had this to say:

“The present times require us to be imaginative, to be bold and audacious, but at the same time rooted in the knowledge and understanding of the collective aspirations of our people, which are the responsibility of Government to facilitate, promote and support.”

The programme of the United Front Government of the Anguilla National Alliance and the Anguilla Democratic Party is founded on the need for boldness and even audacity and certainly for great imagination and vision, as we attempt to fulfill the mandate, overwhelmingly given to us by the popular vote of the people of Anguilla at the March 3rd General Elections.

THE UNITED FRONT’S PROGRAMME AND THE 2000 BUDGET

7. The title of the manifesto of the United Front is a bit unusual. It is a long winded title:

“United Front of the Anguilla National Alliance and Anguilla Democratic Party for the Restoration of Democracy, Good Governance, Peace, Political Stability and Economic Prosperity for the Period 2000 to 2005 and Beyond.”

The length and uniqueness of the title serves to draw attention to the policy goals and priorities of this Government as it faces the challenges of governing Anguilla over the next five years. All too often the need to achieve sustainable economic development causes the focus of Government to be tilted too much towards achieving rapid and continuous growth in the economy. The United Front Government is committed to balanced economic and social, as well as constitutional and political development in a society marked by social peace and harmony and in a physical environment, which is well managed for the benefit of present and future generations.

8. The successful implementation of our commitments made to the people of Anguilla in the United Front’s Manifesto and which received a ringing endorsement from the electorate, calls for sustained, diligent, creative and hard work by all organs of the Government of Anguilla. It calls for the building and strengthening of close and strategic collaboration and partnership not only between the Anguilla and British Governments, but also between Government and the stakeholders in the private sector and in civil society in Anguilla. It calls for critical and constructive involvement of the Opposition in the business of governing the country as it fulfills its constitutional role. It also calls for the strengthening of ties with and involvement in the various initiatives of those regional and international governmental and non-governmental partners, whose programmes can assist the development process in Anguilla.
9. It is necessary, Mr. Speaker, that among various essential pre-requisites to effective government, an appropriate fiscal strategy and plan are developed to enable the Government of Anguilla to mobilize the financial resources required to meet current needs and to invest in the further development of the Anguillian economy and society. This is a matter of priority for me as Minister of Finance. Over the course of this year the Ministry will carefully examine and develop, with technical support from the Eastern Caribbean Central Bank and input and cooperation from Her Majesty’s Government, a medium term financing strategy and plan to achieve significant and continuous economic growth and diversification, structural and social transformation for the duration of the term of office of this Government.
10. Government’s Annual Budget is a major instrument of fiscal policy and strategy, which if used judiciously and with prudence can serve as a significant stimulus for moving the economy and society towards sustainable development and transformation over the medium to long term. It is

my intention to manage our public finances to generate steady and significant economic and social growth and development over the next five years. This will only be possible with the support of my ministerial colleagues and the other Members on this side of the House, with the cooperation of His Excellency the Governor and with the critical but constructive contribution of the Members on the Opposition benches to manage our public finances so as to generate steady and significant economic and social growth and development over the next five years..

11. The achievement of Government's development objectives must depend on the successful fostering of a spirit of creative, sensitive and flexible, as well as strong and committed partnership with Her Majesty's Government. The partnership must work for our benefit as we strive to strengthen the management of our public finances, to foster good governance and to promote constitutional and political, economic and social development. Concurrent with and as an indicator of overall sustainability will be the achievement of long term fiscal sustainability of the public sector.
12. The links between the economic, political, social and environmental challenges to achieving sustainable development are fully recognized by Government. This factor will be one of the guiding principles driving the fiscal and more particularly the budgetary process during the present term of this United Front Government.
13. The 2000 Estimates of Revenue and Expenditure do not reflect to any significant degree the strategy of using the Annual Budget as an instrument for the stimulation of development. As you are no doubt aware, Mr. Speaker, under normal circumstances, the Budget should have been passed before the end of 1999. However, this could not be accomplished because of the political impasse which ensued after I resigned as Minister of Finance almost a year ago.
14. The 2000 Budget will be of historic significance for several reasons. Firstly, it will be the last budget of the Government of Anguilla for the Second Millenium and the first budget of the United Front Government. It will be a transitional budget prepared in order to conform to the statutory requirements governing the administration of the finances of the Government of Anguilla. I am committed to reforming the budgetary process to ensure that the revenue and expenditure provisions are more closely related to ensuring the effective and efficient delivery of the programmes and projects of the Government. These programmes and projects include those concerned with the maintenance of existing public services and the expansion and improvement of these services. They also include those that are geared towards the stimulation of economic and social development in collaboration and partnership with the private sector.

