

# Government of Anguilla



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## 2020

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BUDGET ADDRESS

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## BUILDING A DYNAMIC ECONOMY

Presented by:

Honourable Premier and Minister of Finance, Economic Development, Investment, Commerce, Tourism, and Information Technology

**Mr Victor F. Banks**

15 April 2020



# BUILDING A DYNAMIC ECONOMY

## 2020 BUDGET ADDRESS



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### 1 INTRODUCTION

Mr Speaker, Colleague Ministers, Leader of the Opposition, other Members of the House of Assembly, Anguilla Youth Parliamentarians, Public Servants, Citizens and Residents of Anguilla, Friends and Investors, good day! For this the 2020 Budget Address, I have chosen as the theme **“Building a Dynamic Economy”**. In doing so, I have drawn inspiration from Economics Nobel Prize winner Joseph Stiglitz and his 2019 book titled “People, Power, and Profits: Progressive Capitalism for an Age of Discontent”. Stiglitz observes that the United States and many advanced countries have fallen into a malaise of slow growth, low opportunity, increasing anxiety, and a divided society (p. 179). He argues that what is necessary is a transition from the industrialized economy of the twentieth century to the twenty-first century service, innovation, and green economy in progressive ways that: maintain jobs and opportunity; provide for better social protection; provide better care for our aged, sick and disabled; and provide better health, education, housing and financial security for all our citizens (p. 180). Stiglitz concludes that promoting a more dynamic and green economy and promoting social justice, with greater inclusion and security are inseparable; building a fairer nation without sacrificing growth.



Mr Speaker, one may ask what does this have to do with Anguilla? As I worked on this speech and as I present it today the global community continues to grapple with the fallout from the novel coronavirus. For us here in Anguilla it has led to much anxiety as we hope for the best while preparing for any adverse health consequences. From a financial perspective, it has led to closure of hotels which is already having significant financial and economic ramifications. This points to the essential feature of the Anguillian economy – namely, we are a small open economy highly vulnerable to financial, economic and other shocks (in this case a health-related shock). Anguilla has experienced other shocks during the past decade or so which have significantly affected fortunes. In September 2017, Hurricane Irma impacted the island which resulted in damage and losses of **EC\$880.0 million**, the equivalent of **100 per cent of GDP**. The global financial and economic crisis contributed to a fiscal deficit of EC\$70 million or approximately **10 per cent of GDP** in 2009 and ushered in a period of 5 consecutive years of negative GDP growth. This in turn contributed to a banking crisis in Anguilla resulting in the insolvency of the two indigenous banks, National Bank of Anguilla and Caribbean Commercial Bank, with the Government of Anguilla having to assume debt of approximately EC\$348 million equivalent to an increase of **45 per cent of GDP** to secure deposits and financial stability.

Mr Speaker, the impacts of the various shocks signified the need for us here in Anguilla to restructure and rebuild. Indeed, this has been the focus of Budget Addresses during this Administration's term of office and my tenure as Chief Minister / Premier / Minister of Finance. For example, you will recall that the 2019 Budget Address was presented around the theme: **“Building Pathways to Resilience in Development”**. And in 2018 the Budget Address was presented around the theme: **“2018 and Beyond: Anguilla 2.0 – Green, Smart, Resilient and Inclusive”**. Mr Speaker, I maintain that we must continue in that vein to build a dynamic economy which provides economic opportunities and social protections for the citizens of Anguilla and which is resilient to future shocks.

Mr Speaker, as you would be aware, General Elections are constitutionally due by July 11<sup>th</sup>, 2020. Consequently, what is outlined in this Budget Address is this Administration's preliminary view of what is necessary to tackle the impacts of COVID-19 over the course of 2020 while situating this in the context of strategic interventions which are necessary to move Anguilla forward over the medium- to long- term. Much of what Government of Anguilla (GoA) does, in terms of economic and fiscal planning, is now governed by the Fiscal Responsibility Act (FRA) and the associated Framework for Fiscal Sustainability and Development (FFSD), which came into effect in 2013. Section 7 of the FRA

states that “**the Minister shall within 6 months after a General Election, cause to be prepared and published a Strategic Development Plan (SDP) for the term of the Government which relates to the financial, economic and social affairs of Government**”. The FRA/FFSD also provides for rolling 3-year Medium Term Economic and Fiscal Plans (MTEFPs).

Mr Speaker, as has been the custom over the years with various administrations, be it AUF, AUM or whomever, the AUF Manifesto for 2015 to 2020 was approved by Executive Council as the Government’s programme agenda for the period. This Administration consistently lobbied for funding to undertake a National Development Plan (NDP). Knowing that this could take time, the Ministry of FEDICT was mandated to coordinate the preparation of an MTEFP. An MTEFP to cover the period 2016 to 2018 was eventually approved by Executive Council and included key elements such as addressing the situation facing Anguilla’s banking sector. Government was eventually successful in receiving funding from the UKG to formulate a NDP based on community and stakeholder engagement. The regional firm Kairi Consultants Limited was hired in July 2017 after a competitive bid process to facilitate formulation of the NDP with another regional firm the Orange Media Group hired to lead on the public education component of the NDP. Work had started on the NDP but the impact of Hurricane Irma in September 2017 caused a re-prioritisation of the allocation of UKG resources to Anguilla and, unfortunately, the NDP initiative was suspended. As is the nature of such plans the MTEFP was revised and a MTEFP to cover the period 2018 to 2020 was approved in June 2018, particularly important given the catastrophic impact of Hurricane Irma. The 2018 -2020 MTEFP was laid before this honourable House. Suffice to say Mr Speaker that the FRA/FFSD allows flexibility to adapt to changing circumstances and whichever entity(ies) forms the Government, following the General Elections, will have the opportunity to present their plans and any changes subject to the concurrence of the UKG. This is important given that COVID-19 impacts in the worst-case scenario globally is forecasted to be at least as severe in its effect as the Great Depression of the 1930s.

