

BUDGET ADDRESS 2010

OPERATION RECOVERY

Madame Speaker; as I gear up to deliver this 2010 budget proposals, I humbly beg your indulgence to permit me to depart from the usual or regular format especially in my introductory paragraphs.

First of all Madam Speaker, I take great pleasure in welcoming you as the first female speaker in the Anguilla House of Assembly. I am confident that you possess those noble attributes which will permit you to live up to the sacredness of fair play and of really being even handed and dignified as you conduct the business of this Honourable House. In short, we expect you to follow the same principles which characterize the Westminster Parliament as the origins of our budding democracy.

Madame Speaker, those of us who have become acquainted with the Westminster model of Parliament know that the opening of the House today would have featured her Majesty the Queen delivering this speech from the throne. A Throne Speech given in Parliament in the UK outlines the plans and programs the government would apply during the session. At the end of the Parliamentary session, the House is prorogued and when the recess is over and the House resumes its sitting a new session begins with her Majesty reading a new Throne Speech. At one time in Anguilla's history our House would be prorogued and when it re-opens, His Excellency the Governor would deliver the speech in the House of Assembly. This Budget Address now delivered by the Minister of Finance serves as our Throne speech.

Madam Speaker, having already welcomed you earlier, permit me to welcome all those who have graced this Honourable House with their presence here today. Your presence represents a significant departure from the past in that your faces do not appear to resemble the majority of the people who attended precious occasions of this nature and that in itself should remind us of the change in the air. Again, we appreciate our visitors and we welcome you.

Madam Speaker, for the last fifteen years, the Budget speeches were delivered by the same Member of the House in his capacity as Minister of Finance in two different Governments. That is most unusual in Westminster style democracies because different political parties may differ fundamentally on principles of ideology. That member of the House was Minister of Finance in the ADP/AUM coalition

government of which I was the Chief Minister from 1994 to 1999 when he virtually crossed to the ANA party, now the AUF, only two months after the people put us back in government for the second time in March 1999. This resulted in the eventual fall of the Government aided by the then Governor and the then Attorney General.

So when the AUF won the 2000 elections, that member held on to the critical Ministry of Finance and Economic Development for the next ten years until he failed to win his seat in the 15th February 2010 General Elections.

It should be expected therefore that my job would be fundamentally different from what our people have been fed with over the last ten to fifteen years budget presentations.

Madam Speaker, the first and understandably, the most important departure from the past is that we immediately recognize the startling truth that this AUM Government has inherited a distressed economy, obviously brought about by the reckless conduct of the outgoing AUF leadership. It is certainly not the truth that all of Anguilla's economic woes can be blamed on the World economic downturn but rather, factors such as:

1. alleged corruption dating back to the early 1990s
2. economic mismanagement and
3. poor Governance.

It is my opinion that these three factors may have resulted in a culture of a total lack of transparency, a lack of accountability and the failure to ensure good Governance thus consolidating the dire economic and financial conditions facing Anguilla today - but while it is true that the elected representatives of the people of a British Overseas Territory such as Anguilla have a moral and sacred responsibility to the people who entrust them by their votes, it is also true that as the administering power, H.M.G through its officials in the F.C.O. in accordance with the assurances given that the conduct of our local administration will be closely monitored and the stipulations set out in the UN Charter for colonies be upheld, I cannot avoid apportioning some blame for the virtual collapse of Anguilla's economy on elements within the F.C.O.

Madam Speaker, it is also no secret that the outgoing AUF Government has always boasted of its favoured relationship with officials in the F.C.O. and that favoured relationship had been somewhat strained when London decided to apply brakes to

Anguilla's lavish and compulsive borrowing; although, the Minister Mr. Chris Bryant in October 2009, did allow a limited EC\$20 million ostensibly to meet recurrent costs, including civil servants pay up to the elections.

So strained were relations between H.M.G. and the AUF Government that local Ministers, out of anger and frustration were publicly advocating Anguilla should break Constitutional ties with Britain and go into independence.

My Government has therefore inherited a financial situation in which even the fiscal reserves Contingency Fund which Britain had always insisted that Anguilla maintained, declined from EC\$39.62 million in November 2008 to virtually zero by the end of September 2009. This occasioned the AUF government to borrow on a monthly basis between October 2009 and January 2010, from local banks and other banks to meet recurrent costs including, to pay our public servants.

Given the financial situation at the end of February, fifteen days after the AUM assumed office, my officials in the Ministry of Finance had to negotiate a EC\$10 million loan from the Anguilla Social Security Board to meet recurrent costs including civil servants pay, the UKG having granted permission for the GoA to borrow up to an additional EC\$24 million between January to March 2010. The UKG therefore approved total borrowing of EC\$44 million for the GoA to help cover recurrent costs between the period October 2009 – March 2010. .

The recurrent deficit had, at the end of 2009, stood at EC\$55.84 million. When capital expenditure is taken into account, the overall deficit was EC\$66.42 million. It should be noted however, that because Anguilla operates on a "Cash Accounting basis, some EC\$14.25 million in unpaid invoices were carried over into 2010. So it is fair to say that the overall deficit for 2009 was in fact, approximately, EC\$80.42 million.

Flags Luxury continues to be a serious thorn in the flesh of our economic sustainability. It never was intended to do anything positive for Anguilla, and its failure may have been a blessing in disguise. The owners of the Sonesta hotel did warn the AUF leadership that this was not going to be a good development.

Although the AUF government started the process to publicly acquire the property, a gift of campaign funds stalled the process and it is more difficult to acquire now that the Credit Suisse Bank has appointed receivers to sell the project. But our government now is pursuing the process with the urgency it deserves.

With Cap Juluca, our former Minister of Finance did a lot of wrong things now resulting in Mr. Hickox being able to jeopardize the jobs of 400 Anguillians. He has been awarded US\$55 million by the Court of Appeal with Hickox demanding up to US\$170 million on an initial US\$7 million investment. Madam Speaker everyone in Anguilla was fooled that the Hickox dispute was over.

Maunday's Bay, as a most important tourism site, has always suffered from corrupt and selfish politics. I also blame the FCO for permitting this giveaway by the way of MOAs.