2000 BUDGET THEME: "EQUIPPING OUR NATION FOR THE INFORMATION AGE"

15. The length of the title of the United Front Manifesto reminds me of the titles of some United Nations (UN) resolutions. No one would deny that more often than not UN resolutions are extremely significant and have a long term bearing on the issues, which they address. In a similar vein, the title of our Manifesto represents the resolve of this Government. It represents our pact with the people of Anguilla to pursue the goals and objectives, programmes and projects outlined therein over the next five years. We have been given a serious mandate and have been charged by our people to deliver on the commitments we have made in the agreement made between our parties constituting the United Front. What better theme for the term of office of this Government led by the Hon. Chief Minister, Osbourne Fleming, than the title of our pact with the people:

“Restoration of Democracy, Good Governance, Peace, Political Stability and Economic Prosperity....”

16. I propose to use annual themes that are closely related to the general theme of this Government. In coming up with a theme for this year’s budget I invited input from the senior advisors and managers in my Ministry. As I have done on previous occasions in recent years, I met in retreat with the senior officers of the Ministry on March 25th 2000 to consider strategic issues and in particular to discuss the action plan for the completion of the preparation of the draft 2000 Budget. Through a process of brainstorming on the issue the following theme was selected for the 2000 Budget Address:

“Equipping our Nation for the Information Age”

17. Mr. Speaker, the theme is short and to the point. But let us not make the mistake of believing that brevity spells simplicity. Far from it. The theme on closer examination requires that we should have an understanding of the definition of the Information Age, for which and towards which the community of Anguilla needs to be geared. By Information Age, I have in mind the present era beginning, particularly in the 1980’s, with the rapid development and use of the microcomputer and development of electronic technologies for the handling of massive amounts of information and data and the convergence of computer and telecommunications technology. This convergence led to the phenomenal development of intranets and extranets and culminated in the linking up of these networks to create the Internet.
18. The information technology on which the development of the Internet is based has facilitated the growth in information and data at an exponential rate and has increased the ability of everyone connected to the various networks to access this data and information for use in their daily pursuits. It has also created two worlds. One is the networked world that increasingly conducts its economic transactions and undertakes considerable social interaction online. The other is the non-networked world that continues to rely overwhelmingly on traditional means of conducting transactions and undertaking social interaction. The significance of the networked world is that it enables the generation of major efficiencies in the operations of just about every facet of the economy and society. This is reflected in lower cost, faster delivery time, greater convenience, greater contact with many more persons and easy and quick access to information and data not readily accessible by conventional means.
19. The theme begins to take on real significance when we realize that the choices open to us, if we are to achieve sustainability, are in fact quite limited. Either we transform our economy and society to be able to function effectively and to operate competitively in the Information Age or resign ourselves to being left behind in the backwaters of the old economy and technology. The old technologies are not compatible with information technology and are being rapidly adapted or replaced in most of the advanced countries as well as in an increasing number of developing countries. The developing countries concerned have seen an opportunity, as it were, to leapfrog the so called “digital divide” separating those countries which have been rapidly transforming to the Internet and those that have not been or that are unable to undertake the necessary transformation to take advantage of cyberspace.
20. The task of **“equipping”** the people and society of Anguilla for the Information Age presents a major challenge at this time on top of the challenges of achieving self-sustaining economic growth balanced with social and cultural development to ensure the maintenance of a stable and peaceful community. Growth is inevitably accompanied by structural transformation to bring

about development as defined by development theorists. In this regard, the imperative of “Equipping our Nation for the Information Age” draws attention to the critical direction that technological transformation should take to enable our island community to continue to make its way competitively in the globalized and now increasingly networked world economy.

IMPLICATIONS OF THE THEME

21. Mr. Speaker, the way we have conducted government business in the past does not provide us with a meaningful blueprint for how we ought to run the operations of the Public Sector at present and more particularly in the future. The Information Revolution which ushered in the Information Age has not only drastically quickened the pace at which social and economic change takes place, but has also greatly increased the volume of data and information and access to data and information needed in the decision making process. Information technology is applicable in every area of the economy and society. It is not just a matter of achieving cost savings or increased speed of production and distribution of goods and services. Information technology is and will totally transform how we play and make use of our leisure time, how we interact with each other as private citizens, how we interact culturally and spiritually, how we learn and how we engage in political life.
22. We in Anguilla have been striving to build a just, prosperous, stable and peaceful society since 1967. We have come a considerable distance along this path. However, we could lose it all if we fail to see the challenges. We can lose it all if we fail to grasp the moment to transform Anguilla to the demands and requirements of the Internet and at the same time use the Internet to continue along the path towards a just, prosperous, stable and peaceful Anguilla. The aspirations of the past three decades have not changed. If anything they have become more imperative. What is new is that we must now pursue our aspirations in a world that is rapidly and radically being transformed, whether we like it or not. The development of the Internet and the advent of cyberspace have changed the complexity of the task before us. They have also opened new opportunities and made available to us new tools, which we can make use of to our advantage or which we can ignore and sink back into underdevelopment.
23. “E-commerce”, “e-business”, “e-government”, “old economy” and “new economy” are some of the new terms and concepts that have entered the language of industry and commerce and of government. It can be all very confusing. We must therefore take time out, Mr. Speaker, to understand the great influence and impact of information technology on society. We must then make decisions on the basis of this understanding, which are designed to enable Anguilla to rapidly adapt to the Internet in a systematic and planned way and to benefit from the opportunities presented by the coming of the Information Age. This calls for major reform of our education strategy and its refocusing on the use of information technology to facilitate and enhance the teaching-learning process. It also calls for the rapid implementation of programmes to translate into reality the recently stated commitment to including information technology and computer literacy in the core curriculum of the national educational system. It requires the optimal spread of literacy and basic education among the population and calls for the development of networked schools with access to the World Wide Web.
24. Equipping for the Information Age also means that Government should be transformed to function optimally using all the benefits of cyberspace. The entire bureaucracy of the government needs to be sensitized to the opportunities and challenges presented by the Internet. The transformation of the Public Service must not stop at actions designed to make existing practices and procedures more efficient. It must include critically the implementation of suitable