Mr Speaker, in the recurrent expenditure estimates formulated, a conscious effort was made to provide more resources to Ministries and Departments as the decade of austerity since the global and financial crisis has meant that they have had to operate within significant constraints. Of course, delivering on expenditure objectives is conditional on revenue performance. On the basis of recurrent revenue performance for 2019 which amounted to **EC\$234 million**, representing the highest recurrent revenue ever collected by Government (the previous high was **EC\$207 million** in 2007), we were

confident that a positive trend could be maintained thus enabling the Government of Anguilla to meet the ambitions for recurrent expenditure. The unfolding impacts of COVID-19, which are still to be fully quantified, means that we may have to temper some of those expectations and for example have to be prepared to shift resources to social development areas to help cushion the effects.

Mr Speaker, the uncertainty ushered in by COVID-19 notwithstanding, we have to address the structural constraints to economic growth and development in Anguilla. We believe that one of the main constraints is the lack of direct air access to Anguilla. Consequently, rehabilitating and extending the current runway at Clayton J. Lloyd International Airport is a major capital development objective for 2020. In order to facilitate this, it requires empowering and enabling the Anguilla Air and Seaports Authority (AASPA) to fulfil its mandate. Consequently, Executive Council has approved the repeal of the Embarkation Tax Act and the Airline Tax Act and allow AASPSA to levy Passenger Facility and Port Development Fees directly under their statute. The target date for the end of both acts as currently formed is April 30<sup>th</sup>, 2020. This will end the decade-old uncertainty over AASPA's finances, as highlighted by a number of studies, including the 2013 EU Funded Study titled "Support to Anguilla Air & Seaport Authority (AASPA)". It is our view that direct air access will allow Anguilla to better tap its tourism potential, generating recurrent surpluses which can in turn be used to invest in other growth poles. Indeed, better air access will facilitate some of the other growth and economic diversification initiatives, which we are pursuing, such as the Special Economic Zone (SEZ) and Residency by Investment.

Mr Speaker in previous Budget Addresses during this term and the MTEFPs we have also signalled the intention to harness the potential in Anguilla's 200-mile Extended Fisheries Zone (EFZ) to the north by developing an offshore fishing industry. It should be noted that at 85,500 sq. km the EFZ is two thirds the land mass of England. Offshore Fisheries has proven to be lucrative for some UK OTs such as the Falklands which in its heyday was generating some US\$25 million per annum in revenue from the industry. We have to pursue all means to explore the economic diversification possibilities available to us as a territory

Mr Speaker, to conclude this introductory part of the Budget Address, I will restate one of the themes of earlier in our term of office, namely: **"We Have to Define the Times, Not Allow the Times to Define Us"**. Yes, Anguilla like the world over is gripped by anxiety and uncertainty. However, we cannot allow that to side-track us from the central objective of building Anguilla into dynamic economy based on green, smart and innovative principles. An economy which will offer social

protections, be inclusive and resilient to future shocks. It is not an easy task, but with faith and works and united in our resolve, we, as a people, can certainly achieve this objective.

## 2 ECONOMIC AND FISCAL REVIEW

### 2.1 2019 REVIEW OF THE ECONOMY

Mr Speaker, I reminded us that 2019 closed a decade wherein Anguilla was rocked by major shocks. The tribulations did not prevail. Instead, the agility of the business community, the people of Anguilla and government quickened to address the dimensions of life that truly mattered to residents and so, in 2019, the health of the economy continued to improve. For the second consecutive year, it is estimated by the Eastern Caribbean Central Bank (ECCB) that the economy of Anguilla has grown in real terms, that is when we take out the price changes, by **10.9 per cent**. The total value of activity as measured by nominal Gross Domestic Product (GDP) was **EC\$987.73 million**, an amount which finally surpasses the peak of 2007.

Mr Speaker, we are building; in every sense of the word. While Construction activity slowed in 2019 as some projects wrapped up, it ushered in an increased room stock, in which we welcomed the highest number of tourist arrivals on record to our shores. The industry performed remarkably well, Hotels and Restaurants contributed to **22.8 per cent of GDP**, nearly doubling the activity of 2018. The rippling effect of tourism was felt in other industries with growth of **46.6 per cent** in Transport and **81.8 per cent** in Renting activities. Although, these growth rates reflect the depressed activity of 2018. Value added in Wholesale and Retail Trade, Real Estate, Renting and Business Activities and Construction Industries continued to be leading contributors to economic activity. Indeed, Mr Speaker, a growing economy bodes well for our incomes and living standards, and also for government's ability to deliver on its mandate.

Mr Speaker, construction works have not ended. Ground has been broken on planned construction for critical public infrastructure investments and there are other private developments in the pipeline. Preliminary indicators of activity in 2020 signalled that we were poised for another favourable year of growth. Today, the outlook is now shrouded with uncertainties. The Anguillian economy remains in a high-risk state with activity in many sectors soft. The COVID-19 outbreak has put the global economy in a tailspin, but our vigour in the coming months will not waiver as we remain resolute in **'Building a Dynamic Economy'**.

## 2.2 2019 FISCAL REVIEW

Mr Speaker, I will now give a brief overview on the position of the fiscal year ending December 2019, as it relates to revenues, expenditures and the Government's debt position.

