

BUDGET ADDRESS 2005

“ANGUILLA INCORPORATED (INC), OPEN FOR BUSINESS”

PART I

1.INTRODUCTION

Mr Speaker, through God’s blessings and divine providence we have been able to make it through another year so that I once again come before you and other members of this Honourable House to present the Government’s fiscal plan for the fiscal year January to December 2005.

A hearty welcome, to all of you who have taken the time to attend the presentation of the 2005 Budget. A hearty welcome also to those of you listening via radio, recognizing that with the use of the Internet by Radio Anguilla, this address is accessible live to the Anguillian diaspora, that is, the Anguillian community living overseas: in other Caribbean islands; Slough, England; Toronto, Canada; New York, Washington, D.C., and Miami as well as other parts of the world. Welcome also to those of you viewing the proceedings on television.

Mr Speaker, in keeping with the approach, which I have adopted during the **“ten years”** in which I have served as Minister of Finance and Economic Development, I propose to organize this year’s presentation around a central theme. My choice for the 2005 Budget Address is **“ANGUILLA INCORPORATED (INC), OPEN FOR BUSINESS”**. A bold statement Mr Speaker, but one that I intend to substantiate to the fullest.

Mr Speaker, what do I mean when I say **“ANGUILLA INC, OPEN FOR BUSINESS”**? Mr Speaker, this theme is not simply relating to business or finance but speaks to an approach, which says that attaining particular economic and revenue growth rates is not the end in and of itself but rather a means to an end, which is the **“total sustainable human development of all Anguillians”**. **“ANGUILLA INC, OPEN FOR BUSINESS”** is therefore about how to find new and creative ways to unleash the productive forces at our disposal to further the development of all Anguillians. It is about **“all a we”**, all a we sitting at the main table and enjoying the benefits from the progress and development generated and not relying on a **“trickle down effect”**. This requires conscious policy decisions so that **“ANGUILLA INC, OPEN FOR BUSINESS”** is about definitive ideas, ambitions, goals, strategies, plans for achieving the total sustainable human development of all Anguillians.

Mr. Speaker, the people of Anguilla, our economy, our institutions, our society have arrived at a new milestone, a new confluence of opportunity along our journey towards sustainable human development. Mr. Speaker, we found ourselves at the end of 1999 facing the very real threats of major economic decline and continuing political destabilization. Thanks to the principled commitment of the United Front and the strong desire of the people of Anguilla to achieve the development vision of the Anguilla Revolution, we have managed to avoid these threats.

Mr. Speaker, there is a buzz in Anguilla about development, a buzz abroad about investment opportunities in Anguilla. This buzz is qualitatively different from anything we have experienced before, following the Revolution of 1967. The sense of optimism, the sense of confidence in the economic and social progress of the Anguillian community, is at an all time high. We did not arrive at this positive situation in which we now find ourselves by chance.

We have not suddenly found ourselves today in a position facing an excellent opportunity to experience the greatest and longest period of sustained development in our recent history. No, Mr. Speaker, we face these opportunities today because the Government and people of Anguilla kept faith with the vision of a developed and prosperous Anguilla and with the need to pursue that vision in an environment of political and social stability, with the Government and people being front and centre of that development, determining its character and direction and ensuring that its fruits flow not only to the developers but also to the members of the Anguillian community as a whole.

It was necessary therefore, indeed crucial Mr. Speaker, that the actions and decisions of the Government over the past almost five years be informed by clear and specific policy and programme objectives. It was essential that these policy and programme objectives be understood by the Public Service. It was essential that the whole Governmental apparatus shift its focus substantially from concern with administrative efficiency, to a focus on results. In this regard, therefore, the Public Service and the Government as a whole over the period of the United Front's stewardship sought to employ a much more businesslike approach to the delivery of the public services than preceding governments.

A central strategy in the focus on a more output-oriented approach to the administration of the public sector has been enhanced. It has become a hallmark of Government to be more active in enabling the private sector to undertake the necessary investments in the economy to generate the wealth, jobs and incomes needed to enable our people to enjoy improved living standards and to sustain those standards.

Government has found it necessary therefore to adopt and adapt some of the practices long employed by the private sector in conducting its business. The result has been clearer and more focussed policies, strategies, and programmes, supported by appropriate enabling legislation and regulations designed to more effectively achieve the targeted outcomes.

Mr. Speaker, you will therefore understand the appropriateness of our theme for this year's address "**ANGUILLA INCORPORATED - OPEN FOR BUSINESS**". We have improved our game over the past five years, enhanced our investment and economic competitiveness internationally. We are now in a position to bargain even harder in promoting investment. We are poised to effect significant diversification of our economy with the liberalization of telecommunications; strengthening the institutional and technological platform for our international financial and business services sector; with development of a policy framework for e-commerce and ICT based businesses; with development of sport and recreation based goods and services. Critically, we seek to stimulate and achieve the broadening and deepening of the Anguillian economy, without sacrificing quality. Indeed excellence is a watchword of our endeavours.

So, Mr. Speaker we are operating in a very businesslike manner and striving to continually improve the operations of Government to make them more businesslike. We are seeking to give a more forceful and immediate meaning to the theme “**ANGUILLA INC. – OPEN FOR BUSINESS**”. Particularly in the years immediately ahead it will be imperative that we not only maintain the businesslike approach we have been endeavouring to put into practice, but to improve and expand on it.

It is imperative that we are “**OPEN FOR BUSINESS**” on an international basis. To achieve this we must develop our own policies and practices as well as adopt and adapt policies and practices from the private and public sectors around the world best suited to our circumstances and opportunities. In short, we must be systematic, planned and prepared, focussed, business like, in short we must operate as “**ANGUILLA INCORPORATED**”, (**ANGUILLA INC.**) open and ready to do business successfully with the rest of the world.

Mr Speaker, this Budget Address will be somewhat different, in that with Elections constitutionally due by March next year, I will be using this forum to report to you, the other members of this Honourable House and the public at large on the achievements of this Administration, the **United Front**, since we took office in March 2000 relative to what we had indicated we would seek to do as outlined in our Manifesto. Mr Speaker, I will argue, with supporting evidence, that our performance has been excellent and that overall we deserve an “**A Grade**”. Mr Speaker, I will be very deliberate in my presentation and take longer than usual. Governing is a serious business and as we prepare for another General Elections we owe it to the people of this island, who are so dear to us to be open and transparent about all that has happened under the stewardship of the **United Front** since 2000.

So I would advise you all to make yourselves comfortable and listen attentively to what I have to say this afternoon. Mr Speaker, for those who wish to peruse the 2005 Budget Address at their leisure it will be made available on the GoA website – www.gov.ai - and the Radio Anguilla website – www.radioaxa.com. A limited amount of hard copies of the Address, Mr Speaker, will be available upstairs at the Ministry of Finance, Economic Development, Investment and Commerce (FEDIC).

Mr Speaker, the theme of the **United Front 2000 Manifesto** was “**the Restoration of Democracy, Good Governance, Peace, Political Stability and Economic Prosperity for the Period 2000 to 2005 and Beyond**”. Mr Speaker, I declare emphatically that we have delivered in every one of these aspects and that based on what we believe to be an “**A**” **Rated Performance** we are seeking another 5 year mandate to continue with our efforts to foster the “**total sustainable human development of all Anguillians**”.

In gearing up for the 2005 General Elections Mr Speaker, we have been considering what should be our focus, our priority to 2010. Mr Speaker, if we are serious that our ultimate goal is the “**total sustainable human development of all Anguillians,**” then the emphasis for the period to 2010 can only mean one thing – “**focus on the social sector**”. Mr Speaker, this is not to suggest that the **United Front Government** has neglected the social sector since it took office in 2000. To the contrary Mr Speaker. Expenditure on social services has averaged **36%** of total annual recurrent expenditure over the period

2000 to 2004. This represents the largest expenditure on a Ministerial portfolio and points to where the **United Front's** priorities lie – sustainable human development. Expenditures on the social sector under the public sector investment programme have been quite extensive as well, as you will see later. What we are saying, however, Mr Speaker is that the progress that Anguilla has made since 1980 has come at the expense of the family, which is the fundamental building block of communities and society as a whole and the basis of a stable social order. There is therefore the need for a period of **“Social Reconstruction”**, Mr Speaker. It is this “crusade”, if you like, which the **United Front** intends to emphasize in the period 2005 to 2010, the will of the people of Anguilla permitting.

Mr Speaker, taking stock, Anguilla's economic development really began in earnest in 1980 following its formal secession from the Associated State of St. Kitts-Nevis-Anguilla. The basis of Anguilla's development since 1980, Mr Speaker, has been the tourism industry. In 1980, the Government of the day, adopted an official policy stance that Anguilla would promote **“low volume-high value” upscale tourism**. This is still the case and is seen by the **Anguilla United Front** as the only way that the industry can be sustained in the context of Anguilla as a small island developing state vulnerable to environmental, social and economic upheaval.

Mr Speaker, the growth of the economy has mirrored the growth in the tourism industry. Starting from a base of 8,172 visitor arrivals (stay-overs and day-trippers) in 1980, some 120,000 visitors are expected to visit Anguilla's shores in 2004. Driven by this performance of the tourism industry, gross domestic product (GDP) has gone from **\$36.9 million** in 1984 to a projected **\$295.2 million** in 2004. As a direct result of the improvement in economic fortunes the population has increased by 71.7% since 1984 going from **6,987** then to about **12,000** presently. A large part of this increase has been due to in-migration, mainly from other Caribbean countries. Non-Anguillians now make up **28%** of the population. In per capita terms, GDP per capita has increased from **\$5,281** (US\$1,956) in 1984 to approximately **\$24,600** (US\$9,111) in 2004.

However, Mr Speaker, these outstanding achievements have come at a price. They have come at the price of the erosion of our families, our communities and our society as a whole. Consequently, as I have indicated, the **Anguilla United Front** going forward to 2010 will be focusing on the social sector. In fact we have dubbed the period 2005 to 2010, **“The Period of Social Reconstruction”**. The practical manifestation of a social capital oriented path to development can be seen in the work of the United Nations which for a decade now has charted the path of countries according to its Human Development Index. At the end of the last century the UN took this to another level by establishing what it called the **“Millennium Development Goals”** or **MDGs**.

Mr Speaker, the MDGs speak to 8 goals, which all UN members have pledged, by way of a General Assembly Resolution, to attain by 2015 in the following areas: (1) eradication of extreme poverty and hunger; (2) achievement of universal primary education; (3) promotion of gender equality and the empowerment of women; (4) reduction of child mortality; (5) improve maternal health (6) to combat HIV/AIDS, malaria and other diseases (7) ensure environmental sustainability; (8) develop a global partnership for development. Mr Speaker, since they are expected to be implemented globally, and given the disparity in development globally, the specific MDGs targets are set as

minimum targets and countries will be required to customize them according to their own realities.

In Anguilla, Mr Speaker, we must ask, and certainly the **Anguilla United Front** has been asking, what is the vision of where we want to be 10 years from now, in **2015** the year set by the UN Millenium Development Goals? **“ANGUILLA INC, OPEN FOR BUSINESS”** speaks to the **Anguilla United Front “Vision”**, the **“Grand Project”**, if you like, and the approach and means of getting there. Mr Speaker, during the course of this Budget Address the **United Front Government** will outline concrete goals, targets and indicators for attaining the vision, which we have established for Anguilla. The UN Millennium Development Goals framework customized to suit Anguilla’s reality, as well as the OECS Development Charter will be frames of reference. Indeed, I now paraphrase from the OECS Development Charter to outline the vision of the **Anguilla United Front** for Anguilla for 2010 and Beyond.

As the Anguilla United Front **“we envisage for the people of Anguilla a future in which they maintain their culture; preserve their heritage; achieve their full human potential in peace and freedom; and participate in the economic and social progress of the regional and international community”**.

Mr Speaker, the final paragraph of the Introduction Section of the 2004 Budget Address ended with a challenge to Anguillians to “engage in critical reflection to review and reformulate the vision for Anguilla going forward”. This has been the approach of the **United Front Government** from day 1 of its Administration in March 2000 and is reflected in previous Budget Address themes such as: we have to **“equip our nation for the information age”**, we have to **“pay our own way”**, we have to **“face our challenges with solutions from within”**, we have to **“be effective stewards today”**, we have to make **“real choices for a modern Anguilla”**. It has been the judicious policy decisions, which the **United Front Government** has taken over the past 5 years, which have enabled us to get to **“ANGUILLA INC, OPEN FOR BUSINESS”**. But the “project” is not complete, and can never be complete because we have to forever be working, adapting, innovating to ensure that gains made are not reversed and that the possibilities open to the present generation are continually expanded, however, not at the expense of future generations. The **Anguilla United Front**, ladies and gentlemen, one and all, I submit to you is **“the viable option for steering the right course towards the total sustainable human development of all Anguillians to 2010 and beyond”**.

Mr Speaker, the strategy going forward, as far as the **United Front** is concerned, is for the GoA to generate greater surpluses from tourism, which would in turn be invested in new growth poles such as international business and financial services, information and communications technologies, e-commerce and fisheries and in doing so diversify and expand economic activity, improve incomes and the overall standard of living and promote sustainable human development, allocating greater resources to the social development of the community.

Mr Speaker, putting together the annual budget is a very significant undertaking, and as usual I would like to thank the Permanent Secretary for Finance, Mr Carl Harrigan, and the Permanent Secretary for Economic Development, Investment and Commerce, Mr Marcel Fahie, for coordinating the preparation of the 2005 Budget. They were ably assisted by Ministry of FEDIC staff who must be commended for their efforts. Finally, I

would also like to acknowledge the support of my Ministerial colleagues in this undertaking. The Chief Minister, as a former Minister of Finance, always makes a telling contribution in the whole budget formulation process. I would also like to take this opportunity to thank the Honourable Minister for Education, Health, Social Development, Lands and Physical Planning for his support of my Ministry in the preparation of the last 5 annual budgets and on behalf of my Ministerial colleagues and the people of Anguilla I want to especially thank him for the sterling service during his years in politics. Happy retirement and God speed Minister Reid. You have blazed an awesome trail to follow and all those affected by the services provided under your Ministry have benefited from the fearless and tireless leadership, which you have shown over the years. As to the Minister for Infrastructure, Communications, Utilities and Housing he is always an unapologetic advocate of the need to devote resources to these sectors. As you will see from the allocations under the capital programme in particular, as usual he has gotten his way. So, Mr Speaker, in sum the preparation of this Budget has been a total team effort by all concerned.