information technology systems and services to increase operational efficiency and reduce waste. This will contribute greatly to the achievement of value for money in the management and operation of the public services of Anguilla.

25. The successful transition to e-government, that is, to the generalized use of information technology and the Internet in the operations of Government requires greater emphasis on research and development. Greater planning, promotion and marketing of Government and its services to its external customers, the general public, as well as to its internal customers, the public servants, are also required.
26. Small countries have always been regarded, in the discussions on economic development, as having severe disadvantages in competition with large countries. The growth of the Internet threatens to bring about significant leveling of the playing field. It is generally believed that small countries once they have become information technology and Internet aware should be able to make rapid strides in adopting the technology and employing e-business, e-commerce and e-government solutions to the daily operations of their societies and to the problems confronting them. Location assumes less significance in the virtual world than in the real world of “bricks and mortar” businesses with the effect that smallness can be a real advantage.
27. Mr. Speaker, Government acknowledges the challenge and the opportunity before us. And we have not been sitting by idly, while other countries surge ahead of us and seek to become connected, seek to be networked to the Internet as it were. I am pleased to report that one of the first acts of Government was to establish an E-Commerce Task Force on April 1st to provide advice and support to Government in determining, developing and implementing a comprehensive e-commerce and e-business policy, strategy and plan. I can tell you that this decision and the public announcement of it on April 1st have generated considerable interest in information technology circles and among the Internet community. It says that we are on the right track. I can tell you also that the members of the Task Force are highly motivated and enthusiastic. They are working assiduously to fulfil on time by the target date of April 30, which they have agreed on with me, their commitment to develop recommendations on the framework of overall policy and strategy for e-commerce and for utilization of the Internet.
28. The theme then is integrally related to government’s vital role as economic and social manager for the community as a whole as well as a major sector of the economy supplying social and collective goods and services, which the private sector is not usually able to supply in a cost effective way to all members of the society.

REVIEW OF 1999

29. I do not intend to spend much time on the review of 1999. The year was an unusual one from a budgeting standpoint, the budget process being interrupted by the length of time it took for the political crisis to be resolved. It should be noted however that the public finances were prudently managed by the staff of the Ministry of Finance, with the cooperation of the other senior managers of the Public Service, under extremely difficult circumstances. For this I wish to publicly express my gratitude and appreciation to Mr. Ralph Hodge, who as Permanent Secretary Finance saw to the careful and judicious management of the budget throughout the crisis, over the past year. I must also thank the other Permanent Secretaries and the various heads of Department for their cooperation and understanding extended to Mr. Hodge, during one of the most difficult years in recent times.