### 2.2.1 Recurrent Revenue

For 2019, the recurrent revenue budget estimate was **EC\$208.36 million**. Mr Speaker, this was buttressed by the upward revision of rates primarily the increase in the Accommodation Tax rate from 10 per cent to 12 per cent as well as the implementation of the goods component of the Goods and Services Tax (GST) regime and the accompanying revision of the trade tariffs structure. Conversely, the Tourism Marketing Levy was repealed and this provided a much-requested relief to Hoteliers. Total recurrent revenue, with a year-end outturn of **EC\$234.10 million**, produced a **17.2 per cent** increase over the 2018 collections of **EC\$199.58 million**.

Mr Speaker, this is an increase of **EC\$25.74 million** or **12.4 per cent** over the 2019 budget estimate. This increase in recurrent revenue outturns was due in part to the strong performance of the economy in key sectors. Actual revenue collections for taxes related to imports in 2019 outpaced the budgeted estimates in all categories. Total Import Duties saw collections rise **20.2 per cent** over the estimate, totalling **EC\$68.69 million**. The Interim Stabilisation Levy collections totalled **EC\$16.50 million**, an **11.0 per cent** increase over the estimate. Accommodation Tax performed exceptionally well, bringing in collections of **EC\$30.19 million**, that is **51.3 per cent** over the estimate of **EC\$19.95 million**.

Mr Speaker, the new tax structure, which included the introduction of an Excise tax regime and the roll out of the first phase of the Goods and Service Tax (GST) commenced collections in October 2019. In the final quarter of 2019, the Interim Goods Tax (IGT) contributed **EC\$9.46 million** and Excise tax contributed **EC\$2.78 million** to collections.

### 2.2.2 Recurrent Expenditure

Mr Speaker, recurrent expenditure for 2019 was estimated at **EC\$213.48 million** and came in under by **EC\$1.30 million** or **0.6 per cent** resulting in an outturn of **EC\$212.18 million**. A supplementary appropriation of **EC\$10.72 million** was passed on December 20<sup>th</sup>, 2019, revising the budget estimate to **EC\$224.20 million** to facilitate various recurrent expenditures, in areas such as Medical Treatment Overseas, Grants and Contributions and payment of **25 per cent** in Deferred Salaries to Civil Servants.

Despite the additional appropriation, spending remained within the initial estimated approved expenditure.

### **2.2.3 Recurrent Balance**

Mr Speaker, the recurrent balance for 2019 was estimated to be a deficit of **EC\$5.11 million**. However, due to the tremendous performance in recurrent revenue, Government ended the fiscal year for 2019 with a recurrent surplus of **EC\$21.92 million**.

### **2.2.4 Capital Revenue and Grants**

Capital receipts during 2019 totalled **EC\$16.66 million**, approximately half of the capital receipts recorded in 2018. Receipts of note were **EC\$12.60 million** from the European Development Fund Budget Support Programme and just over **EC\$4 million** from the Anguilla Social Security Board following an exchange of lands transaction. The ongoing delays in the sale of Government's remaining shares in ANGLEC have again caused a shortfall in capital revenue of **EC\$23.98 million**.

### **2.2.5 Capital Expenditure**

Mr Speaker, capital expenditure for 2019 totalled **EC\$10.09 million**, approximately **60 per cent** of the **EC\$16.8 million** budgeted. This represents **95 per cent** of the **EC\$9.0 million** budgeted from the European Development Fund and **20 per cent** of the **EC\$7.8 million** budgeted from the Caribbean Development Bank (CDB) loan where construction of the Anguilla Community College (ACC) began in earnest in September of last year. We look forward to this addition to our complement of education facilities in 2020.

Additional achievements which accounted for a significant proportion of capital expenditure during 2019 include direct financial support to the marketing efforts of the Anguilla Tourist Board (ATB), investigation of options to create direct access to Anguilla from the US mainland, ongoing initiatives to expand the Anguilla's heritage tourism product and the completion of the Albena Lake-Hodge Comprehensive School Master Plan. Building renovations, the relocation of Government Departments and the replacement of the GoA vehicle fleet were just some of the initiatives to support the provision of essential Government services.

### 2.2.6 Capital Balance

Mr Speaker, capital receipts in 2019 totalled **EC\$16.66 million** and capital expenditure totalled **EC\$10.09 million**. The Capital Account Balance, which is the difference between Capital Receipts and Capital Expenditure, is a surplus of **EC\$6.57 million**.

### 2.2.7 Overall Balance

Mr Speaker, for the 2019 fiscal year the overall balance before amortisation is a surplus of **EC\$28.50 million**, with amortisation payments totalling **EC\$28.19 million**. Financing was recorded at **EC\$1.65 million** which facilitated the ACC obligations to the CDB.

### 2.2.8 Public Debt Report

Mr Speaker, preliminary debt statistics show that total public debt which comprises Central Government and Government Guaranteed debt decreased by **EC\$32.02 million (6.1 per cent)** from the 2018 debt stock of **EC\$525.17million (60.3 per cent of GDP)** to **EC\$493.16 million (49.9 per cent of GDP)** at the end of 2019. This decrease is due primarily to scheduled amortisation payments exceeding disbursements on loans. At the end of 2019, Central Government debt stock stood at **EC\$486.53 million**; a decrease of **EC\$30.15 million** or **5.8 per cent** over 2018 debt stock of **EC\$516.69 million**. Likewise, the Government Guaranteed debt stock, which stood at **EC\$6.62 million**; decreased by **EC\$1.86 million** or **21.9 per cent** when compared to the 2018 debt stock of **EC\$8.48 million**. Of the outstanding public debt at the end of 2019, Central Government debt accounted for **98.7 per cent** of the portfolio while the remaining **1.3 per cent** was attributed to government guarantees made to credit worthy borrowers, namely the Anguilla Development Board, the Anguilla Tourist Board and the Anguilla Air and Sea Ports Authority. Domestic debt accounts for **58.8 per cent** of the portfolio and the remaining **41.2 per cent** is held externally.