2. SITUATIONAL ANALYSIS AND PROSPECTS FOR 2005 AND BEYOND

3.1 Economic

Mr Speaker, on p. 12 of our 2000 Manifesto, the **United Front**, pledged to grow the Anguilla economy at an annual average rate of not less than 7 per cent. The actual achievement based on figures compiled and projected by the Statistics Department in conjunction with the Eastern Caribbean Central Bank (ECCB) is an average growth rate of GDP of 5% over the period 2000 to 2004. So in this respect we deserve at least a **“B+” Grade**.

Mr Speaker, the question could be asked: why didn't the **United Front Government** achieve the annual average growth rate in GDP that we had targeted? I will tell you. Hurricane Lenny struck in November 1999 resulting in the closure of Anguilla's largest private sector entity, Cap Juluca Hotel, and other properties for the entire year of 2000. In 2001 the economic recession in the US had its effects with lower visitor arrivals from this market, which accounts for about 65% of all visitor arrivals. Mr Speaker, with the fallout from the events of September 11, 2001 cascading over into 2002, economic activity in Anguilla was again muted. 2003, however, was a robust year, as stability in international markets after the early scare related to the start of the War in Iraq in April 2003, coupled with efforts by Government to stimulate economic activity, paid off.

Mr Speaker, the Anguillian economy is projected to grow by an amazing **16.7%** in 2004 driven by strong performance in the tourism sector and major construction activity relating to the **\$55.8 million** Wallblake Airport Expansion Project (WAEP), to the golf tourism project which as of today is employing around 200 construction workers, and the continuation of a significant road development works programme. The economy is expected to grow at a similar rate in 2005.

So Mr Speaker, I think most people would agree the **United Front Government** has set the basis for the sustained take off of the Anguillian economy, unfavourable natural and external economic shocks in 3 of the past 5 years, notwithstanding.

3.2 Fiscal

Mr Speaker, when we speak of fiscal performance this is measured in terms of recurrent revenue relative to recurrent expenditure, and combining this with capital revenue and expenditure to give a picture of Government's overall fiscal balance. Mr Speaker, Government's fiscal performance is driven by overall economic performance so that the pattern, which was observed for economic growth is reflected in fiscal performance. Recurrent revenue collections declined, in 2000 and 2001, but thereafter recovered owing to a more favourable international economic climate and measures adopted by Government, growing by 13.9% and 8.4% in 2002 and 2003, respectively. Recurrent revenue is projected to grow by an amazing **24.9%** for 2004. Taken in full, the annual average rate of growth in recurrent revenue collections was 8.1% over the period 2000 to 2004. For this performance we believe we are deserving of an "**A Grade**".

In actual figures, recurrent revenue collections will have gone from **\$76.5 million** in 2000 to **\$115 million** in 2004. To break the **\$100 million** figure in revenue collections is a landmark achievement, Mr Speaker, which we all should be proud of. 20 years ago Government of Anguilla revenue collections were **\$12 million!** Mr Speaker, I repeat, **\$12 million!** We have indeed come far as a nation in a relatively short span of time.

Mr Speaker, this Government has maintained a strong sense of fiscal discipline such that for the period 2000 to 2004 recurrent expenditure has grown at an average annual rate of 5.2 per cent. When this is compared to the annual average growth rate of 8.1% for recurrent revenue over the same period, it is evident that this Government has been living within its means. This sense of fiscal prudence coupled with measures to improve revenue growth means that the GoA's recurrent account for 2004 is projected to register a surplus of **\$24.7 million**. Mr Speaker, this is an unprecedented achievement in Anguilla's fiscal history!

However, Mr Speaker, we have to take into account capital expenditures to give a full picture of Government's fiscal performance. As with any other entity, investment in capital (human, infrastructure, social) is crucial to the sustained financial soundness and solvency of Government. With this in mind, Mr Speaker, this Government has always tried to make provision for investment in capital infrastructures. Expenditures on capital in what we term the "locally funded" capital budget (that is, excluding borrowing from overseas and external capital grants) has been on average \$11.2 million for the period 2000 to 2004. In 2000 \$2.6 million or 20.8% of locally funded capital expenditures of \$12.5 million was funded through 2000 recurrent surpluses. For 2004, Mr Speaker we are projecting that locally funded capital expenditures are expected to top out at **\$20 million**. Of this, \$17 million will have been funded through 2004 recurrent surpluses. In this respect Mr Speaker, I am happy to report that the **United Front Government** has met the goal established on p. 12 of our 2000 Manifesto, namely, that by 2005 the amount of the locally funded capital expenditure funded through recurrent surpluses should be at least **25 per cent**. In 2004, Mr Speaker, based on the figures, which I have given above, that ratio is expected to be **85 per cent!** That achievement we believe, Mr Speaker, is worthy of an "**A++ Grade**".

Mr Speaker, in terms of the overall fiscal balance, as I outlined in previous Budget Addresses the period since 1999 has been a trying one. But Anguilla is not alone in this

respect as reviews by the ECCB and the CDB of the region's economies demonstrate that most, if not all of them, have had to undergo some sort of fiscal adjustment during the period. Mr Speaker in the first two years of the **United Front Administration** deficits were recorded on the Government's overall fiscal account, deficits of \$9.9 million and \$14.8 million in 2000 and 2001, respectively, cumulatively, \$24.7 million.

What has been the response of this **United Front Government**? Mr Speaker, if you may recall, the theme of the 2002 Budget Address was "**Facing our Challenges with Solutions from Within**". The essence of that pronouncement is that we as Anguillians should never devolve to outsiders the responsibility for designing solutions to the challenges we face. In this spirit, Mr Speaker, in March of 2002 the Ministry of FEDIC submitted a 48 page document to Her Majesty's Government entitled "**Measures to Restore Fiscal Stability in Anguilla over the Period 2002 to 2004**" which outlined in detailed fashion how we intended to address the Government's fiscal situation.

Mr Speaker, the provisions of the Fiscal Stabilization Plan were outlined in detail in the 2003 Budget Address and referred to extensively in the 2004 Budget Address. The Plan, which has been implemented since April 2002 has had a marked impact and there has been a significant turn around in the government's finances so that overall surpluses of \$1.0 million and \$5.0 million were recorded in 2002 and 2003, respectively. Based on the fiscal outturns to date, the GoA is projected to register a recurrent surplus of **\$24.7 million** in 2004 and an overall surplus of **\$7.7 million**. This speaks to the sustained turn around in the GoA's fiscal position during the past three years and can be attributed to prudent financial management by the GoA, the strong performance of the tourism sector and strong direct foreign direct investment flows to Anguilla. For these achievements Mr Speaker, the **United Front** deserves an "**A+ Grade**" – "**ANGUILLA INC, OPEN FOR BUSINESS**". And the achievements have not been "**accidental**" or due to "**luck**", as all the success indicators can be traced back to the measures adopted in the Fiscal Stabilization Plan.

3.3 Reserves

Mr Speaker, the **United Front Administration** entered office in March 2000 to find the Fiscal Reserves level at "**ground zero**".

Mr Speaker, I am happy to report that due to the stellar fiscal performance since 2002 this Administration as I speak has put away **\$10.2 million** in fiscal reserves at the end of November. This is the highest ever level of fiscal reserves that the Government of Anguilla has possessed. For this achievement Mr Speaker, this **United Front Administration** deserves an "**A**" Grade. Mr Speaker as a consequence of a Borrowing Guidelines Agreement, which the GoA signed with the UKG in 2003, the GoA is required to have the equivalent of 90 days of the budgeted recurrent expenditure estimate approved by this Honourable House in Fiscal Reserves. Furthermore, the Agreement called for this level to be achieved over 6 years. So that by the end of 2003 the GoA should have had fiscal reserves amounting to 15 days of the 2003 recurrent expenditure estimates and by the end of 2004, fiscal reserves amounting to 30 days of the 2004 recurrent expenditure estimates. Mr Speaker, with the recurrent expenditure estimates passed by this Honourable House of \$90.2 million for 2004, the amount required in fiscal reserves at the end of 2004 is **\$7.4 million**. But as I indicated to you earlier, Mr Speaker,

we already have over **\$10 million** in fiscal reserves at the end of November. So we have surpassed the performance required of us. On second thoughts Mr Speaker, change that grade to which I referred to earlier to an “A+” – “**ANGUILLA INC, OPEN FOR BUSINESS**”.

3.4 Public Sector Investment Programme

Mr Speaker, the Public Sector Investment Programme (PSIP) is equivalent to a capital investment programme (CIP) for a private sector firm. It is multi-annual, typically of three years duration. I will now report on the last PSIP cycle, which covers the period 2002 to 2004.

Total expenditures under the GoA’s PSIP for the period 2002 to 2004 are some **\$123.4 million**, Mr Speaker. I repeat, \$123.4 million. This translates to an investment of **\$10,283 per person** in social, human and physical infrastructure by the GoA over the period. For this achievement, Mr Speaker, the **United Front** deserves an “A Grade” – “**ANGUILLA INC, OPEN FOR BUSINESS**”.

In terms of financing the breakdown is as follow. Development Grants: \$59.2 million (48.0%); GoA Recurrent Surpluses and Capital Revenue: \$37.6 million (30.5%); GoA Commercial Bank Borrowing: EC\$10.1 million (8.2%); GoA Development Bank Borrowing (Caribbean Development Bank): \$9.9 million (8.0%); Private finance arrangements: \$6.6 million (5.3%).

Mr Speaker, the GoA through the borrowing that it has undertaken and through recurrent surpluses and capital revenue generated has been responsible for \$57.6 million or 46.7% of the financing of the PSIP for the period 2002 to 2004. This is a tremendous achievement and has occurred in spite of natural and major economic shocks.

3.5 Sectoral Performance

Mr Speaker, the 2000 **United Front Manifesto** outlined detailed sectoral objectives which the Party intended to undertake as Government over the period 2000 to 2005 and beyond. I will now outline our accomplishments relative to the objectives and goals set for the various sectors.

3.5.1 Tourism

Mr Speaker, as we all know, tourism is our most important sector, accounting for 60% of GDP when all the impacts are taken together – direct, indirect and induced. In the key aims and objectives outlined for the sector on p. 21 of the 2000 **United Front Manifesto** the diversification of the industry was listed as a key aim, to be accomplished specifically through eight different projects. I will now report on progress with some of these projects.

International Championship Golf Course and Vacation Facilities

Mr Speaker, attracting a luxury golf tourism project to Anguilla has been a priority for many a Government for as long as I can remember. All came up short with the exception of this **United Front Administration**, which in July 2002 reached agreement with Flag Luxury Properties to develop a luxury golf tourism project on approximately 275 acres of land at Rendezvous-Merrywing. The project involves an investment in excess of **US\$250 million** over 10 years and will incorporate an 18 hole Greg Norman Signature Championship golf course, 15,000 sq. foot Club House, a luxury boutique 5-star hotel with a minimum of 80 rooms (with provision for another 60 rooms), luxury spa, at least 20 luxury estate homes (with provision for another 20 homes) and at least 20 luxury villas (with provision for another 20 villas).

Mr Speaker, the luxury hotel and estate home/villa components of the project will be managed by the prestigious **St. Regis Hotels**, which is the 5-star vehicle of the Starwood Hotel Group. Mr Speaker, what can I say? Suffice to say that this project will be St. Regis' first foray into the Caribbean and as they have stated, they are "staking their reputation on Anguilla". **Mr Speaker, what a vote of confidence for Anguilla!** I need not say it, because you know what I will say – "**ANGUILLA INC, OPEN FOR BUSINESS**". For bringing this project to Anguilla the **United Front** deserves an "**A++**" **Grade**.

An Upscale Yacht Marina

Mr Speaker, Anguilla markets an upscale brand of tourism aimed at the traveller with a discerning taste and prepared to pay a premium for a luxurious experience. To this end Mr Speaker, the **United Front** views the establishment of an upscale or mega-yacht marina as an essential part of Anguilla's tourism product and is committed to bringing one to Anguilla's shores. Mr Speaker, I believe most people will remember the interest shown by Mr Robert Johnson of BET to establish a mega-yacht marina in Sandy Ground Pond. However, for a variety of reasons this has not been realised.

But, Mr Speaker, all is not lost on the mega-yacht marina front. In July of this year the **United Front Administration** was approached by the principals of Altamer Villas Resort who indicated that they were interested in undertaking a major expansion of their project to include a mega-yacht marina in Gull Pond, luxury boutique hotel, luxury estate homes and villas and a duty free shopping complex. This would be at a projected cost of **US\$200 million** over 7 years. Mr Speaker, the **United Front Administration** must be doing something right if investors are willing to put multiple millions of dollars on the line by investing in the island. "**ANGUILLA INC, OPEN FOR BUSINESS**", Mr Speaker.

At Least one Major Hotel Project for the Eastern Area of Anguilla

Mr Speaker, as a matter of policy and principle the **United Front** is committed to the balanced spatial and geographical development of Anguilla. Consequently, as a matter of priority, and as outlined in our 2000 Manifesto the **United Front** is committed to bringing a major tourism project to the Eastern End of the island.

Mr Speaker in the last quarter of 2001 a representative of the Junks Hole Estate, one of the largest estates in the Eastern End, introduced the **United Front Government** to the Urban Perspectives Development Group of New Jersey who declared an interest in developing a luxury golf tourism project at Junks Hole, in conjunction with the world's most successful golfer, Jack Nicklaus. I am happy to report that just last month Ministers of Government met with representatives of both the developers and the estate owners who indicated that they have reached agreement on optioning the lands required for the project. The developers have indicated that they propose to establish a project incorporating an 18 hole Jack Nicklaus Signature Championship Links golf course, club house, a luxury boutique 5* hotel, spa and luxury estate homes and villas. The projected investment is put at **US\$450 million**.