Those three prime economic site of Flags Luxury, Cap Juluca and Viceroy which have all been permitted to breach our important Alien Land Holding Policy. All these developments were done to ensure that there was no trickle down effect to the local economy by using slave labour from China, India and Mexico-housing these workers on the projects. Madam Speaker while it is by taxes government gathers revenue it is my conviction that taxation should be fair. We cannot overtax the poor people while the wealthy aliens go free with the entire economy.

We are now seeking assistance in the supply of forensic accounting to assist us to track down loss revenue and we hope that HMG will some assistance as we have already told the FCO that our main issues are alleged corruption, fiscal mismanagement and poor governance. I've also asked for assistance from CDB and ECCB in this area.

Most of our important tourism sites have been in Cove Bay, Barnes Bay, Meades Bay in the West and Sile Bay in the East have been squandered with real estate development instead of hotel.

That situation will have to be dealt with expeditiously. This AUM government will not allow our scarce economic and valuable land resources to be squandered anymore by real estate speculators.

The AUM government will also revisit the business licenses concerning regulations to ensure that young Anguillians wishing to enter private business are able to do so without unfair competition from Asian business. Our government has already instructed the AG to have legislation drafted to deal with any fronting activities for alien businessmen.

This is the time when we will stamp fronting out once and for all; we will ensure that Anguillian enterprise rise once again. A lot of this has already happened and

new legislation will carry heavy sentences because this habit is dangerous and unpatriotic. The AUM government will work harmoniously with the local Chamber of Commerce and Local business people to ensure that we redeem the culture of Anguillians being a major part of the development of this island.

Madam Speaker, our government will also work harmoniously with the indigenous banks to ensure their stability and viability. These two banks are employing some 200 young people and we cannot allow a situation which can result in massive loss of jobs and equity. These banks must continue to play a major role in Anguilla's development now, and long after we are gone.

We must ensure that the private sector is the main source of employment resulting from a mixed and diversified economy and a strong Tourism industry. We have already commenced open dialogue with the operators in the financial services industry and with the financial services commission.

I have also signed two more TIEAs in England with the Federal Republic of Germany and Australia ensuring that Anguilla is now qualified to be removed from the black list.

We have been in communication with the French on re-kindling the cooperation links I had established with the Pointe-a-Pitre Chamber of Commerce to build the Bremigen International Airport and the EDF in French St. Martin to supply water and electricity which could put Anguilla in a position to benefit from renewable sources of energy including geothermal energy from the volcanic islands.

Anguilla had to experience the failure of Wall-Blake to learn that my opting for Bremigen as the only possible site was the way to go and we still need to return to that Bremigen site.

Madame Speaker, the theme we have chosen for this year's budget address is in keeping with our financial position. The choice was not mine alone but collectively, as a team, it was chosen. It is two simple words, "**OPERATION RECOVERY**".

We, the new government promised transparency, good governance and accountability and when we got into government, we opened up the financial records for the public to see. We have also consulted with the general public on our budget because, we are your servants and not your masters. This is in keeping with our Manifesto in which we promised to rescue and develop Anguilla. We have had to work hard in this first two and a half months in Office to create a budget based on reality instead of speculation – based on consultation, consensus and cooperation instead of dictation. We have had to make tough decisions but with hard work, good planning, God's help and your patience, Anguilla will rise once again.

Madame Speaker, this is the second time in history that the Anguilla United Movement has won the general elections and the first time in our history that we in the Anguilla United Movement has had a clear mandate with its founder as Chief Minister, and with this mandate, we promise to be good stewards of our beloved country.

There is no doubt that Anguilla has seen some good days. There is no doubt that there was a time in this last decade when the economy was robust and money was flowing like water in the river Nile but because we did not save that water, when it stopped flowing, our people are now thirsty.

In 2008, the Government of Anguilla seriously breached our mutually agreed borrowing guidelines by not accumulating the stipulated amount of Fiscal Reserves . By the end of 2008 Anguilla was supposed to have EC\$50.3 million in Fiscal Reserves, representing 90 days of recurrent expenditure. As mentioned earlier, by November 2008 the GoA had only managed to save EC\$39.3 million in reserves. By the end of 2009 Anguilla had a full-fledged fiscal crisis, with fiscal reserves virtually zero.

We have been charged with rescuing Anguilla and while we as a country was down, you can rest assured, we have been given a new lease on life and we will rise again.

Since coming to office, the Minister of Home Affairs has placed over 100 persons in jobs; jobs for which non-Anguillians were given work permits while our people stayed at home. That came to a halt on February 16th 2010 and now; we have adopted a policy of **Anguillians First**.

We believe this is what the people voted for and this is what they will get. A people get the government they deserve and this government is truly what they deserve and we will ensure that they are properly represented every single day.

Over the past 10 years, our governments have negotiated with investors from a point of weakness. One of the central themes of the budget address was, “Anguilla Inc. open for business” and we have seen what Anguilla Inc has created. It is our intention to grow the economy in a more manageable way. It is our intention to bring sustainable development to Anguilla instead of booms and bursts, peaks and Valleys. Smart economics suggests that this is the only way to go and smart development dictates that the people of Anguilla must feature in any development. Development means nothing unless our people are developed and this government will ensure that our people are developed to take advantage of all development that comes to our shores.

Madame Speaker, the budget is a serious exercise and this year, has been a daunting one. Our expenditure went from 108 million in 2005 to 204 million in 2009. This represents an increase of 96 million and now.

This budget exercise has called for hard work and I must thank my hard working and able Permanent Secretaries Mrs. Kathleen Rogers (PS Finance), Dr. Aidan Harrigan (PS Economic Development, Investment, Commerce and Tourism) for coordinating this effort.

In terms of the Recurrent Estimates, I want to also thank Budget Officer Mrs Shona Proctor who lead the Recurrent Expenditure Compilation Exercise ably assisted by Finance Officers Valencia Prentice, Clara Richardson and Euston Richardson. Comptroller of Inland Revenue Mrs. Geacheal Richardson-Gumbs, Registrar of Companies Mr. Lanston Connor and Comptroller of Customs Mr. Kenrick Richardson spearheaded the Recurrent Revenue Compilation Exercise. Both Teams were ably assisted by the Parliamentary Secretary who offered many suggestions

and was a limitless source of energy and support. It would be remiss of me not to give special mention to Debt Officer Brenda Hughes, who compiles the Debt Statistics. As I have personally observed, she seldom leaves her desk before 7pm.