Mr Speaker, during the 2019 fiscal year no new debt was contracted. However, for cash management purposes, existing lines of credit through the ECCB Cash Advance Facility and the Overdraft Facility with the National Commercial Bank of Anguilla (NCBA) were prudently utilised. There were disbursements on existing loans for the fiscal year 2019 that amounted to **EC\$1.67 million**. Of which, drawings of **EC\$54.31 thousand** on the Hurricane Recovery Support Loan and disbursements of approximately **EC\$1.62 million** on the ACC Project Loan. Both loans were contracted from the

CDB in 2018 and 2014, respectively. At the end of 2019, approximately **EC\$2.43 million** was disbursed on the ACC Project Loan with an undisbursed balance of **EC\$6.25 million**. There was no new borrowing or disbursements associated with Government Guaranteed debt.

The Government of Anguilla has projected borrowing of **EC\$15.00 million** for 2020 from the CDB under a policy-based loan to support national development priorities. Borrowing is also projected for AASPA to allow it to increase its overdraft facility from **EC\$1 million** to **EC\$2 million** and another **US\$2.1 million** in financing to facilitate project planning activities for the rehabilitation and extension of the runway at Clayton J. Lloyd International Airport.

Mr Speaker, debt servicing costs have risen as a result of expiring grace periods, along with the reliance on short-term, higher interest facilities, especially for year-end cash flow needs. Central Government debt servicing cost is projected to increase from **EC\$46.90 million (amortisation – EC\$28.19 million and interest payments – EC\$18.71 million)** in 2019 to **EC\$51.38 million (amortisation – EC\$31.94 million and interest payments – EC\$19.44 million)** in 2020, which represents an increase of **9.6 per cent** or **EC\$4.48 million**. This Government stands committed to ensuring that both financing needs and payment obligations are met through prudent debt management as GoA has a record of never having defaulted on its debt obligations. However, we must acknowledge that the COVID-19 impacts following on the previous two major shocks (global financial and economic crisis and Hurricane Irma and their associated impacts) will significantly constrain the ability of GoA to meet its debt obligations. There is, therefore, the need to also seriously pursue debt refinancing and restructuring options as was highlighted after Hurricane Irma and as many countries are now doing as a response option to COVID -19.

Mr Speaker, as you are aware, the Government of Anguilla is required to maintain public debt levels within three stipulated borrowing limits as outlined in the Framework for Fiscal Sustainability and Development (FFSD). The borrowing limits include the net debt and debt service ratios which should not exceed 80 per cent and 10 per cent of recurrent revenue, respectively, and liquid assets that should be sufficient to cover 90 days or 25 per cent of recurrent expenditure. At the end of 2019, Mr Speaker, while we remained in breach of the borrowing limits there has been no worsening of the ratios as a result of shrewd fiscal management. Preliminary statistics show that the net debt to recurrent revenue ratio improved from **260.2 per cent** in 2018 to **208.5 per cent** in 2019. The debt service to recurrent revenue ratio improved to **20.4 per cent** in 2019 from **23.6 per cent** in 2018. The liquid assets ratio at the end of 2018 and 2019 remained level at **0.2 per cent** (approximately **1 day**). The debt-to-GDP

ratio, the measure recognised by our regional neighbours and partners, stood at **49.9 per cent** a decrease of **10.4 percentage points** relative to the 2018 ratio of **60.3 per cent**. This ratio is also **10.1 percentage points** below the ECCB target benchmark of 60 per cent. I have to admit though Mr Speaker, that there are tensions from: the demands of simultaneously building up a Sinking Fund to cover debt amortisation payments, a Liquid Reserves Fund to provide cover for recurrent expenditure and a Capital Development Fund to provide for capital investment for which borrowing is not normally advisable (e.g. social development projects) on a monoculture highly open economy, is indeed a challenge. And, it again points to the need for structural transformation including economic diversification.

Mr Speaker, as I have said on previous occasions and I will reiterate, as a responsible Government we will continue to engage in prudent debt management practices. However, debt management is also linked to the underlying economic performance of a country which is, in turn, linked to its structural characteristics. As I indicated earlier, all things remaining equal, General Elections are constitutionally due by July 11<sup>th</sup>, 2020. Furthermore, should the constituents continue to have faith in us and return us to office we will pursue several tracks to ensure that GoA can meet its various obligation including debt obligations. These will include but be not limited to: economic diversification initiatives, revenue increasing and enhancing measures (including continued implementation of agreed MTEFP measures), responsible expenditure management and debt restructuring. Eventually through the appropriate balance of measures and over an appropriate time period I am confident that we would achieve and maintain a sustainable level of debt. We must remember Mr Speaker that the impact of policy decisions must be digestible by the populace otherwise we face the risk of social discontent. In other words, the need for “economic adjustment with a human face”.

### **3 RECURRENT EXPENDITURE 2020**

Mr Speaker, in keeping with the theme, the 2020 Budget supports the fixing of a key cornerstone for a dynamic economy, and that is an effective Government that promotes green, smart and innovative principles. We are investing primarily in four areas: (1) Modernisation of IT Systems and Digital Platforms; (2) Transformational Client Engagement and Experiences; (3) Government Reform and Reorganisation; and (4) Development of the Anguillian Workforce.

Mr Speaker, the recurrent expenditure estimate for this 2020 fiscal year is projected to be **EC\$241.47 million**; excluding amortisation of **EC\$31.96 million**. This is a **13.1 per cent** increase or **EC\$27.99 million** variation when compared to the 2019 approved recurrent budget of **EC\$213.48 million**. This increase is due, in part, to the overall obligations of the Government.