Mr Speaker, it is our intention, to reach "investment approval in principle" with the developers by March of 2005, subject to a thorough due diligence investigation of the principals involved and on the basis of a development model recommended by the Tourism Investment Committee, as being the most appropriate under the circumstances. Mr Speaker, should an agreement to allow the Junks Hole golf tourism project to proceed, it will be yet another example under this administration of, "**ANGUILLA INC, OPEN FOR BUSINESS**".

Rejuvenation of Existing Projects which are Defunct or Under-Performing

Mr Speaker, although no explicit reference was made to this issue in the 2000 **United Front Manifesto**, to the extent that we on p. 21 pledged to "increase the economic benefits derived by the society as a whole" from resources devoted to tourism it would cover the matter of defunct and under-performing properties.

Mr Speaker, to this end I am indeed very happy to announce that in September of this year this **United Front Government** successfully concluded negotiations with the KOR Hotel Group of California to redevelop the defunct Cocoloba Resort property and adjacent lands to include a 5 * resort and resort real estate project. The Project to be constructed on 27.14 acres of land at Barnes Bay will include: a luxury boutique hotel with no less than 70 rooms; club house, spa, 3 restaurants and bars, tennis courts and swimming pools; between 24 – 45 ownership condominiums; and up to 29 luxury villa residences. The developer has committed to have not less than 160 rooms available as part of the project which will be developed at a cost of approximately **US\$150 million** over 7 years. Such is their confidence in Anguilla and what it has to offer, Mr Speaker, that the KOR Hotel Group will be developing and operating the project through its flagship "Viceroy" brand and as with St. Regis Hotels this will represent their first foray into the Caribbean. The operation will be known as the Viceroy Anguilla Resort and Residences. Mr Speaker, this very fine achievement is another illustration under the **United Front** of, "**ANGUILLA INC, OPEN FOR BUSINESS**".

So Mr Speaker, under the stewardship of the **United Front** since 2000 Anguilla has been able to attract, in large and small projects, a commitment for some **US\$1.1 BILLION** in foreign direct investment in the tourism sector. This is unprecedented in the history of Anguilla and would be difficult for many Caribbean countries to match. Yes, Mr Speaker, the word is out on Anguilla as the ideal place to do business, as the premier foreign direct investment locale in the Eastern Caribbean. Globally renowned firms such

as Price Waterhouse Coopers can attest to this, as their Tourism and Hospitality Division based in Miami has been the firm of choice for developers wishing to do business in Anguilla to conduct market analysis on the island and its prospects. “**ANGUILLA INC, OPEN FOR BUSINESS**”, indeed Mr Speaker.

Mr Speaker, while we have been seeking to facilitate foreign direct investment, this by no means that the **United Front Government** has neglected local investors investing in the tourism sector. The Royale Caribbean, Sheraton, Paradise Cove Expansion and Anguilla Great House Expansion are just some of the projects being developed by Anguillians, which have received support from Government in the form of customs duty exemption and other concessions. We intend to continue to such support because Anguillian’s must have the same opportunities available to them to pursue projects and in doing contribute to the sustainable development of Anguilla.

Mr Speaker, another pledge that we made on p.21 of our 2000 Manifesto, in respect of tourism was to “raise annual occupancy levels from 40% to 60%”. I am pleased to say Mr Speaker that through a multi-pronged strategy, the Anguilla Tourist Board (ATB) with the support of the **United Front Government**, has made progress in this regard.

Mr Speaker, we were limited in the amount of resources that we wished to allocate to tourism marketing development by the fiscal restraint that Government had to impose to address the situation which we met when we came to office in March 2000. However, with the sustained turnaround of the situation evident in late 2003 and early 2004 this **United Front Government** pledged its commitment to the ATB to fund an extensive Marketing Development Programme as a multi-year capital programme over the period 2004 to 2008. Accordingly, Mr Speaker, as part of the capital budget in 2004 this **United Front Government** allocated an additional **\$1.674 million** to the ATB. Mr Speaker, this is an addition to the normal subvention of **\$2.4 million** that Government made available to the ATB in 2004. This level of support to the ATB is another unprecedented achievement in Anguilla’s history, and for this the **United Front** deserves an “**A+**” **Grade – “ANGUILLA INC, OPEN FOR BUSINESS”**.

Mr Speaker, the **\$1.674 million** allocated to the ATB as part of the capital budget this year was used to re-brand Anguilla from “**Tranquility Wrapped in Blue**” to “**The Anguilla Experience – Feeling is Believing**”. Mr Speaker, “The Anguilla Experience – Feeling is Believing” incorporates tranquillity wrapped in blue, the warmth of our friendly people, our beautiful beaches, our culinary attractions, and all the other attractions which draw visitors to our shores. In short, the new tourism slogan ensures that we don’t sell ourselves short in terms of what Anguilla has to offer.

Such efforts will bear much fruit down the line. The ATB did not allow the lack of resources in the period 2000 to 2003 to inhibit their marketing development efforts. In fact they utilised the resources, which they were given and came up with the innovative idea of using an annual series of festivals during the course of the year to increase visitor arrivals to Anguilla. The key drivers in this respect has been the Anguilla Tranquility Jazz Festival, done in conjunction with BET Event Promotions, which was held for the first time in November 2003 and again in November this year to wide acclaim. Mr Speaker I am pleased to announce that this **United Front Administration** provided

\$135,000 towards the costs of the Tranquility Jazz Festival in 2003 and \$270,000 this year.

The **Anguilla United Front Government** will continue to support the Tranquility Jazz Festival and other festivals such as the Summer Festival, the Reggae Moonsplash Festival and the Anguilla Sailing Regatta, because we believe they are a tried and tested way of boosting visitor arrivals to the island.

But what of the performance of the industry, Mr Speaker? Mr Speaker, tourist arrivals (that is, those staying in Anguilla for one night or more), are projected to reach 51,000 this year. This would be the first time that we would have breached the 50,000 arrivals level Mr Speaker, and would represent an increase of 8.7% from the levels in 2003. For the period 2000 to 2004 on a whole, Mr Speaker, tourist arrivals would have increased at an annual average rate of 3.3 per cent. Mr Speaker, this is quite a respectable performance under the circumstances - Cap Juluca Hotel and other properties closed for 2000 because of damaged caused by Hurricane Lenny, recession in the US in 2000 and 2001, the economic impacts of the events of September 11, 2001 which cascaded into 2002, the Iraq War in April 2003 and the rising oil prices which it has engendered.

Mr Speaker, visitor arrivals of **51,000** for 2004 translates into a projected **\$12.2 million** in accommodation tax collections. This is the first time that accommodation tax collections would have passed the \$10 million mark. Mr Speaker, yet another milestone achievement by the **United Front Government**. Mr Speaker, accommodation tax collections have grown from **\$4.7 million** in 2000 to the projected **\$12.2 million** for 2004. This represents an absolute increase of **159.65%** over the period or an average annual rate of increase of **31.9 per cent**. When you compare this Mr Speaker, to the average rate of increase of 3.3% for tourist arrivals over the same period it demonstrates that the improved revenue yield from the accommodation tax is due not just to the increase in room rates but mainly to the diligent efforts of the Revenue Task Force and the Inland Revenue Department to ensure that hotel and other accommodation establishments paid up the tax. For this important improvement in compliance, which has led to increased revenues from the tourism accommodations sub-sector we believe we are deserving of an **"A" Grade**, Mr Speaker.

Looking to the future, Mr Speaker, this **United Front Government** is confident that with the extensive multi-year tourism marketing development programme that we are supporting, the publicity garnered from the NBC Destination Wedding, which was broadcast to the world from Cap Juluca Hotel on November 17, the publicity that Anguilla is receiving through promoting the Tranquility Jazz Festival on BET Jazz and its sister Viacom stations, and new attractions coming on stream like the 18 hole Greg Norman Signature Championship golf course in October 2005, and the Anguilla Tennis Academy's Facility at Blowing Point, that tourist arrivals will be robust and will reach unprecedented levels in the coming years, with at least **67,600** stay-over arrivals in 2005, assuming no negative developments.

Mr Speaker, a large part of this success would have been due to the visionary leadership shown by the Ministry of Tourism under the stewardship of the Honourable Chief Minister. Mr Speaker, since the **United Front** entered office in March 2000 Mr Fleming has fired up and empowered the Anguilla Tourism Board and has really got the Board

firing on all cylinders now. Ladies and gentlemen, please acknowledge the efforts of the Honourable Chief Minister in this respect by giving him a rousing applause.

3.5.2 Air Transport

Mr Speaker, since Tourism is our main economic driving force, if tourists didn't have the means to travel to the island, then there wouldn't be an Anguilla as we know it for much longer. Mr Speaker, I am speaking to the need for the development of the Air Transport Sector as a consequence of changes in the regional and international air transport services industry. This was quite evident to us when we were preparing our 2000 Manifesto, Mr Speaker, and as such on p.16 of that document the **United Front** included a detailed roadmap for the development of the Air Transport Sector.

Mr Speaker to answer what the people of Anguilla really want to know – when will the expansion works be completed and Wallblake Airport re-opened to American Eagle. I am happy to report, Mr Speaker, that American Eagle will make the inaugural flight of the ATR 72 aircraft to Anguilla on **December 18** as promised and landing on **5,440 ft of brand new runway!** This represents an extension of **1,840 ft** to the old runway. Mr Speaker, **“ANGUILLA INC, OPEN FOR BUSINESS”**.

Mr Speaker, for this singular achievement, the entire Anguillian community (residents who were relocated, land owners who made their land available for sale to Government to relocate individuals affected by the project, residents of the Forest, Rey Hill, George Hill, Long Ground, and Statia Valley, truckers, heavy equipment operators, labourers), along with the contractors Lagan International, the design and supervision consultants Scott Wilson, the WAEP Project Board, the WAEP Project Manager, Mr Fritz Smith, and his Project Implementation Management Unit, civil servants in the Ministry of ICUH, Treasury Department, Lands and Surveys Department, Attorney General's Chambers and other departments, Scotia Bank International, Lloyd Air Services (the providers of refuelling facilities and a private jet facility at the airport), the United Kingdom Government, and last but not least, the **United Front Government**, deserve an **“A+++ Grade”**.

Mr Speaker, this is my 23rd year as an elected member and nothing has filled me with such pride, such a sense of accomplishment as being involved in seeing this project come to fruition. Mr Speaker, it is the single largest public sector investment project in Anguilla's history to date and we should never underestimate the commitment, the drive, the determination, the creativity that was needed to make it all happen.

Speaking of drive and determination, Mr Speaker, let me take some time to sing the praises of the Honourable Kenneth Harrigan, Minister of Infrastructure, Communications, Utilities and Housing. It has been a pleasure working with him in Government these past five years. He perhaps more so than any individual has been “the face” of the WAEP. He has pushed, prodded, coaxed, cussed, cajoled his staff into doing what was necessary to get the WAEP done. And not only the Ministry of ICUH staff, Mr Speaker, but the Ministry of FEDIC staff as well! Mr Harrigan was a common sight in my Ministry telling my technical staff to get that “paper work done”; “DfID, FCO, EU, EDF – I don't care what hoops you all have to jump through, just get it done”. But they all love him nonetheless, Mr Speaker. And they certainly respect him for his courage,

drive and determination in the face of daunting odds. So to the people of District 1, some of you who have been harsh in your criticism of Mr Harrigan, for in your view not doing enough for District 1 since 2000, I say to you, though you elected him, Mr Harrigan is in fact the Minister of Infrastructure, Communication, Utilities and Housing for the whole of Anguilla. In this respect, historians of the period 1980 to today will record him as being peerless among those who served as the Minister for the Infrastructure portfolio during this time. Mr Speaker, today we can speak of a golf course project at Merrywing, the redevelopment of Cocoloba, the prospect of a mega-yacht marina project at Gull pond, and yes, the prospect of a golf course project at Junks Hole, because the developers had confidence in this **United Front Government** to deliver on the crucial airport expansion project which was executed by Mr Harrigan's Ministry. Ladies and gentlemen gathered here, I bid you demonstrate your sincerest appreciation for Mr Harrigan's leadership in this respect by giving him a rousing applause.

3.5.3 Road Transport

Mr Speaker, time for me now to talk about developments in the Road Transport Sector. More praise for Mr Harrigan, Mr Speaker, because his passion for seeing the execution of the WAEP did not in any way diminish his drive to see the improvements necessary in the Road Transport Sector come to fruition.

Mr Speaker, the **United Front** outlined its goals and objectives for the Road Transport Sector on p. 18 of the 2000 Manifesto. I am pleased to say that during our tenure we have made significant progress with the upgrading and maintenance of existing roads, the construction of development and commercial roads and the construction and development of residential roads. Mr Speaker, over the period 2000 to 2004 this **United Front Government** would have spent a total of **\$15.5 million** from recurrent surpluses and borrowing obtained from the domestic financial system on major road development works. Upgrade works completed or initiated since January 2003 using these funds include: the Long Ground Road, Cedar Village Road, the South Hill Junction to Blowing Point Port Road, the Spring Path Road, the South Hill Roundabout to Long Bay Junction Road and the Bay View Road (Shoal Bay East to Island Harbour).

In addition to this, Mr Speaker, over this same period this **United Front Government** has spent some **\$15.3 million** on major road development works funded from a combination of loan funding from the CDB and EDF grant funding under EDF 8. Mr Speaker, the breakdown is as follows. The CDB loan funds amounting to \$9.9 million was spent to reconstruct the following roads damaged during Hurricane Lenny, namely: the main road in Island Harbour from the St. Andrews Anglican Church to the jetty, main road in East End running from lower Mount Fortune to the western Copse Gap, main road running from J.W. Proctors to the traffic lights at Lakes World, George Hill to Little Harbour Road, main road in Sandy Ground running from the turnoff to Sandy Ground Port to the Pump House, and the Shoal Bay West road running to Cove Castles Villas.

EDF grant funding of \$5.4 million was used to construct a new development road from Little Harbour to the Blowing Point main road. This road, which has received commendation from visitors to the island from far and near, was commissioned in April of this year in the presence of EU Ambassador to Barbados and the Eastern Caribbean, as the Jeremiah Gumbs Highway, in honour of that tremendous Anguillian patriot.