30. Actual Recurrent Revenue based on the preliminary unaudited outturn for 1999 showed that Revenue had exceeded expectations, primarily as a result of the receipt of almost \$13.0 million from transshipments to the European Union (EU). The budgeted figure for that item in 1999 was \$100 reflecting the decision to treat it as windfall revenue during the year. Without the transshipment activity, there would have been a shortfall of \$1.6 million. Revenue was negatively affected by several factors, which impacted the economy during 1999. The period of political instability which lasted for over 7 months had a dampening effect on the economy, although the extent of the impact would be difficult to quantify. It is generally known however that the private sector proceeds with greater caution when the government of a country is in turmoil. The threat of the "Millenium Bug" would also have had some effect. There was considerable uncertainty regarding the impact that the problems of the roll over to the Year 2000 would have on businesses and on transactions generally.
31. The 1999 hurricane season passed uneventfully until October, when Hurricane Jose affected Anguilla, resulting in flooding of Pond Ground in East End. Just when everyone thought that we had escaped the 1999 season with minimal damage, that meteorological freak, Hurricane Lenny, hammered Anguilla for two days in mid-November and dashed all of our hopes for a record 1999/2000 tourist season. However, the impact of Hurricane Lenny on government revenue in 1999 was limited because the Hurricane struck only 6 weeks before the end of the Financial Year.
32. The full impact of Lenny will be felt in the economy during 2000. The preliminary figures for the rate of growth of Gross Domestic Product (GDP) for 1999, recently calculated by the Statistics Unit with technical assistance from the Organization of Eastern Caribbean States (OECS), estimates that GDP in 1999 grew by 8.24 % over the 1998 GDP estimate. The projection for GDP growth in 2000 is 5.57 per cent. On the other hand the Economic Commission for Latin America and the Caribbean (ECLAC) has come up with a less positive estimate. It recently issued its report on the impact of Hurricane Lenny on Anguilla entitled "Anguilla: An Assessment of Economic and Other Damages caused by Hurricane Lenny November 1999". The Report estimates that GDP would grow between 0 and 3 % in 1999 and forecasts a range between a negative growth of -4% and positive growth of +4% in 2000. Both sets of estimates are based on the historical performance of the Anguilla economy and do not sufficiently take into account new investment in the economy. I wish to state forcefully that one of the areas of emphasis of this Government, during the current financial year will be to actively and I would daresay aggressively promote new investment both by domestic investors as well as by inward investors especially in tourism, financial services, e-business and e-commerce and in fisheries. In addition, Government is fully committed to funding and commencing the implementation of major infrastructure works to rehabilitate and expand the Island's road network and to develop our airport facilities to meet the projected long term air transport needs of the economy and community.
33. The cessation of the transshipment trade to the EU for most of 1999 was perhaps the biggest disappointment in terms of revenue collection. Because of the nature of the trade and the challenges raised by some member countries of the EU over the previous year, revenue expected from the transshipment trade was not included in the Budget as a regular and certain source of revenue. Instead it was treated as a "windfall" despite the substantial earnings of approximately \$31.0 million the previous year. As a result of the halt to the trade revenue generated for 1999 was more than halved to \$13.0 million.
34. Recurrent and capital expenditure were increased during the year in line with the additional revenue received from the EU transshipment trade. Total Recurrent Expenditure was

\$69,552,106, which included expenditure of \$6,669,754 in connection with the EU transshipment activity. Actual Capital Expenditure financed from local resources amounted to \$7,618,067 an increase of about 254 % over the budget.

35. Significant external contributions to the Capital Expenditure Budget came from Her Majesty's Government amounting to \$2,186,338 allocated primarily to the Secondary Education Project commonly known as "Campus B" as well as from the European Development Fund of the EU in the amount of \$625,989 spent on the Water Development Project. Minor contributions came from the United Nations Development Programme and the Commonwealth Secretariat. Agreement was reached with the Department for International Development of the British Government for the funding of a project for the computerization of the government's accounting and financial information system to be partly financed as a regional project with Montserrat and the Turks and Caicos Islands. The estimated grant to Anguilla would be £700,000 with the Government expected to make an input of approximately \$1,000,000 over the next two years towards the implementation of the project.
36. The significance of 1999 in terms of financial planning and budgeting in 2000 is that Government has to devote substantial resources in 2000 to the rehabilitation of the road and drainage network, to the restoration and replacement of buildings, plant and equipment damaged and destroyed in the flooding caused by Hurricane Lenny, while at the same time continuing to devote much time and effort to the expansion of Anguilla's economic infrastructure, the promotion of development, the expansion of social and community services and the strengthening of the administration of law and order.

GDP GROWTH IN 2000

37. The Estimates of Recurrent Revenue for 2000, Mr. Speaker, have been carefully prepared taking into account the impact of Hurricane Lenny on the performance of some revenue sub-heads such as Accommodation Tax and Embarkation Tax. Direct damage caused by the Hurricane was substantial, estimated by the Economic Commission for Latin America and the Caribbean (ECLAC) at \$177.8 million excluding environmental damage, of which \$21.0 million was in the social sectors, \$20.7 million in infrastructure and \$136.1 million in the economic sectors. However, the negative effect on Gross Domestic Product (GDP) of the destruction and damage to the economic infrastructure was partly offset in 1999 by the positive performance of the economy for the first 10 months of the year. Additionally, the effect of the interruption of economic activity was partly compensated for by the output generated as a result of expenditures by the public and private sectors in the recovery and rehabilitation process.
38. The economic outlook for 2000 as analyzed by ECLAC suggests at worst that the economy could experience negative growth, that is a decline in GDP of 4 % compared to the 1999 performance. The best case estimate that the same organization has come up with is that the economy could grow by 4 % in 2000. These estimates assume that work will continue on recovery and restoration in 2000 and that the same level of activity will continue in the other sectors of the economy as in 1999. They do not make any assumptions regarding new investment over and above the level of 1999 in such sectors as construction with the exception of hurricane related investment to replace damaged and destroyed infrastructure. Even so I am thankful that the assessment is not as gloomy as it could have been. I am encouraged and motivated and indeed so are my colleagues by the fact that the hill that we have to climb is not as steep as it could have been as a result of the ravages of Hurricane Lenny. It also reinforces the need for us to diversify the economy into sectors such as international financial services and e-commerce, which are not so directly affected by the damage and destruction caused by

hurricanes and other natural disasters.