Personal Emoluments for the 2020 budget is estimated at **EC\$93.97 million** resulting in **6.8 per cent** or **EC\$5.96 million** difference over the 2019 approved budget of **EC\$88.01 million**. This increase is as a result of the provisions being made for vacant positions across Government for the year. Retiring Benefits remains at approximately **EC\$10.00 million**.

Interest Payments, which include both domestic and foreign, are estimated at **EC\$20.51 million**, a decrease of **EC\$0.07 million** from the 2019 approved budget of **EC\$20.58 million**. This decrease is as a result of a lower stock of debt.

The Goods and Services account has an overall increase of **EC\$8.64 million**, taking the 2020 budget to **EC\$51.67 million** from the 2019 approved budget of **EC\$43.02 million**. This was as a result of an increase in the budgets for training, supplies, and rental of assets.

Current Transfers has an estimated 2020 budget of **EC\$58.40 million**. This is an increase of **EC\$11.41 million** over the 2019 approved budget of **EC\$47.00 million**. Under this account, payments are made to Statutory Bodies, Anguilla Hotel and Tourism Association, Medical Treatment Overseas, Public Assistance, and development initiatives in Sports, Youth, Culture and Arts. The largest increase of **EC\$5.00 million** is awarded to the Anguilla Tourist Board followed by **EC\$3.68 million** for the payment of arrears to the University of the West Indies.

Mr Speaker, I will now give a report on the various Ministries and their Departments. However, in the interest of time, I will be highlighting key projects and programmes that demonstrate our commitment to **Building a Dynamic Economy** and allow the various Ministers to make a more detailed reporting when they make their contributions to the debate in due course.

### **3.1 HM Governor's Office & Departments**

The 2020 recurrent expenditure budget for Her Majesty's Governor's Office and Departments is **EC\$35.50 million**. This represents an increase of **31.5 per cent** or **EC\$8.51 million** over the 2019 approved budget of **EC\$26.98 million**. This increase is mainly as a result of the inclusion of Her

Majesty's Prison to the departments in this grouping with a budget allocation of **EC\$5.15 million**. Additionally, Training which is linked to the Department of Public Administration has been also been given a further **EC\$2.00 million**.

### **Department of Public Administration**

Mr Speaker, the Department of Public Administration remains cognizant that the focus must be on impact and the creation of a dynamic modern workplace that puts employee experience and quality of service to the public at the core. In 2020, there will be continued improvement of the online recruitment experience for customers as well as to implement other phases in the automated online system to ensure continuous digital transformation.

Public Administration remains committed to ensuring that the Anguilla Public Service (APS) champions change and to assisting officers within the APS to develop the necessary leadership and management capacity. Work continues to analyse the results of the Cultural and Change Readiness assessments conducted during 2018 and 2019 with ministries and departments to deliver a strategy of change. The department will also encourage and facilitate collaboration across ministries and departments as well as with external stakeholders, to solve issues and develop dynamic processes and approaches to work.

## **3.2 Ministry of Home Affairs & Departments**

The Ministry of Home Affairs and its Departments has seen an increase in the 2020 recurrent budget with a total of **EC\$43.37 million**. This represents an increase of **8.8 per cent** or **EC\$3.49 million** when compared to the 2019 approved budget of **EC\$39.88 million**. This increase is as a result of the minor adjustments to various departments in this Ministry including an increased contribution of **EC\$1.2 million** for the ACC to assist with the existing and new campuses.

### **Education**

Mr Speaker, the Education Sector continues to make efforts to remain current amid a constantly evolving environment, while operating with resource constraints. Against this backdrop, Technical and Vocational Education and Training, TVET, remains a key element in: developing of our human capital, building capacity to satisfy labour market needs, and supporting economic development.

Mr Speaker, while we focus on the redevelopment of our physical infrastructure post Hurricane Irma, we must also prioritise the strategic development of the sector. This development will be expounded in our updated Education Development Plan for 2020 to 2025. Of paramount importance is improving the quality of our education provision in what is expected to be an enhanced learning environment for improved learning outcomes. Efforts continue to strengthen the teaching of mathematics supported by the engagement of mathematics specialists and to further integrate the use of technology within classrooms.

### **Anguilla Community College**

Mr Speaker, the Anguilla Community College continues to press forward on several critical fronts to ensure Anguilla's greatest resource – our people – are adequately prepared with knowledge and skills, building a dynamic workforce. In 2020, we expect to see the commissioning of the first phase of the long-awaited campus at the Long Path. This new campus will house laboratories to train students in food and beverage service, bar operations and culinary skills, as well as technical trades. It is expected that over time, this will ensure the improved matching of skills for labour market needs and a reduction of unemployment; as well as enhanced opportunities for residents to master key skill areas. The ACC continues to form close private and public partnerships to respond to the needs of the community. To that end, the ACC, with the TVET Council, is developing occupational standards and related training. The current priority areas are customer service, electrical installation and early childhood education. ACC intends to expand the offerings through the recently introduced Chartered Management Institute of the UK. The programme seeks to build management capacity across Anguilla with emphasis on the critical hospitality sector.

### **Immigration Department**

Mr Speaker, the Immigration Department continues to improve on the overall development and improvement of its human resources and general services across all offices. Emphasis has been placed on strengthening institutional arrangements, particularly capacity building and continuous assessment to identify ways to increase overall efficiency and customer satisfaction.

For 2020, the Immigration Department plans to build on the progress achieved through the upgrade of the Border Management System and other related software systems throughout the Department. Through this process the Department is gradually transitioning to a paperless office. Mr Speaker, the implementation of the online visa service will provide easier access to persons desirous of visiting

Anguilla and will allow all monies derived from this process to remain with the Government of Anguilla.