Taken together, Mr Speaker, total expenditures by the **United Front Government** on road development works over the period 2000 to 2004, funded from all sources, amounted to **\$30.8 million**. Mr Speaker, I'm sure most people would admit that in Anguilla's context, this is an impressive achievement. For this the **United Front Government** deserves an **"A" Grade**.

Mr Speaker, I wish to put on record this **United Front Government's** sincerest gratitude to Anguillians who over the years have donated land to facilitate road development. The **United Front Government** invites the continued support and cooperation of landowners as we continue with the road development programme in 2005 and beyond.

3.5.4 Sea Transport

Mr Speaker, the **United Front's** goals and objectives for the Sea Transport Sector are outlined on p. 16 -17 of the 2000 Manifesto. It is an inescapable fact of life in both the public sector and the private sector, Mr Speaker, that it is impossible to programme several major initiatives at the same time and with the same intensity simply because the resources are not available to do so. This requires prioritisation and for us the priority with respect to physical infrastructure was the execution of the WAEP. Mr Speaker, nevertheless we have made significant progress with the initiatives as outlined for Sea Transport.

Mr Speaker, our primary objective in the Sea Transport Sector was to conduct a study to determine the future port development needs of Anguilla. To this end in 2002 this **United Front Government** hired the services of Halcrow from the UK to undertake a port development study to determine Anguilla's needs to the year 2020 and beyond, funded from a concessionary loan obtained from the CDB. Mr Speaker, Halcrow submitted their Final Report in November 2002 which outlined the following findings and recommendations. Of three sites assessed – Road Bay, Flat Cap Point and Corito Bay – Corito Bay had the best potential for the development of a modern commercial cargo port to meet the needs of the island. Halcrow therefore recommended the commercial cargo port be relocated and developed at Corito Bay and **cargo port** facilities at Road Bay be decommissioned.

Mr Speaker, in terms of the facilities at Blowing Point, the Halcrow Study recommended that they be comprehensively re-developed and expanded as follows: that Blowing Point Port be restricted to being a passenger ferry port only and all cargo handling diverted to the new cargo port at Corito Bay when it came on stream; that the older of the two piers at Blowing Point be completely rebuilt; that the newer of the two piers be upgraded; that a completely new departures terminal be built on the site which currently serves as a Customs Warehouse and Blowing Point Marine Police Station; that the existing terminal which handles both departures and arrivals be reconfigured and upgraded to serve as an arrivals terminal only; that purpose built facilities be constructed to accommodate Port Authority, Port Health, Port Security, Customs, Immigration and Police.

Mr Speaker, the Halcrow Study gave some indicative figures of the costs of these port developments as follows: new port at Corito to be developed at a cost of around \$97.3 million; Blowing Point port to be redeveloped at a cost of approximately \$2.5 million.

Mr Speaker, this **United Front Administration** has accepted the recommendations of the 2002 Halcrow Study. Government has already initiated discussions with financiers to provide funding for the new port at Corito. The Halcrow Study has been made available to the European Investment Bank. We have also provided the Halcrow Study to 3 regional finance groups and 2 international finance groups, all of whom have visited Anguilla within the past two years to discuss funding of port development in Anguilla.

Mr Speaker, proceeding with the port development, particularly at Corito Bay requires a tremendous amount of pre-implementation planning. To this end Government has instructed the Ministry of Infrastructure to prepare terms of reference for the establishment of a Port Development Project Board. Mr Speaker, we expect that these TORs will be presented to EXCO for approval before the end of this month so that the Port Development Project Board can be constituted and begin work in January 2005.

So, Mr Speaker, I believe that everyone taking in this Address will agree that this **United Front Government** has done well in planning the Sea Transport Sector needs of Anguilla to the year 2020 and beyond and has a strategy in place for addressing them. For this performance, Mr Speaker, we feel that we deserve an “**A**” **Grade**. Planning for the future to take “**ANGUILLA INC, OPEN FOR BUSINESS**” to an even higher level, Mr Speaker.

3.5.5 Water

Mr Speaker, the **United Front’s** goals and objectives for the Water Sector are to be found on p.17 of the 2000 Manifesto. Mr Speaker, I would have to say that the Water Sector has been one that has really challenged us during our term in office. The **United Front Government** entered office in 2000 to discover that the Water Department recorded an operating deficit of **\$1.3 million** in 1999.

The **United Front Government** therefore established a Water Transformation Team to evaluate the situation and recommend a plan of action for remedying it. Mr Speaker, when the Water Transformation Team reported its findings it highlighted the number one problem as being “**water loss**”. Mr Speaker, as per its contract with the GoA, Aqua Design/Ionics now delivers approximately 500,000 gallons of water per day. But when this is distributed by the Water Department, only 70% is available for billable sales. The remaining 30% is accounted for as “**water loss**” due to a combination of burst pipes and water that has been stolen. Of the water loss the major portion of this is due to theft! Mr Speaker, these are findings documented by a professional Water Distribution Diagnostics firm from the United States which the Water Department hired to study the issue.

Mr Speaker, imagine it, the majority of the operational losses that the Water Department is incurring is due to theft! This **MUST NOT STAND**, Mr Speaker! This **SIMPLY MUST NOT STAND!** And I know that the current Leader of the Opposition agrees with the **United Front** on this because he has made it a central issue on the campaign trail. **The theft of water from the public supply is anti-community, it is anti-development and it is illegal! It destroys social capital in its selfish nature.**

Overall, Mr Speaker, we in the **United Front Government** believe that our performance with respect to the Water Sector warrants a “**C**” **Grade**. So looking to the future, further

upgrade of the water distribution system will be a priority for the **United Front Government** in 2005 and the period beyond. To this end, **\$1.0 million** has been allocated to capital projects for the Water Department as part of the 2005 capital budget. This represents an increase of some **233.3%** from the amount allocated in the 2004 capital budget. On the organization and institutional development front, UK DfID will be funding a water management expert from a Water Authority in the UK to be attached to the Water Dept. from January to March 2005. The expert will examine the options available for the operation and management structure for the Water Sector and make recommendations on what this should be – a statutory Water Authority, a public-private corporation or some other alternative.

3.5.6 Electricity

Mr Speaker, the **United Front's** goals and objectives for the Electricity Sector are to be found on p.19 of the 2000 Manifesto. I have to say first of all, Mr Speaker, that ANGLEC has been a tremendous success story. For this I commend the Board of Directors, the members of the management team and the staff of ANGLEC in general. Mr Speaker, I would venture further to say that ANGLEC is a **“center of excellence”**. And that's not just my opinion. Mr Speaker, I am sure that you like many others would have read in the Friday November 26, 2004 edition of “The Anguillian” newspaper that the General Manager, Mr Neil McConnie, recently went to London to collect, on behalf of ANGLEC, an “International Quality Crown Award” in the “Gold” category for corporate achievement.

Mr Speaker, in assessing ANGLEC's position following the publishing of its 2002 performance, this **United Front Government** came to the conclusion that the time was right to deliver on a major objective for the electricity sector, which was to take ANGLEC public. It was not a popular decision, Mr Speaker. The planning and execution of the ANGLEC share issue was implemented flawlessly and on September 1, 2003 the company became the subject of the first Initial Public Offering (IPO) to be conducted on the Eastern Caribbean Securities Exchange (ECSE). Mr Speaker, the response to the ANGLEC IPO was overwhelming and the GoA realised **\$15.95 million** from the sale after covering the costs of the issue.

Mr Speaker, with the share issue, the GoA now owns some 45% of ANGLEC. ANGLEC recently paid a dividend of 10 cents per share based on the company's financial performance for 2003. In the Government's case this resulted in a dividend payment of just over **\$463,000**. Mr Speaker, with major projects such as the Temenos and Viceroy projects scheduled to come on stream the Company is planning extensive expansion of its generation and distribution capacities. Mr Speaker, ANGLEC has the full backing of the **United Front Government** in this respect.

Mr Speaker, looking back on the **United Front Government's** decision to take ANGLEC public, it is by far **the most enabling decision** which this Government has taken in its tenure to date. It was the key, Mr Speaker, to allowing Government to finance the WAEP relocation and re-housing scheme. It also instilled confidence in the financiers who were tracking developments with the WAEP with a view to providing funding for the project that the GoA had the resources and the acumen to successfully execute the project.

It also enabled the GoA to achieve its targeted reserves which in allowed the GoA to borrow some \$5 million from the domestic financial system to fund crucial road development works in the second half of this year. For taking this strategic decision, and sticking to it in the face of harsh criticism from certain quarters, this **United Front Government** deserves an “A”. Mr Speaker, the wisdom of our decision has been borne out – “**ANGUILLA INC, OPEN FOR BUSINESS**”.

3.5.7 Telecommunications

Mr Speaker the **United Front’s** key goals and objectives for Telecommunications are presented on p. 20 of the 2000 Manifesto. It gives as the most significant constraint on Anguilla’s ability to develop a competitive financial services industry, to grow as a location of Internet based companies and to develop an E-commerce sector as the high cost of telecommunications and the absence of the requisite bandwidth and capacity. Furthermore, it stressed that the continuing existence of the Cable and Wireless monopoly license is the most important hurdle to be overcome to create a competitive environment for cheaper telecommunications.

Mr Speaker, I am indeed happy to report that the Cable and Wireless monopoly in Anguilla is no more. As of today Mr Speaker, two other companies have been granted licenses as Mobile Operators, namely Weblinks which is 100% locally owned, and a joint venture company between AT&T Wireless and local partners. The next aspect of telecommunications to be liberalized is international telephony services.

Mr Speaker, a statutory Public Utilities Commission was established in January 2004 to regulate the industry. Although it will focus initially on Telecommunications, eventually the PUC will also regulate Electricity and Water.

For these achievements Mr Speaker, the **United Front Government** deserves an “A+” **Grade**. Telecommunications Liberalization Mr Speaker, a clear example of “**ANGUILLA INC, OPEN FOR BUSINESS**”. It will result in lower telecommunications costs for both business and private consumers.

3.5.8 Health

Mr Speaker the **United Front’s** key goals and objectives for the Health Sector are presented on p. 30 of the 2000 Manifesto. It lists as the primary objective to provide the people of Anguilla with first class Secondary Health Care Services while continuing to support the further development of Primary Health Care programmes.

Mr Speaker, it is with tremendous satisfaction that I say that after three years of pre-implementation planning and programming the **United Front Government** in January 2004 transferred responsibility for the management and operations of the Health Sector to the Health Authority of Anguilla. The Ministry of Health’s role Mr Speaker is now reduced to one of policy formulation and regulation. We firmly believe Mr Speaker, and indeed it has already been demonstrated after just one year of operations that the Health Authority of Anguilla is delivering cost-effective, equitable, accessible and affordable health services to Anguillians. For this achievement Mr Speaker, the **United Front Government** deserves an “A+ **Grade – ANGUILLA INC, OPEN FOR BUSINESS**”. Mr Speaker, one man more than any other is responsible for the realisation of the Health

Authority of Anguilla project. The Honourable Eric Reid, Minister for Health. Mr Speaker, what a man! Ladies and gentlemen please give Mr Reid a rousing applause for his leadership of the Health Authority initiative and his efforts overall with regards to the social sector during his tenure as a humble servant of the people of Anguilla.

Mr Speaker, I spoke at length of the notion of “**ANGUILLA INC, OPEN FOR BUSINESS**” in an economic and fiscal sense. But as I mentioned, success in those areas are just means to an end, because the ultimate goal is to use the revenues generated to fund improvements in the Health Sector, for example. Mr Speaker, it is a fundamental truth that healthy bodies and healthy minds lead to greater productivity which in turn leads to greater incomes – a virtuous cycle.

Mr Speaker, the record of this **United Front Government** shows that “it puts its money where its mouth is” when it comes to supporting the Health Sector. Mr Speaker, over the period 2000 to 2004 recurrent expenditures by this Government on the Health Sector has averaged **15.2%** of total recurrent expenditures. This represents the largest expenditure by Government on a single sector. This is a tremendous achievement Mr Speaker and is in keeping with globally accepted thresholds established by the UNDP in its human development index. Furthermore, it is the level of commitment of resources that is required to ensure sustainable human development. For us in the **United Front**, Mr Speaker, this is, if you like, the human face to “**ANGUILLA INC – OPEN FOR BUSINESS**” and remaining open for business.

Mr Speaker, Government has shown a similar sense of commitment on the capital side when it comes to funding interventions in the Health Sector. Mr Speaker as part of its negotiations for the Strategic Country Programme the **United Front Government** was able to get the UKG to commit some **\$3.3 million** to the Health Sector during the 2002 to 2004 PSIP cycle.

Mr Speaker, with UKG’s bilateral assistance programme to Anguilla coming to an end in March next year, and with it an end to support to the Health Sector it means that we have to “pay our own way”, to use the theme from a previous Address. This Mr Speaker, is the essence of “**ANGUILLA INC – OPEN FOR BUSINESS**”. It is a vision, strategy and action plan geared to delivering the resources to further the total sustainable human development of all Anguillians, especially as it relates to health and well-being. And believe me Mr Speaker when I say, that as much as the **United Front Government** has achieved since 2000, in coming to you the people of Anguilla for another 5 year mandate we do so on the promise that we will be even more focussed on the social sector, as the priority, including health. Mr Speaker, we have adopted a Health Sector Plan which includes local targets for the MDGs for Health.

Mr Speaker, we will be saying to the technicians in the Ministry of Health and the Health Authority of Anguilla, “you have your marching orders, determine how much resources are required to deliver the goals set in the Health Sector Plan and we will provide”.

3.5.9 Education

Mr Speaker, **the United Front’s** goals and objectives for the Education Sector are given on p. 29-30 of the 2000 Manifesto. The main focus in the Education Sector to 2005, Mr Speaker is given as the need to consolidate the gains already achieved, expand access to

post-secondary education and training and improve its overall quality and effectiveness. Mr Speaker, it again gives me tremendous satisfaction to say that significant gains have been made in this key and important social sector service. Mr Speaker, Education is the first sector to have a **Sector Plan**. This was developed with funding from UK DfID and covered the period 2000-2004. Ministry of Education technicians are currently working on a new 5 year Sector Plan to cover the period 2005-2009.