39. The Statistics Unit of my Ministry with technical assistance from the Organization of Eastern Caribbean States (OECS) and the Eastern Caribbean Central Bank (ECCB) has come up with a more favourable projection of the 1999 and 2000 GDP figures. As stated earlier the preliminary calculation of the 1999 GDP estimate shows a growth rate of 8.24 % for the year despite the effect of Lenny. It would be fair to state therefore that the overall rate would have been higher had it not been for the Hurricane and the other problems that impacted on economic performance during the year. Although the economic impact of the Hurricane is expected to be more significant in 2000 and has been factored into the figures, GDP has been projected to grow by 5.57 percent in during the current year.
40. Government will work closely with the private sector during the year to achieve a rate of growth of over 5 per cent despite the post hurricane difficulties and provided that we are spared the ravages of hurricanes in the 2000 season. The Government of the United Front has pledged to generate an average of at least 7 % growth in GDP over the next five years and we intend to diligently pursue this objective starting from this year.
41. I will now relate these rate of growth estimates, Mr. Speaker, to the figures for total GDP in 1999 and 2000, which have been produced both by ECLAC and our Statistics Unit and the OECS/ECCB. The total GDP for 1999, at factor cost and after adjusting for inflation, as calculated by the Statistics Unit was \$184.5 million. For 2000 the projected figure is \$194.77 million, reflecting the projected growth in GDP of 5.57 %. Using current price estimates, that is without factoring out inflation the GDP estimates produced by ECLAC for 1999 and 2000 average \$214.5 million and \$215.0 million respectively. Knowledge of these figures provide for a better grasp and appreciation of the prospects for 2000. They indicate that if all goes well we should be able to maintain growth in 2000 and with hard work and coordinated effort between the public and private sectors surpass the projections.

2000 REVENUE

42. It is necessary Mr. Speaker to approach the responsibility of the Minister of Finance with a mixture of optimism and hardnosed realism. One cannot be too conservative in projecting the finances of the Government and the performance of the economy. Nor should one be too quick to take the optimistic estimates of Government's expected earnings of revenue and use them as the most reasonable and realistic projection of likely revenue performance. I believe Mr. Speaker that in light of the projections of the performance of the economy in 2000 just commented on and taking into account a number of Government initiatives, the Revenue Estimate of \$75,116,000 for 2000 is realistic.
43. The Revenue Estimate for 1999 by comparison was \$63,474,100. This means that an increase in Recurrent Revenue of \$11,641,900 is anticipated, equivalent to an 18.34 % increase from the one year to the next. The question will be asked: How will this increase be achieved? Mr. Speaker we have been able to use the performance of revenue for the first three months of 2000 to assist us in working out the Recurrent Revenue Estimates for the entire year. As a result we project that the increase will come mainly from Earnings of Government Departments, that is Revenue Head 10600 and from Indirect Taxes, Revenue Head 10200. The estimate of Earnings of Government Departments is \$14,732,200. For 1999 it was \$8,675,200. The difference of \$6,057,000 is 69.82 % greater than the 1999 estimate. The increase will come primarily from Water Rates and Sale of Water, Revenue Subhead 10612 and from a new Subhead 10645,

Domain Name registration.