### **Department of Labour**

Mr Speaker, in 2018 we enacted the Labour (Relations) Act, which represents the first item in a multiyear Labour legislative agenda. To improve service delivery and efficiency, we have undertaken measures to strengthen labour policies, revise internal procedures and increase the staff complement. Mr Speaker, as a part of our initiative to modernise administrative functions and internal record-keeping, we will be participating in the International Labour Organisation's regional rollout of a pilot labour administration programme. Through this process, the Department will commence populating the programme's database and it is anticipated to deliver great rewards in service delivery. As part of the policy response to the pandemic, the Ministry and Department are supporting the reintroduction of a temporary unemployment benefit to cater to the unemployed and underemployed through the social security system.

### **Department of Information and Broadcasting**

Mr Speaker, in recent months, Radio Anguilla has been outfitted with new studio equipment to complement its three-kilowatt FM transmitter at Crocus Hill resulting in greater island wide coverage. The station has also seen an increase in its advertising portfolio and social media presence which augurs well for the future. Technology is forcing our national broadcasting entity to adapt and position itself to be a major player in the industry. In this regard, training for the staff and the recruitment of additional personnel is a priority. Shortly, Radio Anguilla will be saying goodbye to two of its senior members. We thank them for their service.

### **Anguilla Library Service**

Mr Speaker, the Anguilla Library Service endeavours to meet all user needs and requirements in an ever-evolving environment. Mr Speaker, technology now plays a major role in the way one is entertained, learns and performs research. Therefore, the Library has to be proactive and responsive to the rapidly changing habits and preferences of patrons.

The Library maintains online databases such as EBSCOhost Research Platform and JSTOR. These services can be used from any device via the library's website and are widely utilised. Emphasis is being placed on providing readily available and relevant materials in alternative formats; aiding persons that have higher education pursuits; and adding value to learning. This includes becoming mobile and

delivering technology-enabled online services such as e-books, online reading databases, and online interactive books and games. Mr Speaker, efforts we are making at the Library will engender a more dynamic economy with a knowledgeable, and experienced workforce.

### **3.3 Ministry of Finance and Economic Development & Departments**

The 2020 recurrent budget for the Ministry of Finance, Economic Development, Investment, Commerce, Tourism and Information Technology (MoFEDICTIT) and its Departments is **EC\$97.70 million**. This is an **18.7 per cent** or **EC\$15.39 million** increase when compared to the 2019 approved budget of **EC\$82.31 million**. This variance is mainly attributed to an increase of **EC\$5.00 million** contribution to the Anguilla Tourist Board; **EC\$3.68 million** for the payment of arrears to the University of the West Indies; **EC\$1.40 million** for insurance payments for fire tenders, new vehicles and buildings; and **EC\$1.28 million** for rental of assets. The remainder will be used to cover personal emoluments and other essential services.

Mr Speaker, the Government of Anguilla has invested great effort in creating the environment for a more diversified and business friendly economy. The various financial and natural disaster shocks that we have experienced, have all pointed to the need for us to continue our efforts to diversify Anguilla's economy and widen the population base. Wealth and job creation are much easier in a diversified economy and a growing population will lead to increased demands for goods and services that will benefit all sectors of the economy.

#### **Offshore Medical Schools**

Mr Speaker, one way of addressing Anguilla's small population is to increase the transient population through increasing the number of international tertiary education facilities. In that regard, the Government of Anguilla has been negotiating with two additional medical school investors/developers.

#### **Reinvigoration of the Financial Services Sector**

Mr Speaker, Anguilla's financial services sector has not performed as expected and we are yet to find a niche sector in this global competitive environment. In addition, the pressure to comply with international regulatory standards has rendered the current model of financial services in Anguilla comatose.

The Ministry, the Financial Services Commission, the Commercial Registry and Her Majesty's Governor's Office are working on a strategy to reinvigorate the financial services sector in Anguilla. This includes developing new legislation to provide more on-island services to international clientele, and the development and deployment of a modern commercial registry electronic system to replace the legacy ACORN system.

With the enactment of the Anguilla Utility Token Offering (AUTO) Act and the Anguilla Utility Token Exchange Act, the Government has made significant progress to finding a niche in the area of crypto-assets and distributed ledger technology (DLT), a technology that enables the decentralisation and secure storage and transfer of information. DLT is becoming a powerful technology and is a potential gateway to new wealth creation and disrupter of the current systems used in financial markets for payments.

### **Anguilla Special Economic Zone Future Technologies**

Mr Speaker, the Special Economic Zone project has been long in coming. Most of the preparatory work has been or will be completed shortly. The developers have agreed to commence phase one, bringing its first premises of commercial property on stream by the third quarter of 2020. Phase one is expected to support up to 500 full-time direct jobs in Anguilla, in addition to indirect and induced employment of 184 persons. Phase two will be introduced in 2021.

### **Marina Project(s)**

Mr Speaker, in 2018 through 2019, the Government of Anguilla engaged Edgewater Resources to first do a study of potential marina sites in Anguilla and then to market the sites that were identified. The Government is close to concluding negotiations with a potential developer for the development of a marina at one of the recommended sites. Once the Definitive Agreement is signed, the developer will first conduct an extensive environmental impact assessment, followed by phased development of the marina and other upland aspects.

### **Enhanced Delivery of Public Services through Data and Digitalisation**

Mr Speaker, under COVID-19 lockdowns in Anguilla, like countries all over the world, information and communication technologies (ICTs) are propping up our daily lives, delivering virtual education, and facilitating remote work and the delivery of public services. Before the advent of the COVID-19 pandemic, the Government of Anguilla embarked on the digitalisation of a number of key areas to enhance the data and information capacity in the APS including the Customs ASCUYDA System, an

Integrated Tax Administration System, a Health Information System, a Land Information System, a Commercial Registry Electronic System, a National Emergency Radio System, and an enhanced hybrid cloud-based Data System. COVID-19 has reinforced the approach of the Government of Anguilla, that ICTs and other emerging technologies are not just tools but are essential to the delivery of twenty-first century public services and a business-friendly environment.