With respect to the Capital Estimates, while these are aspirational, they nonetheless must be compiled. I want to thank Chief Project Officer Ms. Anthea Ipinson who leads the efforts in this area, assisted by Ms. Shantelle Gumbs. Ms. Ipinson must also be thanked for the sterling job she did coordinating the day to day tasks which resulted in Anguilla receiving the remaining monies due to it under EDF 9, some EC\$23.5 million, which was received in February and March. Special mention must also be made of the staff of Public Administration that assisted with the Personal Emoluments submissions and all others that I may not have mentioned.

Madame Speaker, I would also like to thank my Ministerial colleagues and the many public servants who worked so hard on this budget. We have all adopted the AUM's 2010 – 2015 Manifesto as our Blueprint for Anguilla's development and this team has come together with that in mind to plan a sustainable recovery.

ECONOMIC AND FISCAL REVIEW 2009

Madame Speaker, it is important that I give a brief review of Anguilla's economic and fiscal situation.

Projected estimates, in the absence of the official 2009 figures, suggests that real gross domestic product (GDP) was **\$297.75 million**. This represents negative real growth of **21.54 percent** over the 2008 GDP figure of **\$379.48 million**. 2008's growth rate was **3.78 percent**.

The number one contributor to GDP in 2009 was the **Banking and Insurance Sector**, representing **27.3 percent** of GDP.

The decline in tourism activity has seen the Hotel and **Restaurant** sector moving from the number one to the number two spot in contribution to GDP. In 2009 it represented **24.56 percent** of GDP. These top 2 sectors declined in growth by **.49 percent** and **15.22 percent** respectively.

Government represented the third largest sector contributing to GDP, accounting for **14.94 percent**. A growth rate of **4.34 percent** was recorded for this sector. The contribution of Government highlights the importance of the sector to the economy, especially in tough financial times.

Communications and **Construction** are the fourth and fifth largest contributors to GDP, accounting for **13.72 percent** and **13.62 percent** respectively. Communications grew by **10 percent** in 2009 representing the largest growth rate of the top 5 contributors to GDP.

In 2008 the construction sector was the largest contributor to GDP, but the prevailing financial crisis and downturn in tourism related construction and construction in general on the island has resulted in a decline of **58.87 percent** in 2009.Fiscal Performance

Fiscal performance looks in combination at recurrent revenue relative to recurrent expenditure, and combining this with capital revenue and expenditure to give a picture of Government's overall fiscal balance

Recurrent Revenue

Madame Speaker, in 2008 revenue collections did not perform as anticipated and fell short of projections. In 2009 the pattern continued when revenue collections totalled **\$148.33 million**, falling short of the **\$246.92 million** estimate by **\$98.58 million**.

Madame Speaker, the major contributors to recurrent revenue are Import Duty – Other, Accommodation Tax, Stamp Duty, Import Duty- Fuel and Gas, and Work Permit Fees.

Continuing the trend of the previous years, **Import Duty-Other** continues to be the top revenue collecting head. In 2009 **\$44.3 million** was collected under this head. This represented an under collection of **\$38.7 million** from the estimated budget of **\$83.0 million**. The short fall in collections is linked to declining imports that have coincided with the slowing down of the economy and the decline of construction.

Accommodation Tax was the second largest contributor to recurrent revenue in 2009, totalling **11.35 million**. Collections were below the budgeted estimate of **\$17.0 million**. The decline in accommodation tax collections is directly linked to the decline in tourist arrivals as our main market, the US, continues to feel the burden of the global economic crisis.

Mrs. Speaker, in 2009 **Stamp Duty** was the third largest contributor to recurrent revenues, accounting for **\$10.46 million** of total collections. Like the two previous revenue heads stamp duty also fell well below the budgeted estimate of **\$39.0 million**. The below average performance is due to the inability of the major tourism

real estate projects to sell the villas, which in turn is linked to the financial crisis facing the world.

Import Duty- Fuel and Gas and **Work permit Fees** round out the top five revenue collection heads. They collected **\$7.85 million** and **\$7.84 million** respectively, though both fell short of the estimated **\$11.0 million** and **\$11.5 million**.

Recurrent Expenditure

Mrs. Speaker, recurrent expenditure in 2009 totalled **\$204.17 million**, compared to the budgeted estimate of **\$241.30 million**. The difference is attributable to some expenditure measures that were implemented in 2009, in response to the financial pressures the Government was facing. The measures included a reduction in civil servants' salaries of **5 percent** or **10 percent**, according to grade (with the higher grades suffering the higher cut) a reduction in travel allowances, suspension of entertainment allowance and restriction in the hiring of staff. In general, Ministries and Departments were encouraged to spend less on goods and services.

Recurrent Balance

The difference between recurrent revenue and recurrent expenditure, the recurrent balance, was **\$55.84 million** in 2009.

Contribution to Fiscal Reserves

In January 2009 Fiscal Reserves stood at **\$36.49 million**. No contribution to reserves was made in 2009. Given the difficult financial situation the Government faced in 2009 **\$34.61 million** of the Fiscal Reserves were spent to meet current obligations. At the end of December Reserves stood at **\$1.88 million**.

2009 Capital Expenditure

Capital Expenditure 2009

Madam Speaker, capital expenditure for 2009 topped out at approximately **\$10.5m**. This was far less than estimated given the continuing financial challenges which meant a focus of our limited resources on critical and existing contractual commitments.

Nevertheless, infrastructure development remained a significant area of expenditure, accounting for over half of the overall capital expenditure.

There was expenditure of **\$4.7m** on seaport development which supported the continuation and completion of three consultancies geared at providing Anguilla with modern port facilities to meet its long term development and operational needs. In turn they address the design phase of the Master Plan for Blowing Point Port Facility, planning and design for Corito Port Cargo Facility and the legislative and institutional requirements for a combined Air and Seaports Authority.