44. The estimate for Water Rates and Sale of Water is being doubled for 2000 compared to 1999 essentially because the 1999 figure represents expected collection of the new water rates for less than half of the year, whereas the 2000 figure caters for earnings for a year. However, the figure of \$3,000,000 is thought to be conservative taking into account a number of adjustments which have to be made and problems which have to be resolved to put in place an efficient and effective water billing system in 2000. Additionally, the estimate would have been larger but was adjusted downwards in recognition of the fact that the time required to put a new water billing system in place would have a negative impact on water rate collections.
45. Mr. Speaker a figure of \$4.0 million has been estimated in earnings from the new Subhead 10645, Domain Name Registration. Mr. Speaker, may I welcome you to the new world of cyberspace and to the new economy of e-commerce, e-business and e-government, an economy in which business transactions and internal business operations are characteristically conducted online via the Internet and intranets. The virtual economy, as this new development is sometimes referred to, has spawned a whole new range of electronic and digital products and has led to the creation of new forms of intellectual property. The name or identity by which web sites, e-mail addresses and the servers that are used to host them and to connect to the Internet all require what are known in the field of information technology as domain names. A system of domain names have been developed in accordance with internationally agreed standards, which includes a major category called Top Level Country Code Domain Names. These have the characteristics of trade marks and represent a valuable piece of intellectual property belonging to the people of each country. In the case of Anguilla the assigned domain name is “.ai”.
46. The Government considered a proposal from Sterling Technologies Ltd. an Anguillian company, incorporated by inward investors involved in the development and operation of domain name registries, for the establishment and management of Anguilla’s Domain Name Registry and the global marketing of the Anguilla domain name on an exclusive basis. It is said that in the world of Internet business it is essential to move quickly in order to be and remain competitive and to get ahead of the pack. Mr. Speaker, we set out to negotiate an agreement with the investors in one month and at the same time to satisfy ourselves that there was no objection to Government doing business with them from a due diligence standpoint. I am pleased to report that with good cooperation between my Ministry, the Attorney General’s Chambers and the Ministry of Infrastructure we were able to successfully and satisfactorily complete negotiations and enable Government and the investors to make an agreement one week ago within a month as targeted. The upshot is that we can look forward to Anguilla’s domain name registry being established within weeks and to Government earning quite significant revenue from the registrations. Projected revenue as stated by the developers of the project could be as high as and probably significantly higher than \$7.0 million in the first twelve months of full operation. We have catered for \$4.0 million in 2000.
47. I am optimistic Mr. Speaker, or shall I say “bullish” to use a term commonly employed in financial circles to refer to positive expectations regarding future performance of financial instruments. I feel that the figure of \$33,041,000 in indirect taxes will be readily achieved in the course of the year. This is an increase of \$4,689,400 or 16.54 % over the estimate for 1999 of \$28,351,600. This figure is comprised mainly of a projected increase of \$3,000,000 in Import Duty Other, Revenue Subhead 10201 that is an increase of 13.95 % compared to the 1999 figure of \$21,500,000.
48. The increase in Indirect Taxes also includes \$1,540,000 representing a residual windfall amount

Import Duty – EU Transshipment from 1999, Subhead 10206. The future of the transshipment trade is expected to be decided by the EU countries in the current year. Anguilla benefited far more than we had anticipated when the trade began. Regrettably the trade was halted. I believe that every effort should be made to lobby for the continuation of the arrangements suitably revised, under which the trade was conducted. To this end my Ministry will take steps and do all that we can to lobby for and to try to bring about a favourable policy decision, which would enable Anguilla and the other EU Overseas Territories to participate once again in the transshipment trade.

RELIEF FOR CONSUMERS AND INCENTIVES FOR SMALL BUSINESS

49. Mr. Speaker, Government's role is not merely to collect as much as it can by way of taxes in order to run the affairs of state. This must be tempered from time to time by measures designed especially to ease some of the burden on the average consumer and on the less fortunate in our community. Government must also be mindful of the needs of not only the larger and more substantial businesses in the economy, but also the needs of the small and micro businesses and of the new entrepreneurs with creative and marketable ideas. Over and above the traditional incentives to investment in tourism, agriculture and fisheries, Government from time to time has found it necessary to grant relief to Anguillians at various levels of the economic scale. More particularly however, Government policy in this regard should be sensitive to and be geared towards benefiting especially those in most need as consumers or as business operators. The incentives and other fiscal relief measures by themselves may sometimes appear minimal, but their effect on national morale is often far more significant and serves to reinforce Government's commitment to providing whenever possible relief from the tax burden to those deserving of such consideration.
50. We have carefully considered in this Budget the likely impact of providing tax relief to the lower income groups and to small independent struggling business owners in the construction services sector and other small business owners in general. We have deemed it appropriate in this Budget to offer some cost of living relief. We intend with the support and approval of members of this House to remove the 5 % duty on the basic food items including evaporated milk, rice, flour, cornmeal and brown sugar effective 1st May 2000. In 1999 the total duty collected on these staples was \$77,122 and in 1998 duty amounted to \$78,337. We would encourage merchants to pass on these savings to the consumer in keeping with the intention of Government to reduce the cost of these staples to the consumer. We believe that the merchants will respond positively in the same spirit as has prompted this action by Government.
51. The duty on heavy equipment excluding trucks is currently 25 %. In a number of Caribbean countries the import duty on heavy equipment is lower than on other vehicles. It is proposed in this Budget to lower the rate to 15 %. This rate will apply to Bulldozers, cranes, concrete mixers including those mounted on trucks, backhoes and forklifts. A list of eligible heavy equipment including tariff numbers will be published by the Comptroller of Customs for the information of all concerned. Duty loss on heavy equipment with this reduction in 1999 would have been \$186,829 and in 1998 \$45,296. It is expected that the airport project and the development of a golf course both in the near future will require the substantial use of heavy equipment. The reduction of the duty on heavy equipment at this time should benefit small and large heavy equipment operators and assist them in being able to offer their services at more competitive rates to these projects. It should be noted also that backhoes and other heavy equipment have an important community disaster recovery role to play. This became clear in the aftermath of the devastation of Hurricane Luis in 1995 and Lenny last year.