Mr Speaker, as with Health the ultimate goal of the **Anguilla United Front** is to use more of the revenues generated by “**ANGUILLA INC, OPEN FOR BUSINESS**” to fund improvements in the Education Sector. Again, Mr Speaker, it is a fundamental truth that educated minds and citizens lead to greater productivity which in turn leads to greater revenues and incomes – a virtuous cycle. Mr Speaker, as with Health, the record of this **UF Government** shows that “it puts its money where its mouth is” when it comes to supporting the Education Sector. Mr Speaker, over the period 2000 to 2004 recurrent expenditures by this Government on the Education Sector have averaged **13.8%** of total recurrent expenditures. This represents the second largest expenditure by Government on a single sector, after Health. Mr Speaker, this is again a tremendous achievement by the **UF Government** and is also in keeping with globally accepted thresholds as requisite for sustainable human development.

Mr Speaker, Government has shown a similar sense of commitment on the capital side when it comes to funding interventions in the Education Sector. Mr Speaker as part of its negotiations for the Strategic Country Programme the **United Front Government** was able to get the UKG to commit **\$4.3 million** to the Education Sector during the 2002 to 2004 PSIP cycle.

Mr Speaker, much remains to be done if Anguilla is to be competitive and able to adapt to the ever-changing global environment, of which we are part. As in Health Mr Speaker, the **AUF** intends to be **bold** in our initiatives in Education going forward. The second Education Sector Plan currently being completed will address our education goals comprehensively to include higher attainment standards universal access to tertiary education in two years and universal access to basic computer literacy.

3.5.10 Social and Community Development

Mr Speaker, **the United Front’s** goals and objectives for the Social and Community Development Sector are given on p. 31-32 of the 2000 Manifesto. The main focus in this sector to 2005, Mr Speaker is given as the need to strengthen and maintain strong family relations, support for community institutions and the implementation of vigorous community development programmes.

Mr Speaker, over the period 2000 to 2004 recurrent expenditures by this Government on the Social and Community Development Sector (Departments of Social Development, Youth, Sports and Culture) has averaged **8%** of total recurrent expenditures.

Mr Speaker the **UF Government** is very much aware that we are in danger of losing our youth. Consequently as part of its negotiations for the SCP the **UF Government** was able to get the UKG to commit some **\$2.0 million** to a Child and Youth Development programme during the 2002 to 2004 public sector investment programme cycle. As part of the programme the Education Dept. has been provided with funding to develop a

pastoral care programme for schools and support for the Social Development and Probation Depts. to develop a Juvenile Care programme. For its part the **UF Government** has committed to provide, on a recurring basis, spacious and adequately equipped facilities, with readily controllable access, to serve as a Juvenile Care Center.

Other initiatives which the **United Front Government** has been involved with in the sector over the period 2000 to 2004 include: assisting the Anguilla Tennis Academy to expand its programmes and facilities by for example leasing land for their purpose built, state of the art Tennis Centre currently under construction at Blowing Point, as well allowing the materials for the construction of the Centre to be imported free of duty; assisting the Anguilla Football Association to expand its programme and facilities by for example leasing land for their state of the art facilities to be built and assisting the AFA with drafting the project document which it submitted to FIFA to secure funds to expand their facilities; support to the Sports Department in its efforts with working with the various sporting associations to deliver their programmes to the island's youth; and, in conjunction with the Social Security Board providing playing grounds in various districts equipped with basketball and other facilities.

Mr Speaker, our youth are our future and if we don't nourish, treasure and develop them it will be all for nought. Therefore, "**ANGUILLA INC, OPEN FOR BUSINESS**" also encapsulates the notion that the opportunity open to them and future generations must be greater than ours and past generations. That is indeed how the **Anguilla United Front** believes that progress should be measured.

3.5.11 Public Sector Reform

Mr Speaker, the Government has been committed to public sector reform over the past five years and we have been bold and innovative. We have expanded our programme of outsourcing various services. We have innovated with the creation of the position of Special Assistant with creditable success. We have continued the process of corporatization with the Health Authority and have been preparing the Airport and Seaports, General Post Office and Water Department for transformation to corporate entities. Most significantly, Mr Speaker, we have converted our non-contributory pension system for the public service to a contributory system and reformed it in the other ways, ultimately sparing the Government a huge financial burden in the future.

3.5.12 Other Sectors

Mr Speaker the 2000 **United Front Manifesto** also spoke to goals and objectives for other sectors such as International Business and Financial Services, Information and Communications Technologies and E-Commerce, Fisheries, Agriculture, Manufacturing, Retail and Wholesale Trade, etc. However, time does not permit me to report on progress with them. Suffice it to say, Mr Speaker, that we will however be speaking to progress in these areas on the campaign trail. Remember, Mr Speaker, the **AUF** is all about harnessing and developing all the productive resources at our disposal to engender the total sustainable human development of all Anguillians.

PART II

4. ECONOMIC, FISCAL AND OTHER STRATEGIC POLICY OBJECTIVES FOR 2005 AND BEYOND

Mr Speaker, the dramatic improvement in economic fortunes of Anguilla over the past five years therefore did not happen by chance. The work undertaken over the period was guided and underpinned by priority strategic policy objectives. In addition, the strategic policy framework included guidelines for implementation.

It will be no different in 2005 and the years immediately following. Mr. Speaker, it is imperative that in 2005 our programme are even more strongly underpinned and guided by the Government's policy objectives, strategies and methodologies. These are primarily an extension of the policy objectives, strategies and methodologies pursued over the past five years, which have enabled us to achieve the success enjoyed. But there is a difference. Greater emphasis is being placed on social objectives than ever before, while maintaining the momentum achieved in the other areas.

4.1 Priority Strategic Policy Objectives

Sustainable and balanced human development, Mr. Speaker, requires the integration of economic, social, environmental and political development policy objectives. The most celebrated and obvious strategic role of a Government Mr. Speaker, is to promote and facilitate economic development, using macro-economic policy instruments. The focus in policy and planning has been on economic development, with social, environmental and political development given secondary billing.

We are seeking in 2005 to begin to significantly change that imbalance, Mr. Speaker. This shift in emphasis from a focus primarily on economic development to reallocating and utilizing more of the revenue generated by the Government to address emerged and emerging social development challenges. It is about devoting more resources to address the social costs and fallout of the economic development process. The overarching strategy if you like Mr. Speaker is to **“increase investments in the social sector, while maintaining robust economic growth and transformation”**.

Economists, planners, policy makers, politicians all recognize that the development process involves much more than economics. Despite this awareness, they have been challenged to find a workable balance between the imperatives of sustainable economic development, the imperatives of social development as well as environmental management and development and the realities of the political, constitutional and legal systems and culture through which the functions of the Government are performed. Our placing of greater emphasis on the social and environmental sectors does not mean that we will reduce our efforts to ensure the continued steady progress of the economy. To the contrary, this new emphasis requires that we must be even more vigilant in seeking to ensure that the expansion of the economy is sustained and that sufficient recurrent revenue is generated to adequately fund expanded social sector and environmental management programmes.

4.2 Social Policy Objectives for 2005 and Beyond

The overarching social policy objective will continue to be to “**achieve an improved quality of life for all and improved access to social services**”. The basic components of this overall policy objective include the traditional subjects of education, health, community services, culture, sports and recreation. They also include law and order and less tangible subjects such as the promotion of social peace and harmony, gender equality, eradication of all forms of discrimination and promotion and protection of human rights and freedoms.

4.2.1 Health Sector Development

The objective in Health Sector development in 2005 will be to strengthen the reform and development of the public health system by significantly increasing the resources allocated from the Consolidated Fund to the Health Authority of Anguilla (HAA) and by introducing a comprehensive and universal national health insurance system to provide independent and earmarked financial resources for the HAA.

The strategy involves implementation of operational reforms to achieve improvements in service delivery with emphasis on the patients as customers and the concomitant recognition of the importance of customer satisfaction. It also involves the allocation of resources to finance investments by the Health Authority in improved and updated facilities, equipment and technology to meet the expectations of the people of Anguilla.

The public health system also includes regulatory functions performed by the Ministry of Health and Social Development and management of environmental health including regulation and oversight of the system of outsourced solid waste disposal. These will be reviewed and organizational changes considered in 2005 to streamline and improve their effectiveness going forward.

The Government recognizes the great potential for linkages between tourism and health. Its strategy towards development of the private health system will emphasize not only the facilitation and licensing of private health sector service providers geared to serve the needs mainly of the resident population, but also the promotion and facilitation of specialized health facilities geared to attract as visitors to Anguilla individuals with special health needs, who otherwise would not be able to visit Anguilla without the existence of the specialized facilities. Such facilities would be required to be accessible to residents presenting the same conditions requiring treatment at these specialized facilities at reduced prices compared to the prices charged to patients from overseas.

Special programmes by the public health system which will receive increased attention in 2005, include the provision of dialysis services from the special unit at the Princess Alexandra Hospital, the HIV/AIDS national programme, which will be administered by full time management from 2005 and will receive increased financial resources under a partnership with a foundation specializing in HIV/AIDS prevention and containment. Priority is also being given to providing expanded facilities and increased access by the mentally challenged to improved mental health services.

4.2.2 Education Sector Development

Mr. Speaker, our public education system has made steady progress over the years. As a member of the Organization of Eastern Caribbean States we have participated in the work of the OECS Education Reform Unit especially the East Caribbean Education Reform Project. This has enabled us to obtain a clear idea of our relative success and progress in developing our pre-primary, primary and secondary education system. Additionally and most significantly, Mr. Speaker, the partnership with the Isle of Wight Education Authority in the United Kingdom has proved to be quite beneficial and has put us on a firm path to sustaining and improving on the gains made in the implementation of our first Education Sector Plan.

Mr. Speaker, the strategic emphasis in 2005 as set out in the Education Sector Plan 2005-2010 and elsewhere will be on:

- Developing, strengthening and improving the pastoral programmes and their effectiveness at the primary and secondary levels and reducing the incidence of delinquent and inappropriate behaviour of students in and out of school;
- Expanding the management and technical capacity of education managers;
- Advancing the planning and programming for the establishment of a community tertiary education institution; and
- Increasing access by eligible Anguillians to funding for tertiary education from the public and private sectors;
- Strengthening the management of Adult and Continuing Education and increasing access by the public to adult and continuing education programmes.
- Facilitating private sector development of international tertiary education institutions to serve mainly students from overseas; and
- Improving the monitoring and regulation of private sector pre-primary, primary and other educational institutions and facilitating the implementation of improvements in their service delivery.

These priorities speak to the overall policy objective of providing access to quality education adopted by Anguilla along with the other members of the OECS in the OECS Development Charter 2004.

4.2.3 Social and Cultural Development

Mr Speaker, in 2004 the Ministry of Social Development began to address in a concerted way the social development challenges facing the Government and people of Anguilla. The Community Services Department was transformed and its functions in the areas of youth and cultural development transformed to a separate Department of Youth, Sports and Culture, created to cover these areas. The Sports Directorate was merged into this Department. The Government approved the establishment probationary services with the intention of creating a Probationary Services Department separate and apart from the Community Services Department.

Key social and community development policy and programme objectives in 2005 include:

- Strengthening the capacity of the newly created Department of Youth, Sports and Culture and development of its work programmes;
- Continued strengthening of the Department of Community Services
- Completion of the basic structure of the Probationary Services unit of the Ministry of Social Development, development and implementation of a probationary services programme;
- Development and implementation of a foster care programme
- Strengthening of the National Youth Council and application of the National Youth Policy to programming for youth development.

The social development strategy will also emphasize the strengthening of partnership and network relationships between the Ministry, Department of Education, Department of Community Services, Department of Youth, Sports and Culture, the Health Authority of Anguilla, the Royal Anguilla Police Force, Her Majesty's Prison, churches and NGOs involved in social and community development initiatives.

The progress achieved in Anguilla on the economic and general development front has been tainted by a very disturbing trend in capital crimes and in other violent and very serious criminal behaviour. We need to develop and support with the required resources a well thought out and sustained short, medium and long term programme to address this highly dangerous phenomenon in our midst.

The United Front Government of which I am a part is fully committed to addressing this challenge. Our response will be accelerated in 2005 and beyond as we place more emphasis on the social side of our development.

4.3 Social Security Development

Mr Speaker our increased emphasis on social development will also be reflected in the continued work of the Social Security Board seeking to extend the social safety net. The Board will continue to pursue the extension of basic coverage to the self-employed introduced in 2002, to greatly extend coverage of the self-employed in 2005. Mr Speaker the Board will also seek to extend coverage of the non-contributory age pension to as many eligible persons as possible. In addition, Mr Speaker, the Social Security Board will examine the feasibility of introducing an unemployment benefit scheme.

4.4 Environmental Policy Objectives 2005 and Beyond

Mr. Speaker, we owe it to the succeeding generations to leave them an environment in Anguilla that will enable them to sustain their lives. As stewards of the physical environment that comprises the economic zone of Anguilla it is our duty to manage the natural resources and the environment in a sustainable way.

Greater priority will be placed on environmental management and development going forward compared to the past five years in a similar way to the emphasis that will be placed on development of the social sectors.

The central environmental management policy objectives for 2005 and beyond will be to:

- Build institutional capacity on a broad basis beginning with the development of an appropriate public sector institution to coordinate environmental management;
- Finalization of plans for the establishment of the Fountain National Park, the National Museum;
- Strengthening of international contacts and networking with the environmental management community;
- Development of a funding plan to obtain financial resources internationally and domestically from sources outside of the government's Consolidated Fund.
- Development of a comprehensive plan for the mitigation of the impacts of the large marl pit and secondary pits at Corito resulting of the excavation of fill for the extension of the Wallblake Airport runway and for the development of the Corito industrial and commercial zone to link with development of the port.
- Review the options for solid waste disposal at Corito in light of Port Development and removable of fill for the airport.