Approximately **.8m** was spent on the roads development programme that focused on the upgrade or resurfacing of Village Roads including the North Side link to Stoney Ground, roads in Island Harbour, the Quarter and other roads such as Liberty Road, the Long Path and the Stoney Ground Road. As always, a major component of these works includes replacement of water lines, relocation of utilities and accommodation works such as fence replacement and drainage.

Despite these challenging times there was continued support of social development and the improvement of social infrastructure side. Expenditure in this area totaled 2.3m and included monies spent on improving the schools environment for our children and more specifically the construction of much-needed additional classrooms at Valley Primary School and the upgrade of the Vo-tech Educational Facility at the Albena Lake Comprehensive High School.

Overall Balance

Mrs. Speaker, Government's overall fiscal position is determined by the sum of the recurrent balance and the capital balance. The recurrent balance for 2009 was a deficit of **\$55.84 million**. Capital expenditure totaled **\$10.58 million**. As there were no recurrent surpluses or borrowing to finance capital, the overall balance was a deficit of **\$66.42 million** for 2009. This deficit was partially financed by **\$34.61 million** of reserves. Therefore, **\$31.8 million** of the deficit needed to be financed.

Public Debt

Madam Speaker, at the end of December 2009, the debt stock of the Government of Anguilla stood at EC\$191.48 million. This represented an increase of 12.64% when compared with the debt stock of EC\$169.99 million for 2008. Central Government debt represented 89.94% of the 2009 public debt portfolio.

The Public Debt Stock at the end of February 2010 stood at approximately \$191.18 million. Central Government debt accounted for \$172.25 and Government guaranteed \$18.93 million.

Madam Speaker, during the latter part of 2008 and during 2009, the Government of Anguilla refinanced a large portion of its domestic debt. This was done to ease the liquidity situation of the two indigenous commercial banks. At the end of 2009 a total of EC\$94 million or EC\$47 million of government's debt at each of the two institutions had been restructured.

As a result of the restructuring and new instruments with shorter tenors and higher margins, Madam Speaker considerable pressure has been placed on already scarce financial resources. It is therefore necessary to reduce the debt burden by seeking more competitive terms while simultaneously controlling certain financial risk, such as rollover risk. The Government of Anguilla has therefore submitted an application for a Policy Based Loan (PBL) from the Caribbean Development Bank to refinance all of the expensive debt during the course of 2010. Madam Speaker, If this loan is approved it will result in significant savings as a result of a lower interest rate and a longer tenor. In addition, there will be a grace period of 5 years before principal repayments begin. Once approved it is anticipated that funds will be disbursed by July 2010 subject to meeting all conditions precedent to the disbursement.

Madam Speaker, the Government of Anguilla intends to continue negotiations with the UK Government in the relaxation and amendments to the Borrowing Guidelines to provide expanded borrowing capacity to meet the challenging times.

SOCIAL, POLITICAL AND ECONOMIC OBJECTIVES FOR 2010

This Blueprint is the plan for our social, political and economic recovery and it states, **"The Anguilla United Movement is committed to the development and promotion of the Anguillian Human resources"**.

We will ensure that our people are developed to assume the running of all facets of Anguilla. We will promote true democracy and the protection of the right of the people of Anguilla to determine their own future. The AUM government will work hard every single day for the people of Anguilla. This is our pledge." And Madame Speaker, this is indeed our pledge.

We believe that our political and constitutional position must be advanced. We believe that more power must be vested in the hands of the people of Anguilla and while we have heard of constitutional and electoral reform for 10 years, we have not seen it. We believe that now is the time for this long overdue reform, or rather, constitutional and political advancement of the people must occur and we pledge, it will. In the quest for advancement, our Constitution should reflect our unique situation as part of Europe and part of the region. We must review the position with regards to our belonger status. We cannot leave this undone. History will judge us and we must be on the right side of history. Our electoral reform must ensure that the residents of this country determine the way forward. The people whose blood,

sweat and tears are shed on a continual, daily basis must not be drowned out by those who receive a ticket and a rental car to vote; our elections must be free and fair.

Freedom of the press, freedom of information, accountability, transparency and good governance have been the most frequently used words by the political directorate over the past 10 years, yet, there is no freedom of information act and during this term, a freedom of information act will be passed. This is our pledge Madame Speaker and this we will do. It is imperative that we amend the legislation to ensure that Senior Civil servants, political candidates, members of government declare all interest in the interest of transparency.

We will be transparent in our dealings; we will be accountable to all the people of Anguilla. East and West, North and South; we will represent all the interest of the people of Anguilla fairly, amicably and above board. We will report to you and we will let you know all that you need to know. The business of government is the people's business.

Madame Speaker, we are now 43 years removed from the revolution and it is time we have full internal self government. We will ensure that this is achieved in this term. This is our pledge and this we will do.

We will work hard to diversify our economy and we are already on the move. By changing the customs tariffs, we will be able to assist in the development of farming, in particular, tomato farming and egg production. We will also give preferential treatment to the local water producing company in order to grow and develop that business and by doing so, they will employ more people and more of our dollars will circulate within our economy. This we promised and with this, the 2010 budget, we are delivering on our promises.

Madam Speaker, we are not waiting until 2014 to deliver; we are delivering on our pledges right away.

We will work hard with the Financial Services sector to ensure that this industry is fully maximized. This is a potentially lucrative business and just last month, I signed two additional TIEAs and by doing so, we are now fully compliant and now "white listed". This is an important step and we have already seen a new record in business in the month of March.

We will continue to market Anguilla as a financial services destination that is on par with the best in the world. We will ensure that Anguilla remains competitive and will not implement any income, corporate or sales taxes.

Madame Speaker, from day one, we restored fiscal prudence and have worked hard to stabilize the financial position of government. We will restore faith in government's ability to manage the economy with proper debt management, budgetary planning and forecasting. We will work hard to ensure that the local banking industry is protected and the confidence in them grows.

We must raise the earnings of the lowest paid in Anguilla and we will do so. We will attract major investment dollars on a sustained level and ensure that the country's economy is not overheated while doing so.