The Government of Anguilla's ability to plan, manage and respond to the current COVID-19 pandemic in providing social and financial support beyond the usual provision, as was the case after Hurricane Irma, has called for us to rely on data to assess and make decisions. Emphasising the need for updated data on median income, labour force and labour market needs. These crises have taught us the importance of maintaining current datasets and in instituting robust methodologies across them to ensure that they are all aligned and produce coherent information.

The Government of Anguilla has also embarked on the implementation of a national emergency radio system for use by all emergency and first responders. The system will incorporate a highest level of security so as to ensure the Royal Anguilla Police Force can carry out its most sensitive operations without the risk of anyone eavesdropping. It will also allow communication across agencies which is vital in the time of emergencies and disaster recovery. It will also be used by other departments that engage in field work, thereby improving communication and also reducing cell phone charges.

The **Department for Information Technology and E-government Services (DITES)**, in conjunction with the Ministry, has also started to work on plans and policies to aid in developing:

first, a holistic approach to the sharing of data seamlessly across various information systems and central electronic government payment system; and

second, the national legal infrastructure for e-commerce, data governance and handling the ever-growing risk of Cybercrime and other internet threats such as viruses, hackers and other malware.

DITES will also engage the professional services of a well-qualified consulting firm to develop policies and legislation in relation to cybercrime in Anguilla.

### **Improved Access**

Mr Speaker, although 2019 was Anguilla's best year on record for tourist arrivals, it is recognised that there is still a need to significantly grow both the excursionists and the stay over visitors to Anguilla

year-on-year by at least 20 per cent. Therefore, improved access to Anguilla is a priority for this Government and discussions with major airlines will be resumed once the global travel restrictions are eased. The development of the airport is one of the critical strategic projects for Anguilla. In addition, Hurricane Irma and the COVID-19 pandemic have proven the need for Anguilla to have more airlift independence in times of crisis.

### **Role of Tourism in Building a Dynamic Economy**

Mr Speaker, the biggest contributor to Anguilla's economy by far is hotels and restaurants, a proxy for measuring tourism's contribution to the economy in the absence of a direct economic measure of tourism consumption to our economy. The impact of the record tourist arrivals was noted in terms of increased collections in direct and indirect taxes and fees. 2020 was off to an even better start than 2019 and then there was COVID-19.

Mr Speaker, in the face of this uncertainty that continues to grip the world and, more in scope, the world's travel industry it is apparent that decisions related to all of Anguilla's economic sectors will have to be drummed up to maintain continued growth and sustainability through ensuring that tourism's linkage sectors such as Technology, Culture & Heritage, Environment, Cuisine, Sports, Fishing, Agriculture and Medicine are developed to standards that are of international repute. Tourism will continue to play a pivotal role in placing our economy on a sustainable, inclusive growth trajectory. Mr Speaker, we shall do our very best to remove all obstacles for tourists to enjoy their journey to and enjoy their experiences in Anguilla. In this regard, we will review the current travel visa policy for our brothers and sisters in the Caribbean and the diaspora as well as yet untapped source markets who desire to grace our shores. It is hoped that such measures can lead to a positive economic impact which augurs well for the growth of Anguilla's economy. It should be noted that the Caribbean, including Dutch and French Islands, is the second largest source market for tourists coming to Anguilla with **15.4 per cent** of the market share.

Mr Speaker, priority will be given to updating and implementing the sustainable tourism master plan (STMP) with policies and initiatives that will expand and diversify the tourism sector; minimise leakages from the sector; protect our natural resources to ensure the long-term sustainability of the tourism sector and the wider economy; and manage and market the destination as being socially and environmentally friendly. This will require an integrated approach, focusing on key activities such as:

1. **Promoting and Managing our Marine and Terrestrial Resources** – this includes marketing the richness and diversity of Anguilla’s natural resources through products such as dive tourism, maritime archaeology, surfing, water tours, ecotourism, and recreational fishing operations;
2. **Enhancing our Cultural Heritage Tourism** – through redefining our heritage products whilst maintaining and respecting local cultural traditions and heritage;
3. **Setting Quality Standards in the Tourism Sector** – by delivering on the promise of “quality at all levels of the destination product” through the establishment of standards within the tourism sector and support for the sub-sectors that have, in the past, not sufficiently shared in the successes of the industry; and
4. **Making Informed Decisions** – this means prioritising the collection of data and metadata related to tourism variables to monitor their movements and guide policy development.

### **Anguilla Customs Department**

Mr Speaker, the Customs Department continues to work towards simplification and harmonisation of international trade procedures. This supports a more agile Customs Department, responsive to new globalisation challenges and complex trade requirements. Given the importance of trade in promoting a *dynamic* private sector, the Customs Department has prioritised the use of risk management programs and established ‘Trusted Trader Partnerships’ (the ‘EZ Trade program’) with key players in the supply chain. These partnerships will assist in streamlining and expediting clearance procedures, whilst maintaining the integrity of the procedures, with the overall effect of improving compliance. Using risk management and post clearance efforts, the Customs Department will be more efficient in applying controls, and reducing clearance time.

Furthermore, Mr Speaker, the Customs Department continues to defend the economy and society by deterring cross-border trade in dangerous and unsafe products. This includes counter-terrorism efforts and interdicting the movement of illicit goods such as counterfeits, narcotics, firearms and ammunition. Customs will continue the fight to maintain a civil society as border security remains the key ingredient to national security, particularly as we ramp up these efforts to prevent illegal entry in the face of the threats from the COVID-19 contagion.