4.4 Strategic Economic and Fiscal Policy Objectives 2005 and Beyond

Mr. Speaker, at the end of December 2001, the Government faced a serious fiscal crisis. We ended the year with over \$20.0 million in accumulated deficits with the British Government looking intently over our shoulders concerned about the potential for contingent liabilities. Mr. Speaker, those interested in taking over the reins of power and authority of the Government of Anguilla, relished the idea of the United Front Government running into major financial difficulties less than two years into its term of office. They hoped for and predicted doom and gloom. History shows dramatically that their wishes and hopes were confounded, that the United Front Government, putting its confidence in its ability to find solutions from within, relied on the wisdom, technical competence and commitment of the professionals and senior managers in the Ministry of Finance, Economic Development, Investment and Commerce to craft a home grown plan to restore fiscal stability in the space of three years.

4.4.1 Fiscal Policy

Mr. Speaker, I have here with me a 48 page document prepared, inclusive of annexes, by the staff of my Ministry, dated March 21st, 2002 and entitled:

**“MEASURES TO RESTORE FISCAL STABILITY IN ANGUILLA OVER
THE PERIOD 2002 TO 2004:
A FORMAL RESPONSE TO THE MARK GEORGE-DAVID HOOLE
REPORT ENTITLED “MEDIUM TERM BUDGETARY PERSPECTIVES
IN ANGUILLA, 2001 – 2004”**

Mr. Speaker, this document contains the details of the strategic fiscal policy initiatives focussed on careful budgetary planning and on the promotion of investment to stimulate economic growth, the implementation of which have seen a dramatic turn around in the Anguilla Government's fiscal position. We have accomplished and surpassed our targets in less than the three years specified in the plan. We have swung the government's fiscal fortunes full circle, from the negative to the positive, to a recurrent surplus of \$23.5 million at November 30th, 2004.

Mr. Speaker, some have tried to deny the fact that this outcome is the result of sustained and concerted planning and effort by the executive and the administrative branches of the Government over the past three years. Some would seek to disregard the sacrifices deliberately made, especially by the Public Service, but also by the community at large in response to the fiscal dis-equilibrium that existed at the end of 2001. But the positive results achieved have increased each year over the past three years. So that while the 2004 results are the most dramatic, improvements were also reaped in 2002 and even greater improvement in the fiscal position in 2003 over 2002.

The plan Mr. Speaker was a combination of:

- austerity measures to reduce expenditure, while endeavouring to maintain the quality and quantity of the public services;
- measures to improve the efficiency of tax collection, to adjust a number of taxes and to introduce a minimum of new taxes to increase revenue, while minimizing the impact of new tax measures on the people of Anguilla;
- the adoption of borrowing guidelines designed to enable Anguilla to improve its long term fiscal position, increase its borrowing capacity and its ability to respond to adverse changes in the Government's fiscal position as a result of natural disasters, economic shocks, or negative political events;
- measures to promote and facilitate a new round of private sector investment in tourism as well as in other sectors of the economy to achieve economic growth, job creation, income generation, the broadening of the tax base and an increase in government revenue from the increased economic activity;
- organizational development and transformation of the public service to make it more effective and cost efficient, more responsive to and facilitative of the public it serves and more results and output focussed; and
- measures to improve the budget process including implementation of programme budgeting and creation of a mechanism for the regular monitoring and evaluation of the performance of the budget.

Needless to say the fiscal stabilization programme has worked like a charm, so that today we can boast proudly that we have successfully weathered the storm and that the public finances of Anguilla are in a healthy state.

Mr Speaker, the Anguilla and British Governments on December 8th, 2003 signed an agreement establishing a number of fiscal ratios to guide the Anguilla Government in making decisions on borrowing to finance its public sector investment programmes. The first ratio compares the amount of Government Debt Balances to the amount of Recurrent Revenue and sets a maximum for Government Debt Balances outstanding in any given year to 80 % of Recurrent Revenue in that year. Mr. Speaker, based on a projected Recurrent Revenue Budget of \$102 million in 2005 the limit on the amount of outstanding loan balances under the policy is **\$81.6 million**. At the end of October, Government debt minus reserves stood at **\$42.9 million**. This means Mr. Speaker that we will have room to borrow up to **\$38.7 million** without exceeding the Debt to Recurrent Revenue ceiling. **Proposed new borrowing in 2005 is \$12.0 million**. Even with this new borrowing, Government will be well within the 80 % Debt to Recurrent Revenue ceiling. This puts us Mr. Speaker on a sound footing with room to manoeuvre. We meet

this criterion easily. This speaks aptly to my theme – “ANGUILLA INC, OPEN FOR BUSINESS”, Mr Speaker.

Mr. Speaker, the loans that the Government raises to fund its Public Sector Investment Programmes incur interest, which has to be paid to the lender during the term of the loan and the Government must make budgetary provision for the payment of the interest on its loans as well as for the repayment of the principal. The guideline we have agreed on with the British Government is designed to ensure that Debt Service as a percentage of Recurrent Revenue is kept in check and a limit of 8 % of Recurrent Revenue has been set.

The current Debt Service ratio for 2004 stands at **4.3 %** and the projected 2005 Debt Service Ratio at **5.3 %**. Mr. Speaker I hasten to state that contrary to what some of the Government’s detractors would have the people of Anguilla think, we are managing the Government’s finances prudently and well, on behalf of the people.

The third borrowing policy guideline, Mr. Speaker, the amount of liquid assets (cash, fixed deposits and other financial instruments) as a percentage of Recurrent Expenditure, has a dual purpose. In the first place, it helps us to make wise decisions about borrowing. But of even greater significance, it requires the Government of Anguilla to save for a rainy day, just as any ordinary citizen should save some of their income to have financial resources available to meet unforeseen expenditures and to cover their costs when their earnings have been reduced.

The minimum target for Liquid Assets to Recurrent Expenditure is 25 % of Recurrent Expenditure, or the equivalent of 90 days of Recurrent Expenditure. At the beginning of 2002, Mr Speaker, the Government had no reserves. And so we successfully convinced the Foreign and Commonwealth Office that the achievement of a liquid Assets Ratio of 25 % of Recurrent Expenditure should be accomplished over a period of six years from 2002 to 2008 during which the equivalent of 15 days of Recurrent Expenditure would be added to the Reserves every year until the target is reached. Despite the difficulties and challenges experienced since 2000 this Government has accomplished what was considered to be improbable. The reserves as they stand today **\$10.2 million** dollars. We are ahead of our target to achieve **\$7.4 million** in reserves by December 31st, 2004.

It is a tribute to our ability to find solutions from within that we have come this far in our fiscal management in three short years. In 2005 Mr. Speaker we will seek to refine our fiscal management further and in particular we will ensure that:

- the required institutional arrangements for improved debt monitoring and management are put in place;
- the legal and institutional arrangements to enable the Government to raise loan funds by way of treasury bills and Government bonds on the Eastern Caribbean Government Securities Exchange are set up;
- the requirements of the Insurance Act for insurers to establish security deposits are implemented; and
- approaches are made to the domestic banks, the CDB, the European Investment Bank and other lending institutions to initiate discussions on borrowing required for the redevelopment and expansion of Blowing Point Port ferry port, development of a new cargo port at Corito and the refurbishing of the Road Bay

Port to serve Anguilla's cargo needs until the new cargo port at Corito is constructed.

Mr. Speaker, the austerity measures adopted in 2002 and maintained in 2003 and 2004 forced the public service to do more with less or at least do the same with less. The lessons learnt over the past three years in this respect will be applied in 2005. We will continue to be extremely prudent and careful in managing expenditure to minimize wastage. The Finance and Audit Act provides for greater flexibility in the application of fiscal policy and procedures and enables the Government to improve the management of its finances. We will continue to apply the powers of the Finance and Audit Act to improve fiscal management.

Institutional development and strengthening of the Inland Revenue Department will be a priority in 2005 with a project focussed on the introduction of the computerised online Standard Integrated Government Tax Administration System (SIGTAS). In addition the Department's human resource complement will be strengthened. We will continue to partner with CARTAC (the Caribbean Regional Technical Assistance Centre) and make use of the technical assistance this organization provides to further strengthen and develop the capacity of our Inland Revenue Department.

Work on the transformation and streamlining of the public service in 2005 will be directed in particular at the Water Department, the General Post Office, the Airport and Seaports Department. These three departments have been earmarked for transformation into corporate entities either as statutory corporations established by specific legislation, or companies established under the Companies Act and wholly owned by the Government. All three have the potential to become self-financing and cease to be a burden on the Government's Consolidated Fund.

Revenue policy in 2005 and beyond will be geared to improve the revenue returns from the expanded economic base. This will require legislation and regulations dealing with a number of new measures to give effect to agreements reached in the investment agreements signed between the Government and Flag Luxury Properties for the golf tourism project and the agreement signed with the KOR Group for the development of a five star Viceroy hotel on the Cocoloba Hotel site at Barnes Bay. This legislation will also be applied to other similar projects currently in negotiation between the Government and the developers for the expansion of Altamer Hotel and for golf tourism projects in the eastern districts of Anguilla.

Legislation will also be developed to address revenue streams from the licensing of an international medical school already approved in principle by the Government, slated to commence operations in May 2005, and expected to receive full investment approval before the end of 2004.

4.4.2 Economic Development Policy

The ultimate objective of economic development policy Mr. Speaker is to provide the employment opportunities that enable citizens to earn a level of personal disposable income to live well above the poverty line and to enjoy a satisfactory quality of life in material and social terms.

Permit me to briefly address the other key components of economic policy, which are critical to us at this time. They include policies on investment, trade, growth, sectoral development and diversification, technology, employment and labour, prices and incomes and economic integration.

4.4.3 Investment Policy Priorities

The key focus of investment policy in 2005 and beyond will be to:

- Promote and attract domestic and foreign investment in enterprises producing low volume high value products and services for export and domestic consumption;
- Ensure that citizens of Anguilla in general participate substantially as investors owning enterprises in all sectors of the economy;
- Restrict investment by non-citizens to specific sectors of the economy and specific enterprises;
- Diversify the economy;
- Promote innovation, development of new technologies and new skills;
- Promote export development, import substitution and replacement and inter-sectoral linkages in the economy;
- Regulate the alienation of land to foreign companies and foreign nationals and encourage Anguillians to leverage this land into participation in joint venture projects.
- Develop an organizational plan to strengthen the capacity to manage and streamline the investment process for greater effectiveness.

4.4.4 Economic Growth Strategy

Mr. Speaker the shocks of the period 2000 to the present prevented us from achieving our average economic growth target of 7 %, which this Government promised the people of Anguilla in the programme for its term of office. Overall however, we are projected to achieve average positive growth over the period of 5 %. Today, we have achieved virtually full employment as targeted in our programme. Inflation, to the extent possible has been kept in check to the long-term average of around 3 % per annum.

Mr. Speaker, the Government and the country now faces a problem a somewhat unique problem in our post revolution history. We are facing, for the first time, the prospect of having to import labour on a massive scale to meet the labour demand in the private over the next 5 to 10 years. **The problem we are likely to face Mr. Speaker is that of growing too rapidly.** Overheated growth puts a major strain on the social sector. Anguillian society cannot take the pressures too rapid a pace of development will generate. It would trigger major social dislocations. And so it is incumbent on us to manage and regulate the pace of development in the interest of the society as a whole.

Government is committed in 2005 and the years immediately following to managing the growth process **to achieve an average rate of growth over the next five years of not more than 12 %.**

4.4.5 Trade Policy

Trade policy is an area that has been low on the Government's priorities. With the growth in the work of the World Trade Organization (WTO), with the trade provisions of the Overseas Countries and Territories-European Union (OCT-EU) Agreement, the CARICOM Single Market and Economy (CSME) and the Free Trade Area of the Americas (FTAA), greater priority must be placed on trade issues.

Government will begin to study the implications for Anguilla of the changes in regional and international trade policy. Attention will be directed in 2005 towards revisions to trade legislation and regulations to encourage and support the efforts of enterprises engaged in import substitution and in export expansion. The trade opportunities available under the OCT-EU Agreement will be investigated and entrepreneurs facilitated in their efforts to take advantage of them.

4.4.6 Sectoral Development Policy

Anguilla's deep sea fisheries potential has been researched and the feasibility of a deep sea fishing industry proven. The telecommunications market has been opened up and an electronic commerce policy framework developed. The institutional and technological platform for international business and financial services have been strengthened and the industry is poised for take off. Local and external entrepreneurs interested in innovative ventures are considering varied project start ups in the immediate future.

The strategic policy focus will be to:

- Facilitate the further expansion of tourism as the main driver of the economy with emphasis on approving a major hotel, villa and golf project for the eastern districts of the Island;
- Diversification of the tourism product to include a mega yacht marina and unique and specialized services such as health tourism;
- Facilitate Anguillian investment in small and medium sized tourism facilities and in the upgrading of existing Anguillian facilities;
- Expand the resources allocated to the marketing of international business and financial services and develop an integrated marketing plan and joint marketing arrangements between the public and private sectors;
- Facilitate the development of small scale manufacturing and processing enterprises especially for export to further diversify the economic base;
- Promote the development of the deep sea fishing industry;
- Develop project plans for the implementation of the Fountain National Park, the National Museum, the traditional village and for a national botanical garden;
- Facilitate development of the telecommunications industry; and,
- Facilitate the development of e-commerce through the approval of the policy framework and the enactment of enabling legislation.

4.4.7 Labour and Employment

One of the most significant issues that will be addressed going forward in 2005, Mr. Speaker is the need to import additional labour to meet the increase in demand for

employees, which the new round of robust economic growth is ushering in. Related to this is the consequential labour management and immigration management challenges.

A second major issue concerns the question of a national minimum wage. We will address and bring closure to this in 2005.

4.4.8 Prices and Incomes

There is no general price control system in place Mr. Speaker and the Government has no intention of introducing such a system. There are control mechanisms on monopoly producers by law, which prevent such businesses from setting any price they please. The concern of Government will be to closely monitor the movement of the Consumer Price Index to see whether there is any increase in the average rate of increase in the general price level, that is, in inflation.

4.4.9 Technology

We are fully committed to the adoption of Information Communication Technologies (ICT) to improve the performance of the public service and to encouraging and supporting the private sector in adopting the latest technology in the operation of their businesses. The Government itself has been undertaking the deployment of ICT at an aggressive pace. We have begun to realize the benefits and will continue to adopt ICT as a medium to long-term strategy.