ACCOMPLISHMENTS THUS FAR

Madame Speaker, the Anguilla United Movement created a Manifesto in 2009 that reflects the goals, aspirations and vision of the people of Anguilla. We put that vision into a working document that will guide our actions going forward and amply entitled it, **"BLUEPRINT FOR ANGUILLA'S RECOVERY AND DEVELOPMENT"**.

This Blueprint is the plan for our social, political and economic recovery and it states:

"The Anguilla United Movement is committed to the development and promotion of the Anguillian Human resources. We will ensure that our people are developed to assume the running of all facets of Anguilla. We will promote true democracy and the protection of the right of the people of Anguilla to determine their own future. The AUM government will work hard every single day for the people of Anguilla. This is our pledge."

Madame Speaker, this is indeed our pledge.

We believe that our political and constitutional position must be advanced. We believe that more power must be vested in the hands of the people of Anguilla and while we have heard of constitutional and electoral reform for 10 years, we have not seen it. We believe that now is the time for this long overdue reform, or rather, constitutional and political advancement of the people must occur and we pledge, it will.

We are committed to the social advancement of the people. We are committed to proper health care and to that end, my Honourable Minister of Social Service; the

member for Road North has put together a committee of volunteers from the medical field to guide the transition of the health care services back into the Ministry as promised during the campaign. We must change the culture and deliverance of health care in Anguilla. This is our promise and we will deliver.

My Honourable Minister of Home Affairs, the Member for West End has been working hard to ensure that there is equity in the work place. He has brought together a team of volunteers to look at minimum wage and severance pay with a view of passing in this Honourable House, a Minimum Wage and Severance Pay Bill before 2011. This is our pledge Madame Speaker and we will deliver.

The member for West End has also facilitated the hiring of a number of Anguillians in the construction and hospitality field and our plan to Anguillianise the industries is already bearing fruit as the new Director of Engineering at Cap Juluca Hotel is now an Anguillian in the name of Malcolm Webster. We will continue to ensure that Anguillians head every facet of the economic development of Anguilla. This is our pledge and we will deliver.

Madame Speaker, during the election, there was a man dubbed the (Poodle) and out of that, we have an able man, a hard working man, a qualified and strong Minister of Infrastructure in the member for Valley South. He has already started looking at saving Anguilla millions of dollars by facilitating the movement of rental office space either back into government's space or less costly real estate.

Our new Parliamentary Secretary has been working hard to seek out emerging new markets. He has appointed a new Anguilla Tourist Board that comprise of professionals in our main industry and they have been hard at work. The vision to fill every single room in Anguilla is now on the move. Madame Speaker, we are indeed on the move.

During the election campaign, we promised that we would give the Honourable "Father of the Nation", Mr. James Ronald Webster his day and we delivered.

We also promise the removal of visa requirements to visit Anguilla and we have already started with Trinidad.

I will be traveling to Barbados very shortly to meet with , the Caribbean Development Bank and the European Commission Delegation for Barbados and the Eastern Caribbean and therefore the regional contact point for the European Development Fund (EDF) and the development banking arm in the form of the European Investment Bank (EIB) other donor agencies to assist us with the financial

wherewithal to embark on one of the most ambitious projects we have seen in Anguilla in recent years and that is, to redevelop the entire Blowing Point Port and surrounding area. This will be a model for the future, in terms of developing Local Area Plans, other economic development centers, and we will do everything within our power to get it started shortly.

Madame Speaker you may recall that the borrowing for the Blowing Point Port Project was unanimously approved in this very same House last March, if my memory serves me correctly, with CDB providing the loan financing, only for the UK Secretary of State to refuse to sanction such borrowing.

As mentioned earlier, we are actively working on getting the project, commonly known as “Flags” up and running again and to that end, we will stop at nothing in our quest to provide employment for our people in the construction and finished product. We will ensure that all those local vendors who are owed be paid in full and by doing so, put our economy back on sound footing.

I have already started talks with the French as it relates to the Bremigen International airport. It is hoped that this relationship will grow and reap bountiful harvests.

The member for Valley South has embarked on a cleaning up of his district that is now spreading throughout the island and very soon, he will be starting construction on the indoor basketball facility using the Warren Foundation funds. He is also actively working on the redevelopment of the ports and in a few months, should break ground on the fisheries building.

The draft strategic plan for the Department of Sports will be implemented shortly. Sport is an important aspect of the development of any society and we will work hard to improve the facilities on island. The Executive Council approved the national uniform for all persons representing Anguilla in any sporting capacity. We are pleased that young Chesney Hughes was awarded a contract with Derbyshire County and Shara Proctor won the gold medal at the Central America and Caribbean Games and placed 6th at the 2009 World Championships in Berlin in the long jump.

Madam Speaker, in keeping with our manifesto, the Ministry of Social Development under the hands of the Member for Road North will implement youth and ladies golf programme. They will implement a tennis programme in primary schools and communities very shortly and organize a Sports Award Ceremony in December.

In the field of education, we will use the Education Mission Statement as our guide, “The Government of Anguilla is committed to providing quality education services, through highly motivated and competent educators, to produce loyal, knowledgeable and skilled citizens of sound character empowered to function effectively in a rapidly changing technological society”. In order to carry out this mandate, the education sector requires the necessary tools.

While the Ministry and Department of Education are currently undergoing its strategic planning process to develop a new strategic plan outlining priorities and the corresponding strategies for the period 2010 to 2015, the current economic situation limits progress to some extent. With an emphasis on improving standards in key areas such as Literacy, Math, Science and Technology, physical resources and human resource development are both needed to ensure that our children are adequately prepared to compete in the global village and to keep abreast with growing and changing work demands in an evolving technological society. Education hence has to keep pace in order to properly equip students with the necessary skills to function effectively.

Anguilla Community College (ACC)

The Anguilla Community College was legally established in March 2009 following the existence of the Community College Development Unit for just under three years. The prime intention of the College is to increase access to post secondary and continuing education with particular emphasis on the Tourism and Hospitality and the Construction sectors in the early part of its development. The increased enrollment as well as enthusiasm shown by the general public more than justifies the continued investment and development of our own National Community College. This in turn will lead to continued development of our human capital.