52. Small businesses in other countries can often count on various incentive and support programmes to help them develop and contribute to the creation of jobs and incomes. It is the intention of the Investment and Commerce division of my Ministry to develop a package of support services and assistance designed to benefit our small business owners including the owners of guest houses and other forms of small scale tourist accommodation. The programme should include a special fund for undertaking lending to qualified borrowers at concessionary rates to be administered, it is intended through the Development Board as well as tax concessions where appropriate, and business advice on an ongoing basis.

FISCAL REFORM

53. In 1998, as Minister of Finance I had commissioned a consultancy to study the areas of Property Tax and Accommodation Tax. As far as Property tax was concerned the methodology for the rating of properties was not equitable. The collection ratio was extremely low. In many cases the lower income members of our community were diligently paying their property tax each year. On the other hand many of those neglecting to pay were much better able and financially capable of paying their annual property tax assessments.
54. Problems with the collection of Accommodation Tax from villa owners have been of great concern to the Ministry of Finance and to the hotel industry over the past few years. Villas not only contribute less to the economy especially in terms of job creation compared to hotels, they also contribute far less to Government's Accommodation tax revenues than they ought to be contributing because of weaknesses in the system of administration and collection of the tax. Additionally, some villas registered as private are also engaged in providing accommodation services without paying the requisite license under the law, further depriving the people of Anguilla of much needed revenue to help finance government services.
55. The Ministry of Finance will give priority to rectifying the problems and improving the system of Accommodation Tax collection to ensure that the revenue that should be realized is substantially collected, from villa owners in particular. Consideration will also be given to measures to ensure that villas make a bigger proportional contribution to the economy than they do at present. A special task force will be put in place to improve collections and develop the system of collections.
56. The task force will also function to improve collections of Property Tax and will be mandated to look at and implement improvements to the collection of other taxes and charges such as medical and hospital fees and business licenses.
57. Mr. Speaker we need to develop a culture where everyone in our community, who is financially able, recognizes and fulfils his or her responsibility to pay their fair share of the tax burden. This attitude will assist us in the task of "growing the economy". We are not asking and will not ask the people making up the community of Anguilla to take on more than they are able to bear. We are asking them to work with their government to develop Anguilla for their and their children's ultimate benefit.

2000 RECURRENT EXPENDITURE

58. Mr. Speaker, Government's proposals for the 2000 Recurrent Expenditure Budget provide for a total of \$75,018,486, an increase of 18.35% over the 1999 estimate of \$63,384,434. The major

increases will be in Water, Education, Treasury, Financial Services, Secondary Health Care, Attorney General's Chambers, Ministry of Finance, Customs and the Ministry of Social Services. The most radical increase in costs will be in the Water Department amounting to \$3,221,448 over the 1999 figure of \$2,091,438 to a 2000 estimate of \$5,312,886 an increase of 154 %. This is a direct result of the implementation of the agreement between Government and Aqua Design/Ionics for the daily supply of 400,000 gallons of desalinated water for distribution by the Water Department. Every effort will have to be made by the Ministry of Infrastructure to ensure that as much of this expenditure as possible is recovered through the efficient collection of water rates.

59. An 18.96 % increase in the Treasury's Expenditure Estimates is proposed for 2000, which would amount to an increase of \$1,623,901 from \$8,565,681 in 1999 to \$10,189,582 in 2000. A major increase will be in Public Debt service of \$700,000 or 43.1% of the total increase. The other major source of increase over the 1999 estimate is the amount of \$790,000 in EU Transshipment expenses amounting to 48.64 % of the total increase.
60. Education is to be increased by \$1,442,911 or 13.91 % from \$10,376,063 to \$11,818,974. The increase in Financial Services would amount to \$882,050 or 141 % from \$625,584 in 1999 to \$1,507,634 in 2000. Specialist services required for the maintenance of the ACORN 24 hour online company registration system will account for \$591,000 of the increase or 67 %.
61. The increase in Secondary Health Care will be significant at \$791,561 or 13 % from an approved estimate of \$6,094,465 in 1999 to \$6,886,026 in 2000. The major increase in costs will be in Personal Emoluments amounting to \$636,839 or 80.45 of the increase. It is extremely important that the Princess Alexandra Hospital is adequately staffed if the quality of health care delivery is to be improved and if the public's dissatisfaction with the services is to be reduced. It will be necessary to undertake far-reaching changes in the management of that Institution and the Department in general.
62. The need for new and far-reaching legislation to respond to the needs of the Information age and to address many of the challenges facing the Anguillian economy and society in transition places extra demands on the Attorney General's Chambers. Consequently the 2000 Budget proposes to make substantial provision for Specialist Services to assist the Chambers to effectively address the additional work that it is being called on to undertake at a quickened pace in order to place Anguilla in a strong position in the global competition to achieve and maintain development on a sustained basis. Provision is being made for an additional \$395,100 to be spent in 2000 from \$1,231,080 in 1999 to \$1,626,180 in 2000 a 3.2 % increase.
63. Mr. Speaker I have sought merely to highlight the major changes in the 2000 Recurrent Expenditure Budget compared to the 1999 Recurrent Expenditure Budget. I have decided against going into too much detail at this stage and to leave the fine details for the Committee stage. I have sought instead to place this years exercise in the context of the urgent imperative for us to develop and implement an e-commerce, e-business and policy and strategy. This relates substantially to our need to develop Anguilla's economic infrastructure to support our shift to e-commerce and e-business.