Mr. Speaker we have sought to apply the various economic policies in an integrated and balanced way, with emphasis and priority placed on those policies most critical to the present stage of Anguilla's development. We will continue to do so going forward and will as I have outlined adjust focus and priorities as the situation changes. I am confident that we are on the right track and that we will continue to reap the benefits as a nation of our clear, focussed and strategic thinking and policy development and implementation.

5. PROVISION OF RECURRENT EXPENDITURE IN 2005

Mr Speaker, recurrent expenditure is a critical component of the operations of Anguilla Inc. and must always be approached diligently being ever cognizant of the fact that sacrifices more often than not have to be made. Having said that Mr Speaker, our aim is not to deprive the inhabitants of this country, of high quality services by minimizing expenditure to its bare bones when circumstances do not dictate such a drastic measure. Our aim is to provide the highest quality services that we can afford, given our financial constraints and statutory obligations and also to fulfil Government's role in ensuring that the economy remains vibrant.

You see Mr Speaker, this government recognizes the importance of stability in the economy. However, Mr Speaker, this Government is also not impressed by stability without economic growth. I do not plan on taking a major theoretical diversion, but there is the well known equation using the expenditure approach where:

Gross Domestic Product = Consumption + Investment + Government Consumption + Exports – Imports.

It is obvious that Government expenditure including recurrent expenditure has a key role to play in relation to growth in the economy.

This key role Mr Speaker, does not give us the green light to spend frivolously. Additionally, Anguilla Inc subscribes to the notion of a budget cycle so that our expenditure considerations do not end with the formulation of the budget. We have to monitor progress, we have to make adjustments, we have to establish targets, we must have indicators that recognize success ... indicators that recognize failure. What this Government is saying Mr Speaker is that we must spend prudently, we must prioritise. The choices are not between desirable and undesirable or between bad and good. Mr Speaker that choice would be easy. The choice is between desirable and desirable, good and good and this is what makes it challenging given our financial constraints. We will not use such challenges as an excuse to perform below acceptable standards when it comes to recurrent expenditure. The challenges will strengthen our resolve to be transparent and accountable. We are an improving organization and indeed one of our most shining achievements involves but is not limited to our expenditure estimation, monitoring and adjustment capabilities.

It is always satisfying when words can be matched with deeds and in the case of recurrent expenditure this Government can hold its head high, very high indeed. But Mr Speaker when our system of monitoring recurrent expenditure is recognized by institutions like the ECCB and the Caribbean Regional Technical Assistance Centre (CARTAC) as outstanding, while we cannot become big headed, I am sure that you will agree that we can at least feel proud of the achievement. Mr Speaker we must be proud of our technical staff who upon request, have also made presentations at various fora in the region detailing our recurrent expenditure practices.

These recurrent expenditure related practices are not ad hoc. They are planned, systematic and consistent. Mr Speaker once the level of expenditure is determined we go as far as to estimate how much can be anticipated each month for each account. Deviation from those estimates must be explained by the departments.

Mr Speaker Anguilla Inc is not sitting on its laurels when it comes to recurrent spending to achieve projected outcomes. This year we have embarked on a mission to step up our implementation of program budgeting and multi-year programming and Mr Speaker we are in for the long haul. Programme budgeting helps to match expenditure with performance and enables the measurement of performance. Anguilla Inc is open for business. What we intend to do Mr Speaker is have vision when it comes to recurrent expenditure. We intend our vision to be multifaceted. We intend to be able to predict short term and long term so that we can plan how best to spend.

When it comes to accounting for Government of Anguilla Finances, the Government has taken the concept and implementation of prudence, transparency, accountability and the private/public sector marriage to new heights. Mr Speaker information relating to what government funds are spent on has always existed but in 2004 we decided to make it more user friendly so to speak. The Budget Leaflet was introduced Mr Speaker and one of its most important features is its breakdown of Government's recurrent expenditure.

The views of the public were solicited and in 2005 will be incorporated into the Leaflet where appropriate. Reviews of the Budget Leaflet were positive and we will continue to improve on the first edition. Our motivation Mr Speaker as it relates to recurrent expenditure is to manage recurrent expenditure in an efficient manner because it has the potential to be the most volatile and potentially destructive element of any fiscal system if it is allowed to take a life of its own. That is why Mr Speaker as we take our exploratory steps in program budgeting, we were very vigilant in estimating the anticipated revenue intake for 2005 which would have to finance recurrent expenditure among other things.

Recurrent expenditure that is allowed to go haywire would eat away any potential surplus on the recurrent account. Anguilla Inc is aware of that danger and in 2004 was able to use surpluses on recurrent account to finance capital expenditure on the Airport Project and other projects. Therefore it is through a very narrow lens that some of us are looking when claims are made that some Government expenditure is all about elections. Mr Speaker the recurrent expenditure of the Government of Anguilla is not about political and or personal aggrandizement. It is about making sure that the lives of the people of this country are fulfilling; it's about providing a platform for the people of this country to develop their potential; it's about ensuring that the not so fortunate among us are not left by the wayside; it's about reclaiming our young people who have made temporary negative detours; it's about ensuring stability and progress for future generations.

Mr Speaker I will not go through every line item in the recurrent expenditure as budgeted for 2005. That would take a long time and although we are comfortable in these state of the art chambers, diminishing returns will start to set in and Anguilla Inc does not like to operate at that stage of production. Instead Mr Speaker, I will provide an analysis of the major new initiatives to be undertaken by departments within the various ministries.

Mr Speaker in the past, revenue was matched with expenditure but for the 2005 budget it was the other way around. To the credit of all involved, the process was not compromised and although it caused headaches literally and figuratively, the outcome is fruitful. I must commend the Ministries for coming on board for these new initiatives and bearing with the tedious job of prioritizing between desirable activities.

Mr Speaker, for the Departments grouped with the Governor's Office and Public Administration the recurrent expenditure estimate for 2005 has increased by 11.5% over the 2004 estimate moving from \$ 12, 966,531 to \$ 14,459,188 an increase of \$ 1,492,657. We need to continue to upgrade the technical and administrative ability of the Public Service and this is reflected in the increase in the training account for the Department of Public Administration. It is also imperative Mr Speaker, that the Anguilla Public Service be an organization of high integrity and the Government has established the Public Service Integrity Board to monitor the Service in that regard. The funding for the Board is reflected in a Public Administration account of the same name.

Sadly Mr Speaker, there are elements in our society who break the law and I will return to this issue later in this presentation. However, there is an increase in the allocation to the Royal Anguilla Police Force in order to recruit and or train police officers as well as to provide partial remuneration to the United Kingdom detective on attachment with the Force.

The Attorney General's Office is procuring the services of a Legal Draftsperson, which is important because new legislation will have to be drafted as the country continues to develop in different areas. The Eastern Caribbean Supreme Court has increased its fees and it would be suffice to say that we do need the court.

Mr Speaker I will now move on to the Chief Minister's Office. The recurrent expenditure allocation for the Chief Minister's Office for 2005 has increased by 14% over that of 2004 moving from \$ 7,722,142 to \$ 8,825,263 an increase of \$ 1,103,121. Tourism, which is under the Chief Minister's portfolio, is the lifeblood of our economy. Mr Speaker we must support the efforts of the Anguilla Tourist Board to promote Anguilla as a tourist destination offering high quality service and choices to the visitors who come to our shores. The Board has upgraded the image of our beautiful country through re-branding with one of the highlights being the promotion of local establishments under the caption Charming Escapes.

This Government is on a sustained quest to develop a dependable cadre of professionals in the Public Service and the Chief Minister's Office is playing its part in that regard with the employment in 2005 of a Plant Protection Officer for the Agricultural Department and a Deputy Labour Commissioner for the Department of Labour. Mr Speaker Anguilla Inc also wants our fishermen to adhere to the stipulations concerning their fishing equipment and the Fisheries Department is committed to having adequate supplies so that fishermen can have easy access to fishing gear that conform to the specifications.

As a member of the Board of Directors of Anguilla Inc I have the responsibility to analyze all aspects and issues related to Anguilla's development but Mr Speaker when it comes to issues and aspects of the Ministry of FEDIC we are right on my front porch. The recurrent expenditure for the Ministry in 2005 will be 1.4% higher than that for 2004 increasing from \$23, 023,989 to \$ 23,356,683 an increase of \$ 332,694.

Mr Speaker, you will remember that one of my themes from yesteryear was "Paying Our Own Way" and the need to do that cannot be more apparent than it is now. But to do so Mr Speaker, we must have an effective and efficient Inland Revenue Department. Our relatively new Inland Revenue Department is going to need additional staff and support for the computerized revenue system, SIGTAS. SIGTAS is the acronym for Standard Integrated Government Tax Administration System. In 2005 the Inland Revenue Department will also be moving to a new home.

The Ministry is determined to fully institutionalize the budget process with the establishment of a Budget Unit. The Treasury will upgrade its human resources with the recruitment of a Deputy Accountant General, Business Process Analyst and an Operations Manager. The Customs Department will also be upgrading the Automated System for Customs Data (ASYCUDA). The Department of Information Technology and E-Government Services has to maintain the high tech equipment and systems, which are gradually becoming a part of our everyday operations. Mr Speaker, you must agree that maintenance promotes sustainability and we want our equipment to be replaced only when they become obsolete after fulfilling their useful lives ... not as result of negligence. The Commercial Registry must continue to forge ahead in international business and financial services.

Social development and social issues in general are on the forefront of our thoughts these days and rightfully so. Mr Speaker, beginning with 2005, the period to 2010 will be the **Anguilla United Front's** drive for "**Social Reconstruction**". For 2005 the allocation for recurrent expenditure in the Ministry of Social Development has increased by 3% from \$ 33,451,369 to \$ 34,520,220 an increase of \$1,068,851.

Mr Speaker, the Health Authority is in its infancy and as it moves to maturity it needs Government's support. The Authority cannot and will not rely heavily on Government support forever but at this stage of its development Government support is a necessity.

In different publications Mr Speaker, Anguilla has been described as unique but when it comes to the HIV/AIDS epidemic, there is nothing unique about Anguilla. We have HIV/AIDS cases in Anguilla and that is why funds have to be provided to finance the National AIDS Program. Mr Speaker our people, each and every one of us, needs to be educated about HIV/AIDS so that we can adopt the habits that would help us survive in this frightening environment. HIV/AIDS can virtually wipe us out and cannot be taken lightly.

There is no hiding the fact that there has been some decay in terms of the respect for law and order in this country and our youth have been the main culprits. Mr Speaker, we are used to living in an atmosphere of peace and quiet. Today when we are supposed to be a more sophisticated and mature society, we are experiencing this disrespect for law and order. This Government does not condone the activities of the criminal minded in our midst. What this Government wants to do is facilitate young people in particular who have broken the law to be given a chance at rehabilitation, a chance to begin anew. We want to identify the positive character traits in the young offenders and work to remedy the negative ones. Mr Speaker every young offender does not deserve to be locked up and the key thrown away.

Mr Speaker the Ministry of Social Development will initiate alternatives to custodial sentences so that we can tap into the young minds and try to find that part of their psyche, which is crying out that I want to be "somebody who can be famous and not infamous". There will be Probation Officers in the penal system who will address the needs of those who are not deemed to require prison sentences. Mr Speaker this is a departure from what we are accustomed to so let us do not be quick to prejudge it. Additional Prison Officers will also be recruited so in a way we will be attempting to cover all bases.

Increasing juvenile delinquency is spreading to our schools and it has reached the stage where there is the need for extra security. This is important Mr Speaker because it must be a joint public sector/private sector initiative and the Government will do its part.

The Estimate of Recurrent Expenditure for the Ministry of Infrastructure, Communications, Utilities and Housing (MICUH) in 2005 will increase by \$ 1,826,086 moving from \$13,113,917 to \$ 14, 940,003. This represents an increase of 14%. Mr Speaker as we implement liberalization in the communications industry, there is an increasing need for technical officers in that area and the Ministry will attempt to fill that void with the recruitment of a Technical Officer-Telecommunications and a Technical Officer – Utilities.

The world is not the same since the tragic events of September 11, 2001. There are international standards of security, which are not optional if Wallblake Airport is to develop its true potential. An increase in security staff is needed at the airport and this will be fully addressed in 2005. Mr Speaker it is anticipated that due to the expansion of the airport there will be an increase in the payments for utilities and therefore a provision was made for this eventuality. Infrastructure development brings additional cost and we must incorporate that into our plans at an early stage because there will definitely be an increase in the operating costs of Wallblake Airport.

The road network on this island is improving by leaps and bounds but Mr Speaker to do justice to the roads, they must be maintained. Consistent maintenance would lengthen the lives of the roads and have a positive impact on the finances required to finance road projects. Additionally, as our country expands the need for potable water will expand and the Government is committed to make provisions for that.

Mr Speaker the recurrent expenditure estimate for 2005 is \$5,823,409 higher than in 2004 moving from \$ 90,277,948 to \$ 96, 101, 357, which represents an increase of 6.5 per cent. Mr Speaker this outcome did not happen by chance and I am confident that fiscal year 2005, God's willing will be financially a successful one partly, because of the detailed approach in the estimation of recurrent expenditure.

6. PROVISION FOR RECURRENT REVENUE IN 2005

Mr. Speaker, I have explained the programmes and objectives of this Government for 2005. The question one may ask is how we are going to pay for this. This will be financed from 2004 surplus, borrowing and revenue raised in 2005. I will now turn my focus on the 2005 revenue.

First of all Mr Speaker, we intend to raise \$102 million in revenue in 2005 without introducing any new taxes or increasing rates on the people of Anguilla. We are now blessed with an improved economy and fiscal system. None of this was accidental but, as explained before was part of a carefully executed plan to restore fiscal stability through economic growth and improved fiscal management.

No new taxes or rates were introduced Mr Speaker, because there is no need for it. The approved Revenue Estimates for 2004 were \$92.6 million. We have already collected \$106 m at the end of November 2004. Last year we collected \$9.6 million in the month of December alone.

Mr Speaker, we have catered for the possibility that some Heads may not perform as well as they have in 2004 to date so conservatively we have arrived at a target of **\$102 million** for recurrent revenue for 2005. This is well within the \$110 million projected by an ECCB/CARTAC financial programming mission under a passive scenario without any new taxes or increased rates.