Plans for this year 2010 include the employment of the necessary staff to support the Board of Governors to ensure proper management, day to day operation and continued growth and development of the Anguilla Community College. Future plans will include a look at the establishment of appropriate permanent accommodation for the College and the development of the Hospitality Training Institute.

The Board is currently working with the recently selected President in establishing a Strategic Plan for the College. The Priorities are:

Priority1: Enrollment & Marketing: Reach out to a broader range of constituencies to build enrollment.

Priority 2: Academic Master Plan: Develop a comprehensive Academic Master Plan that delineates ACC academic priorities for the first stage of its development.

Priority 3: Operational Infrastructure: Build an effective operational infrastructure to support the larger, more complex organization that ACC wishes to become.

Priority 4: Facilities and Finance: ACC will seek local and external support to develop the former shell cite as its Academic and Administrative home

Priority 5: Partnering/ Linkages and Coordination: Establish seamless partnerships with local business and Chamber of Commerce both in terms of course offerings, capacity building and technical resources. Externally we have already began discussion with educational services such as the United Negro College Fund Special Program Corporation in Virginia – USA to support our efforts with respect to integrated Math’s and Science programs as well as accessing their distance education offerings for our students.

Priority 6: Relationship Building:

Invest in the development of relationships with corporate partners regionally, nationally and internationally. Establish seamless partnerships with schools that extend learner access to ACC.

In addition the ACC will establish **Signature Program** in two areas: Signature programs are those for which the College plans to become well known and which will serve as magnets both within the country and the region. Signature program: a number of other opportunities can be identified as options for the College to consider as it identifies its full range of signature programs such as:

- **Our Hospitality Studies** Program will emphasize - Health as an integral part of our course offerings including Health Tourism.
- **Honors Program:** The honors program will extend the reach of the College; it will attract students who might not come to ACC were there not an honors program as well as enhance the overall image of the College in its constituent

community. The honors program will assist honors students to have a sense of community; it will foster each honors student's sense of achievement and membership in the College community.

Short Term Strategic Actions

- Increase dual enrollment opportunities for high school students.
- Develop mechanisms to create bridges and connections with high school counselors and teachers to help them fully appreciate the benefits that a community college provides for high school students.
- Provide information to high school students through channels to which they can relate.
- Engage the parents of high school students to increase their appreciation of the benefits of community college education.
- Include Superintendents in the communication loop to raise their level of awareness about what ACC has to offer and to keep them informed of emerging opportunities for their students.

Library Services

Despite the economic challenges 2009 proved to be a productive and relatively successful year for the Anguilla Library Service.

A record total of over 22,000 items were loaned to patrons, reflecting steady growth in the usage of information resources. The lending function was boosted with the launch of an Audio Visual Loan Service offering access to information in DVD and CD formats in support of literacy and numeracy. The parenting of teenagers was also singled out as a community concern with the acquisition of materials for developmental issues like conflict resolution, sexuality, communication and substance abuse.

Collaboration with government, private sector agencies and volunteers fuelled the execution of the 2009 Children's Library Annual Summer Programme (CLASP) with its focus on the theme of preparedness to cope with challenging events.

Throughout 2009 partnerships in the areas of expertise, fundraising, collection building and outreach programming provided invaluable support for service delivery.

In the area of Tourism development, the Parliamentary Secretary has already engaged the officials in St. Maarten to assist in our access dilemma. He has had meetings with the Commissioner of Tourism and the Governor of St. Maarten, Mr. Franklin Richards and this is already bearing fruits. He has also had fruitful

meetings with Anguilla Air Charters and has fostered a relationship that will ensure that airlift is continued out of San Juan.

Madam Speaker, new areas are being tapped. The Eastern European and Latin American markets are now emerging and we have already started working on ensuring that Anguilla is poised to take advantage of that. A new Anguilla Tourist Board has been selected and they are working hard with the Ministry of Tourism to ensure that our destination continues to improve its services and remain attractive and competitive.

CHALLENGES GOING FORWARD

Madame Speaker; this government has met a terrible situation. The squandering of our resources has left the country in virtual bankruptcy but we believe we can pull ourselves out. This is the first time in our history Madam Speaker we have tabled a deficit budget. In 2009, the Recurrent Revenue Estimate was some EC\$246 million million. Actual recurrent revenue collections were EC\$ 148.33 million. We cannot continue that way.

Anguillians at home and abroad can rest assured that they have made the right decision on February 15th 2010 when over 80% of the electorate went out and cast their votes. It was a record turnout and in record time, we will ensure that we are on sound economic, social and political footing.

PROVISION OF RECURRENT REVENUE

Madam Speaker, the revenue budgeted for 2010 is \$172.7 million. This is a significant reduction from the 2009 Budget by \$74 million. This huge decrease is due in part to the declines in certain parts of the economy.

Madam Speaker, given the decline in the collection of recurrent revenue, it was imperative that new revenue measures were introduced to lessen the financial gap. It is expected that these measures would increase revenue collections by \$27 million, and would be in the area of Customs Duties, and Licences. While there were marginal increases on some luxury items, this government has moved to remove duty on prescription medication, bicycles and parts and all fishing related items. This is in keeping with our campaign pledge. Madam Speaker, boat racing is our national sport and it is quite expensive. We want to increase the number of boats and reduce the cost associated with this sport and give the sport the prominence it deserves. To this end, we have moved to remove all duties related to masks, jibs, sails and any other equipment necessary for the functionality of these race boats.

Madam Speaker, increases to the Customs Duties were made in areas deemed to be harmful to our health or society, environment, and as a protection to our production sector such as, farmers, bottled water and egg producers.

Madam Speaker, the increases in these areas are quite modest given the severity of our financial position. It should be noted that recommendations were made by the Revenue Consultant during the recent Revenue Study undertaken in March 2010, that consideration be given to implement broad based taxes such as Value Added Tax. Madam Speaker, at this time we will not follow those recommendations as to do so, would cause the economy to slow even further. The law of economics suggests that increases can have one effect or the other. (1) to decrease consumption or (2) to increase revenue. The decisions made to make those moderate increases are based on the above mentioned goals.