2000 CAPITAL EXPENDITURE

64. The Capital Expenditure Budget for the year is set at \$5 million. Just over 50% is to be spent by the Ministry of Infrastructure, Communications and Utilities. The Government of Anguilla has

- recognized the need to develop a proper road network and has committed \$1.7 million from local resources to this end. In addition, negotiations are in an advanced stage with the European Development Fund and Caribbean Development Bank for grant and loan funding for road improvements. These funds will address a number of new roads and the upgrading and repairs of existing roads resulting from damage caused by Hurricane Lenny.
65. In recognition of the need to develop and maintain the social infrastructure, 20% of the local capital programme is earmarked for the Ministry of Social Services. A significant portion of that amount is targeted for the development of sporting facilities.
 66. Under the Ministry of Finance and Economic Development, the focus will be on strengthening the administrative capacity of the various government departments. In addition there is a local contribution to the implementation of a Treasury Information System.
 67. The externally funded portion of the capital programme does not form part of the budget approval process. It is however important that this be taken into consideration since it has implication for the local capital budget and also is likely to impact on our maintenance programmes.
 68. The identified and approved projects in the Public Sector Investment Programme for external financing for the year 2000 are estimated to cost \$19 million. Of this total, \$6 million is to be spent on the Secondary School Development Project also known as the Campus B project. \$6.8 million is expected to be spent on an EDF funded Road Programme and \$3.0 million on the Treasury Computerization Project.
 69. The Government of Anguilla also expects to pay special attention to seaport and airport development. The Caribbean Development Bank has approved a loan to finance a port development study. It is expected that this study will be completed this year. A comparative Airport Study funded by the United Kingdom Government was also completed this year. This report is now being analyzed by public and private sector personnel. The improvement of the airport facility is now urgent as it is likely to impact upon tourism in the near future as at least one air carrier is not happy with the constraints imposed by the inadequate runway at Wallblake Airport. The Government of Anguilla will be actively seeking funding for the preferred option once this is agreed upon.
 70. The Chief Minister and myself had a fruitful meeting in England at the end of last month. We received assurances that an amount of \$13 million is to be earmarked for Anguilla. The projects to be financed will be agreed upon shortly and a preparatory meeting by British officials will take place next week. This will culminate in full aid talks in the month of June. We expect a rapid implementation of the projects once approved.

CONCLUSION

- 71 Mr. Speaker, though my presentation has been long, I assure you that it is more suggestive than exhaustive of the number of important strategies, policies and programmes, which need to be put in place to **“equip our nation for the information age”**. I dedicated a considerable portion of my address to describing the changing environment in which Anguilla will be expected to

develop as it meets the needs of its citizens. This was intentional.

72. I believe that, as Minister of Finance, I must take the lead in articulating the issues which will affect the growth of our economy. Furthermore, Mr. Speaker, it is my duty to bring some comfort to local and foreign investors that the Government of Anguilla is aware of the challenges, which they will have to face and thereby assure them that the partnership is based on mutual understanding of those issues.
 73. I must reiterate that this budget is not exactly the kind of document which my Ministry hopes to present in the future. It is a budget which is intended to respond quickly to the constitutional requirements for proper financial accountability. Nevertheless, we believe that we have done the best job we could do in the circumstances. For that reason, many of our projections on revenue have been on the conservative side and we have been extremely cautious with expenditure levels. In other words Government feeling its way forward, but with a significant measure of confidence.
 74. I am grateful to the staff of the Ministry under the leadership of Permanent Secretary of Finance, Mr. Ralph Hodge for preparing the actual budget document and under the leadership of Permanent Secretary Development, Mr. Marcel Fahie for his able support in the preparation of this budget address. Without the well coordinated efforts of this team in the Ministry of Finance, we would have been unable to accomplish this task in this short time.
 75. This year, with God's providence, I should also be presenting another budget. That will be in the Christmas season as is the usual case. For the first time I have the opportunity to present my address at Easter. I therefore take this opportunity on behalf of Government to wish all of Anguilla a blessed Easter and best wishes for the remainder of 2000.
 76. It is my hope that as your Government we will be able to live up to your expectations of equipping Anguilla for the Information Age.
- Mr. Speaker, I beg to move.

Minister of Finance, Economic Development, Investment and Commerce
April 19, 2000