Mr Speaker, the OECS Tax Commission Report of 2003 shows that there was much scope for increasing revenue through the introduction of new taxes. Based on the performance to date, there is no need for drastic reforms at this time. We have built reserves to cushion the effects of adverse fiscal occurrences and we are well within the

borrowing capacity we have set for ourselves and agreed to with the UK Government. By the end of 2004 we would have achieved all the fiscal targets for Anguilla set by ourselves and for the region agreed by the Monetary Council of the Eastern Caribbean Central Bank of which I am a member. Mr Speaker this position is sustainable because we have improved the economy, restored strong economic growth and improved the machinery to collect all the revenue that is available to the Government of Anguilla through information technology, improved legislation and through a programme of providing adequate staff and training to the relevant revenue collecting departments.

The main feature of the revenue collection machinery in 2005 is the implementation of a computerised revenue system with the acronym SIGTAS and the simultaneous relocation of the Inland Revenue Department to make it more accessible, functional and efficient. The initiative also includes the addition of new staff and training. This computer system will have links to all the major revenue collecting departments including Customs and Financial Services. During 2005 we will overhaul all the revenue collecting systems in Government to make them more functional, user friendly and efficient. This may take several years to accomplish but we will begin from now. We hope that this in turn will lead to improved business activity, more satisfied clients and increased income for the private sector. This in turn should lead to a sustainable revenue flow for the Government. Mr Speaker all that we are demonstrating here in revenue collection also is that it is indeed the case of **“ANGUILLA INC, OPEN FOR BUSINESS”**.

Before I go into detail Mr Speaker, I wish to advise that the revenue budget that has been provided to the members of this Honourable House contain explanatory notes. All significant variances are explained in the margins of the estimate. I will however explain the strategy with a focus mainly on the significant revenue heads and subheads.

The first head is Taxes on Property. We are now projecting a target of \$700,000 as compared to \$657,500 in 2004. About 84% of the target for 2004 has been achieved thus far and we expect 100% of the estimate to be collected in 2005. This improved level of performance will be sustained because new properties including hotels are being added to the Property Tax Roll every year. This will be improved with more frequent valuation of new properties and the revaluations after expansion of other properties. This will be facilitated with the addition of a Valuations Officer within the Inland Revenue Department from early next year.

The Taxes on Domestic Goods and Services Head has performed significantly better than the estimate in 2004. We expect a high level of performance in 2005 as well. The estimate for 2005 is conservative. The Tourism Marketing initiative, the Tranquillity Jazz Festival, Yacht Regatta and the Destination Wedding should all impact significantly on tourist arrivals in Anguilla and in turn on Accommodation Tax collection. Because of the nature of the international tourism industry, where a single negative event can put paid to the best intentioned plans, we thought it best to be conservative in our estimates.

Based on data provided by the commercial banks, we expect to collect more revenue under the subhead Bank Asset Levy. We have therefore set the target for this tax at \$3.5 million for 2005.

We know of a number of significant projects being planned for 2005. In addition Mr Speaker, we have not collected less than \$8 million under Stamp Duties during the past

three years. The estimate of \$8.0 for Stamp Duties is achievable. In fact we are reasonably certain that this estimate will be surpassed.

The collection of Licences (driven mainly by business licence fees) has improved during 2004 with over 100% of the budget collected by the end of November. With SIGTAS in place, a better performance is expected in 2005. This increase is reflected in the estimates for a number of the subheads in 2005.

Taxes on International Trade and Transactions are also expected to perform significantly better in 2005. Increased arrivals and the full re-opening of Wallblake Airport with expanded runway capacity should result in increases in Embarkation and Ticket Taxes.

To date, the Head Duties has already surpassed the target set for the whole of 2004. This is significant since Duties was expected to provide 37% of all revenue collected in 2004. Mr Speaker this Head is impacted directly by the projects under construction during the year. The 6.7% growth in the budget for 2005 is extremely conservative but prudent in the present circumstances.

The total revenue for Fines, Fees and Permits for 2004 was surpassed by the end of November this year. In fact more revenue has been collected than budgeted for 2005. There is therefore little doubt that the projection for 2005 under this head is attainable.

Mr Speaker we have added a new revenue head and subhead under the title Manufacturing Fees. As you would have noted, a private company has been operating a sugar processing plant in the Factory Shell Building in the Farrington since October. The company has started with sugar but there is the potential in the future to include other products. The estimate of \$538,000 for 2005 is based on our best calculations for what is possible to achieve during 2005.

Rents Interest and Dividends is set slightly below the 2004 target. The reduction resulted from the reduced dividends we expect from ANGLEC following the sale of shares to the public.

Mr Speaker the Share of ECCB Profits is a direct result of investment by the bank and the circulation of EC notes in the country. These are the investments of the ECCB that are influenced by international interest rates and the stock market values. Share of profits are affected by the circulation of the EC Dollar in Anguilla vis a vis the rest of the ECCU. With all the projects under construction and a healthy tourist season, more US dollars are in circulation in Anguilla compared to the EC dollars than one year ago. Based on this information, we had no choice but to reduce the estimate for Share of ECCB Profits.

Mr Speaker you will note that Other Revenue has been reduced in the 2005 estimate by 14% or \$1,145,000. Of this amount, \$1 million represented a reduction in the revenue from the sale of water. The increased consumption projected by the golf tourism project did not materialize in 2004 due to a change in plans for their programming of the opening of the golf course component of the project. However, the water rates for consumption of water by Government departments are now added to the Ministries. This means that consumption of water by Government departments will be paid for in 2005 and form part of the revenue under Water Rates. This will have two desired effects. On the one hand it

would enable the revenue by the Water Department to be properly reflected. On the other hand it would encourage departments to conserve water.

So, to conclude this section Mr Speaker, we have estimated recurrent at \$102 million for 2005. However, we expect that given the robust state of the economy this amount could easily be surpassed.

7. 2005 CAPITAL PROGRAMME AND FINANCING

Mr Speaker, I know draw your attention to Government's Capital Programme for 2005. The 2005 Capital Budget is the first year of a new PSIP cycle, which will run from 2005 to 2007. The PSIP requirements for this period have been estimated at **\$158.5 million**. In terms of funding, Mr Speaker, with the termination of UK Government bi-lateral development assistance to Anguilla at the end of March 2005, and only approximately \$1.1 million that will remain of the EDF 9 funds once the Airport infrastructure works have been completed at the end of this year, it means that the development grants which financed some 48% of Anguilla's PSIP over the period 2002 to 2004 will not be similarly available to finance the 2005 to 2007 PSIP. Consequently, Mr Speaker, Government must continue to stimulate robust economic activity, which will in turn generate large recurrent surpluses which will enable the GoA to fund capital projects directly and indirectly by increasing the level of reserves to expand the GoA's borrowing capacity.

Mr Speaker, ladies and gentlemen, I submit to you again that the **Anguilla United Front** is an administration capable of achieving this and consequently is **"the viable option for steering the right course towards the total sustainable human development of all Anguillians to 2010 and beyond"**. You will recall Mr Speaker that the theme of the 2001 Budget Address was **"Paying our Own Way"**. In other words, Mr Speaker, we divined the direction in which the winds of change were blowing and made the proper adjustments to **"steer the right course for a secure future for all Anguillians"**.

While the fiscal situation continues to improve, Mr Speaker, the reality is that the public sector investment demands outweigh the available resources. Consequently, in preparing the 2005 Capital Budget Government was once again challenged to prioritize requests so that resources are optimized. Following the receipt of submissions as a result of the 2005 Capital Budget Circular, projects were prioritized and included or excluded from the 2005 Capital Budget based on whether and the extent to which they were intended to:

1. Continue implementation of projects carried over from 2004 and earlier years.
2. Replace/upgrade existing infrastructure which has been demonstrated to be inadequate;
3. Reduce the cost of operations and improve the efficiency of Government;
4. Support economic, social and environmental development efforts;
5. Improve safety and reduce risk exposure;

6. Comply with the GoA's strategic objectives in social development, human resource development, infrastructure development and other priority areas;
7. Generate additional net revenue to the GoA.

Final allocations were made on the basis of the resource envelope available to fund capital projects in 2005.

Mr Speaker, the largest outlay in the 2005 Capital Budget will be on the Wallblake Airport Expansion Project. While the runway will have been completed by December 17, there are a range of ancillary facilities, which will be replaced, upgraded and/or developed during the first quarter of 2005. These include the complete replacement of the navigation and communication equipment at the Air Traffic Control Tower, the relocation of the Airport Fire Hall and Offices to a building specially upgraded for this purpose, the completion of the upgrade to the terminal building including the viewing and restaurant areas, and the departure and arrivals halls. Of the \$40.5 million borrowed in 2004 to fund the project, some \$12.4 will be available to fund these works in 2004. Mr Speaker in addition to the loan funds, Government has also set aside \$3 million in surpluses from 2004 to fund the compensation and relocation of persons and/or businesses affected by the WAEP. Consequently, Mr Speaker, a total of \$15.4 million has been allocated to the WAEP in 2005.

Mr Speaker, the second largest allocation in the 2005 Capital Budget is \$6 million for the continuation of the road development programme to be funded from loans from the domestic financial system. Of this \$1m represents funds borrowed in 2004 and \$5 million, new borrowing. These funds will be used to complete the South Hill Roundabout to Blowing Point Junction to Long Bay Junction roads, the Bay View road (Shoal Bay East to Island Harbour road) and to upgrade the main road in the central commercial district in the Valley, the Forest to Tanglewood road and the main road from J.W. Proctors to the East End Clinic.

Borrowing of \$5 million to fund land acquisition payments under the Ministry of Lands represents the third largest allocation under the 2005 Capital Budget. These funds will be used to compensate persons for land acquired to develop the Fountain Cavern at Shoal Bay and other compensation payments which are outstanding.

Mr Speaker, port development receives the fourth largest allocation in the 2005 Capital budget with \$2.0 million to be devoted to the expansion and upgrade of facilities at Blowing Point Port (piers, terminal buildings and office accommodation for Port Superintendent, Customs, Immigration and Police). These funds will be in the form of borrowing from either the domestic banking system or the CDB. Work on the project is expected to commence in July 2005.

The fifth largest allocation in the 2005 Capital Budget is \$1.75 million to the Anguilla Tourism Board, which will embark on year 2 of a 5-year Marketing Development Programme.

Mr Speaker, other large allocation under the 2005 Capital Budget include: \$1million to the Water Department to fund water development works, including the upgrade of the water distribution system; \$0.7 million to the Health Authority to fund projects such as a

new incinerator for the Princess Alexandra Hospital and upgrades to other health care facilities; \$0.5 million for ALHCS Campus A development, specifically the upgrade of the science labs; and, \$0.5 million towards the completion of the ALHCS Campus B auditorium.

Mr Speaker, in total some \$37.03 million in capital projects will be funded from surpluses and borrowing in 2005, with borrowing accounting for \$25.42 million or 68.7% of the total. New borrowing in 2005 amounts to \$12 million.

Mr Speaker, in addition to project funding through loans and surpluses some \$8.7 million in projects will be undertaken through grant funding under the 2005 Capital Budget. UK DfID will fund some \$3.6 million in projects as it winds down its development assistance programme to Anguilla over the period January to March 2005. Projects to be funded, among others, include Health Sector Development (\$1.27 million), the Inland Revenue Development, which incorporates the implementation of the Standard Integrated Tax Administration System (\$1 million), and Water Development (\$0.5m). UK FCO will fund an Immigration Information System in the amount of \$0.32 million.

It is also anticipated that there will be \$4.78 million of projects (ICT, Tourism, Public Service Development, Medical Laboratory Services) implemented with grant funding through the EU-OCT Regional Programme Fund.

Mr Speaker, in sum the 2005 Capital Budget has been set a **\$45.93 million**, to be financed as follows:

Borrowing:	\$25.42 million (55.4%)
Surpluses:	11.81 million (25.7%)
Grants:	8.70 million (18.9%)
Total:	45.93 million

8. CONCLUSION

Mr Speaker, join with me to thank the Almighty for sparing Anguilla from the hurricanes which have ravaged some of our Caribbean neighbours this year, and to pray that in the coming year we may likewise be spared from natural and human disasters.

Mr. Speaker, I realize that I have taken a generous audience close to the limits of reasonable tolerance and patience. For that I must again reiterate my humblest apologies. It was a challenge for my senior management team to edit the several contributions, which comprised the original draft of this speech into a document, which could be delivered effectively within the traditional time allocations. But as we pointed out earlier we also recognized that this budget address being the last one delivered during this Administration must of necessity catalogue and evaluate the record of achievements of the **Anguilla United Front** over its term of office. After my presentation in this

Honourable House with your kind attention I feel confident that I have made the case that we have delivered on our mandate.

While I have mentioned the hardworking staff of my Ministry in the preparation of the Budget and this Budget Address. I must also mention the contributions of the senior staff in all Ministries to the budgetary process as well as the enduring patience of all public servants who have faced hardships because of the austerity measures which required the withholding of salary increases over the last five years. Government has already put the wheels in motion for a general salaries review next year ---- but in the short term we have decided to grant all public servants, established and un-established, pensioners, welfare recipients and statutory bodies an additional half month of salary for Christmas. We have done well this year but we must continue to be responsible in our expenditure decisions.

The wider citizenry of Anguilla has also made considerable sacrifices. And while it would be impossible for Government to attend to their expectations in the manner that we have dealt with our public officers ---- I would hope that we have through our stewardship created the environment for a stable and prosperous society. And hopefully private sector organizations will likewise show goodwill during the up coming season.

Mr. Speaker, more than anything else I believe that the measures outlined in this budget speech will now lay the foundation for shaping the economy of Anguilla. Indeed I am convinced that we are on the verge of **economic takeoff**. Anguilla is open for business. And the business plan must be one, which appreciates the importance of sustainable human development ----- in a word the full participation of all Anguillians as shareholders in the company. Anguilla Inc. Open for Business !

May God's richest blessings attend you during the Christmas Season and continue to abide with you through the New Year.

Mr. Speaker I beg to move.