Madam Speaker, we been asked to go as far as to cut public services emoluments and even reduce the levels of the public service. We will vehemently resist that as to do so would have dire consequences on the entire economy. We must ensure that our public service is efficient at all times. This is no time to slack off. This is the time when we all must rally around the cause of recovering the economy and this we will do.

Madam Speaker, these measures will now be given in detail. There will be a marginal increase in the tax rate of Property Tax from .0015 to .0020. Madam Speaker, bearing in mind that this is one of our sustainable streams of revenue this is a reasonable increase. Increases to licence fees were made in keeping with the rate of inflation over the years. Many of these licence fees were not reviewed in over ten years and as such this is seen as necessary measure. We would hope that this is acceptable by the people.

EXPENDITURE

Provision for Recurrent Expenditure 2010

Total Recurrent Expenditure

Madam Speaker it is envisaged that it will cost \$212,342,859 for the Government of Anguilla to deliver the necessary services in 2010. This is 12% lower than the estimate provided for the 2009 Budget.

The Public Sector of Anguilla has already made sacrifices in response to our present economic and financial woes. Special mention must be made of the salary decreases which the civil service has already endured. Nevertheless the public service, on behalf of the Government of Anguilla, continues to deliver at a satisfactory level. There are still pockets of inefficiency and lack of commitment but we encourage those who fall into that category to put country above self.

HE The Governor and Departments

We now focus on The Governor and its Departments which consumes \$36,223,583 of the budget which equates to a 7.7% reduction. The Royal Anguilla Police Force is one of the most important departments and while the allocation for the force has been reduced by 7.4%, fellow Anguillans this is not an indication of neglect for law and order. It is a reflection of the reality of the situation that this country is now facing. It is important to highlight that no essential Police services had been cut. The decline is dominated by the decrease in personal emoluments and allowances that were implemented in 2009. There has been a minimal decrease of .8% in the Judicial department which is a reflection of government's commitment to the provision of just, fair and timely justice to the people of Anguilla. While there's an overall decrease, personal emoluments have increased due to the institutional strengthening of the judiciary and our obligation to the Eastern Caribbean Supreme Court.

Ministry of Home Affairs, Lands and Physical Planning

Madam Speaker the allocation for Ministry of Home Affairs reduced by 20% to \$11,016,468 and before sounding any alarm bells, please note, the office of the Chief Minister portion of this Ministry has been merged with the Ministry of Finance. The department of Immigration has experienced a decline of 21% and it is necessary to explain the reasons for the decline. There were a number of vacancies that were put on hold and these vacancies are not reflected in this year's budget. Additionally, the task force was reduced.

The allocation for the Labour department has declined by 11%. This department Madam Speaker plays a critical role in ensuring that the Labour laws of Anguilla are applied in a nondiscriminatory manner. The rights of the employee must be balanced against the rights of the employer so that fair play and equity will prevail at all times.

Madam Speaker- Fellow Anguillans as you are all aware issues relating to the lands of Anguilla are very close to my heart. I approach this presentation on the Lands and Surveys department with the feeling that this department must continue to carry out its mandate.

This mandate includes the maintenance of our national registration and property holding database. It is part of my duty to the Anguillan people to ensure that the transactions carried out in that department are not transactions that alienate our people. There is a decline 11% which is acceptable under the present circumstances but it is not an indication that we intend to allow this department to remain passive once our economic and financial position improves.

Future generations of Anguillans must also enjoy the natural resources of this country. In order for them to do so, our environment must be preserved and protected and to achieve this we must ensure that our development strategies are sustainable. This is not only a function of government but each resident of Anguilla has to play his or her part in that preservation. Those unscrupulous sand minders who destroy our beaches for the sake of short term monetary gains, without any consideration for our future generations must be brought to justice.

We must match our words when it comes to future generations with our present deeds.

Ministry of Finance, Economic Development, Investment, Commerce and Tourism

Madam Speaker, the Ministry of Finance, Economic Development, Commerce and Tourism is charged with managing the fiscal and economic affairs of this country. I am humbled to be the Minister of Finance and charged with the responsibility of spearheading “**Operation Recovery**”.

Madam Speaker “**Operation Recovery**” cannot be a success if the Debt which we have inherited is not properly managed. This will be addressed later in this presentation. The Department of Finance which can be looked upon as the Secretariat for the entire Ministry is at the forefront of interacting with the general public and providing guidance on what steps should be taken on important matters. I work directly with this department and I am very pleased with the way the transition to my government has taken place. The senior staff in the department is also responsible for charting the strategic course as directed by the Political Directorate. Issues relating to financial legislation are very critical if strategic goals are to be achieved.

Over the years the Customs department the expenditure at the Customs department has been carefully analyzed in order to the increasing demands that were placed on that department in relation to revenue collection. Technological development in the managerial and operational functions of the department has necessitated an upgrade of the ASYCUDA system. It is anticipated that this upgrade will bring the department in line with other jurisdictions in the OECS Region.

Madam Speaker the Treasury department is one of our key institutions in relation to the management of public funds and our interaction with the public in general. The function of the Treasury cannot be understated and this government is determined to ensure that service rendered to the public adheres to the greater standards of efficiency and timeliness.

Madam Speaker this country has experienced economic and financial booms and this government will return to those prosperous times. What we will ensure Madam Speaker that transparency, openness and accountability and good governance are integral components of our financial system. So the Internal Audit department must be at the forefront in ensuring that these principles are complied with in Anguilla public service and Madam Speaker the process of auditing is not only about dollars and cents but also about value for money and the overall performance of the Anguilla Public Service.

We have come a long way Madam Speaker. There was time when the taxes section at the Treasury department was the closest we came to in terms of an Inland Revenue department. Times have changed and today the Inland Revenue department is at the forefront of the implementation of the revenue side of our fiscal policy. I urge the people to cooperate with this department as its endeavours to collect the revenue which will help the government deliver on the mandate given by you my people. Madam Speaker we will also ensure that the legislation required for the efficient collection of revenue will be passed in the Honorable House. This is not about burdening down the people of Anguilla with taxation. This is about using what we have in such a way that the taxation of the Anguillan people does not become a burden.

Relevant statistics are key contributors to any analysis from which important decisions are to be made. It must be noted however that incomplete statistics amount to no more than a waste of time. Our statistics department is rated highly in the OECS region and it is incumbent upon us all to assist that department to maintain that high rating. But Madam Speaker, it is not just about the rating; it is about the role that statistics can play in our development strategies.

The allotment for the Commercial Registry has decreased by 27%. This decrease reflects the commitment of the department to do more with less. Two areas where significant sacrifices are being made are overseas travel and advertising. It is anticipated that these reductions will not a negative impact of that revenue department.

Social Services

Madam Speaker \$77,075,579 was allocated to the Ministry of Social Services, which is a 9% reduction from the 2009 estimate. While there has been an overall decrease in the provision for the Ministry of Social Services, the provision for the Department of Social Services has increased from \$4,372,704 to \$5,075,158. This represents a 16% increase. This increase is necessary because despite the fact that this country is experiencing challenging financial and economic time, this does not absolve the Government of Anguilla of its responsibilities to the Social Sector. Madam Speaker it must be pointed out that Social Services are not revenue earners but the demand on expenditure can be very substantial, even in times of economic and financial woes. To put it simple Madam Speaker the Social needs of this country cannot be

neglected. We have to continue to pursue the rehabilitation of our young people, who for some reason have strayed from the straight and narrow road. Many among us have been the recipient of second chances....who knows maybe third or more and it is incumbent upon us to do the same for our young people. Madam Speaker our focus should always include an element of rehabilitation rather than solely punishment and these principles must also be applied in our penal system. Zenada Haven is a rehabilitation center for trouble youth and is in full operation and I guarantee you Madam Speaker that that this institution operated by highly skilled professionals in that area, along with the assistance of well meaning Anguillans will return its residents into society and they will be able to walk side by side with Anguilla's finest. Madam Speaker we can continue for a long time on Social Services but I will address one more issue in that area and then move on. We have a duty to look after the welfare of all the senior citizens who have done so much and paved the way for us to enjoy all the modern amenities that modern day Anguilla has to offer.

Madam Speaker the budgetary statistics indicate to us that the provision for education has been cut by only 5% but this statement must be qualified. The cuts in education are essentially the reduction in personal emoluments because all of the services under education have remained virtually untouched. We had to take this route because it is not possible to overestimate the importance that education has played, is playing and will continue to play in the personal and professional development of our people. In a perfect world Madam Speaker the allotment for education would have increased but under the present circumstances, this modest reduction, I suggest to you is not bad.

Madam Speaker the story of Education has undergone an important development in the establishment of the Anguilla Community College under the auspices of the Ministry of Social Services. This government has procured the services of an experience president for this new institution with a mandate to move this institution forward and develop it into one of the flagship institution of its kind in the region.

Ministry of Infrastructure, Communications, Utilities, Housing, Agriculture and Fisheries

Madam Speaker it is not surprising that in this present climate that the provision for Ministry of Infrastructure, Communications, Utilities, Housing, Agriculture and Fisheries (MICUHAF) has declined from its 2009 estimate by 24% to \$24,051,058. Many of the departments under that Ministry are responsible for the implementation of Public Sector projects and Madam Speaker we don't have a lot of those right now so the demands on that Ministry are greatly diminished. You would notice Madam Speaker that the provision for Anguilla Fire and Rescue Services has increased by 3%. This is consistent with government's efforts to upgrade this department in order to meet regional and international safety standards. A relaxation of the safety standards would have a negative impact on the air traffic

and adverse implications for our tourism industry. We cannot afford that Madam Speaker.

Madam Speaker the foregoing presentation on the various departments has not exhausted all the issues but was a representation of some of the most pertinent. I encourage all residents of Anguilla to familiarize their selves with the 2010 budget.

2010 CAPITAL BUDGET AND FINANCING

Madam Speaker, the difficult financial times persist and cuts must be made everywhere. In this regard we have made provision for limited but targeted capital investments to the tune of **\$10m.**

These projects, when combined with the complementary, ongoing and planned initiatives by our regional and international development partners, will aim to address the need to stabilise the Anguilla economy, support and enhance economic growth while providing the necessary supporting social development and protection.

It is at this point that I would like to take this opportunity to acknowledge the role played by our development partners in recent times and also to express the desire for continued commitment, cooperation and coordination going forward.

To the European Union, our only significant source of grant funding, we wish to thank you for the closing out the arrangements under EDF 9 and we look forward to a swift and comprehensive planning and programming exercise for EDF 10 and the smooth realisation of Anguilla's general budget support allocation.

The ECCU through the ECCB has provided substantial support especially through their Stabilisation and Growth Programme which was a collective response to us member countries impacted by the global economic and financial crisis.

The Caribbean Development Bank, in addition to offering of loan assistance to Anguilla to develop the Blowing Point Port Facility in Anguilla and Loan and grant assistance to support the feasibility study for a Hospitality Training Institute, they have been approached more recently with a request to provide a Policy Based Loan to the Government of Anguilla for the purpose of debt restructuring and are working hard to make this a reality.

The United Nations Development Programme has indicated that they will provide assistance to facilitate the preparation of a Poverty Reduction Strategy following the imminent completion of the Country Poverty Assessment.

The Caribbean Technical Assistance Centre (CARTAC) has provided technical assistance and training in key areas to support and improve our macroeconomic management.

The UK Government must also be mentioned for their recent assistance with the implementation of both a revenue study and an expenditure study for Anguilla.

To our development partners, we thank you.

CONCLUSION

With reference to the gap mentioned above, the Ministry of Finance is presently working on a three year plan to close the gap between expenditure and revenue. I have no doubt that this Administration will restore Anguilla to the prominence it once had. We are committed to transparency, accountability and good governance and to root out corruption wherever it exist. We will provide full employment that brings along a decent and respectable standard of living.

Madam Speaker, I hope that the members of this house and the general community will put aside politics and division in the interest of developing our social, political and economic position.

Madam Speaker, I beg to move.