### **Inland Revenue Department**

Mr Speaker, the Inland Revenue Department has been in a cycle of growth to deliver the right mix of effectiveness, efficiency and economy. Work continues in relation to the replacement of the 20-year

old module of the Standard Integrated Government Tax Administration System (SIGTAS) with an Integrated Tax Administration System, funded through support from Her Majesty's Government. We anticipate commissioning of the system in the first quarter of 2021. Mr. Speaker, this process involves more than just updating an electronic system. Indeed, it is a transformation of the way the Inland Revenue Department interfaces with taxpayers; streamlining processes, simplifying services and improving the ability to seamlessly adjust tax policy measures. This new system will be more economical and efficient.

### **Anguilla Social Security Board**

Mr Speaker, the Anguilla Social Security Board (ASSB) continues to play the role as envisaged and as championed by the Father of the Nation, the late Mr James Ronald Webster. In recent times, its importance was brought into sharp relief when in 2017 following the impact of Hurricane Irma the ASSB was able to fund a Temporary Unemployment Assistance Benefit programme for eligible persons. We are yet again calling on the ASSB to provide assistance in the form of temporary unemployment benefits as a response to COVID-19 impacts. It underscores the need though for the ASSB to have a permanent unemployment benefit component to its benefits programme. I trust that Employers and Employees will get on board with this initiative as it would no doubt require an increase in contributions. I will also wish to underscore the need for the self-employed to fully get on board as contributing members of the ASSB fund. It is during these periods of shocks that I believe they truly appreciate the importance being part of the ASSB family.

Mr Speaker, in recent years, the ASSB has also made critical investments in enabling port and other developments to proceed, as it has done in the past. Mr Speaker, if persons and goods cannot transit to and from Anguilla, as we are clearly seeing today, the economy verges on being shut down. As the largest source of institutional investment in Anguilla, and with the remit to have all persons working and businesses operating in Anguilla as stakeholders, the ASSB is well placed to serve as an “impact investor”.

Mr Speaker an important part of the Bank Resolution Plan implemented by this Administration was to protect the ASSB deposits held in NBA and CCB, which were insolvent, by issuing a Note of **EC\$214 million** (approx. **US\$80 million**). GoA continues to pursue means of refinancing this Note and it is something which I have raised with the UKG. Suffice to say Mr Speaker that time has proven how wise it was to establish the ASSB Fund and to protect it. Indeed, according to Section 14.1 of the Social Security Act shortfalls of the fund must be met by the consolidated fund.

### 3.4 Ministry of Social Development & Departments

The Ministry of Social Development and its departments has a 2020 recurrent budget of **EC\$47.42 million**. This is a **4.1 per cent** or **2.01 million** decrease from the 2019 approved budget of **EC\$49.43 million**. This difference is mainly attributed to the removal of Her Majesty's Prison from this ministry. The Health Authority of Anguilla has been awarded an additional budgetary allocation **EC\$1.50 million** to assist with its operations. Notwithstanding, it is anticipated that significant additional funds beyond the budgetary allocation may be required to support the COVID-19 health response. Mr. Speaker, protecting the health and welfare of our people is paramount, and sufficient resources will be provided to ensure same. Our public financial management systems provide us this flexibility, in a changing and uncertain environment, to be able to respond as appropriate.

Mr. Speaker, **Building a Dynamic Economy** is not possible without strengthening the social sector; particularly in light of the myriad of social impacts with which we must contend. The launch of the National Social Protection Policy in February 2019 set out an overarching framework for much of the Ministry's work.

**Partners Advocating for Violence Eradication (PAVE)** is a Ministry of Social Development led project. PAVE's media presence has been increased, and opportunities have been provided through its social media platform, consultations, and the Ministry's Community Desk programme. PAVE also maintains contact with institutionalised youth, providing them opportunities to inform regional responses to crime and violence, focusing on social inclusion and reintegration. PAVE will finalise a national programme dubbed "Family First" to support parents and guardians across Anguilla. Another key focus will be the expansion of the National Entrepreneurship Programme (GET SET) to inmates at Her Majesty's Prison. A *Peace in Action* challenge will be launched as part of the rebranding of PAVE to PAP-Partners Advocating Peace.

The **Gender Affairs Unit** continues to improve the quality of life for women, girls, men and boys on Anguilla through outreach, advocacy and policy action aimed at improving gender equality. The Unit's three priority programmes for the year include Women's Week, Men's Week and the 16 Days of Activism Against Gender Based Violence. Through these programmes, public engagement is encouraged and important discussions are engendered regarding issues that men and women face relating to human rights, marginalisation and violence. The 2020 priority for the Gender Affairs Unit is the development of the National Gender Policy to provide a clear vision of the priorities,

commitments and processes necessary to achieve gender mainstreaming and gender equality in Anguilla.

The Ministry's Clinical Psychologist worked closely with various governmental agencies to help address the mental health needs of their clients. Further community interventions included the facilitation of psychoeducational support groups for mothers and teenagers dealing with issues of depression and anxiety. The main aims of 2020 are to continue to increase mental health awareness throughout the Anguillian population, and to emphasise the importance of maintaining good mental health for individuals working in helping professions.

Child Safeguarding has been a major focus of the Ministry of Social Development's work. This has included multiple trainings, the updating and expanding of the Interagency Child Protection Protocol and the development of practice guidelines. To ensure that sufficient budgetary resources are allocated to children, UNICEF is supporting a Budget Analysis for Investments in Children and a Fiscal Space Analysis for a Social Protection Floor.

### **Department of Social Development**

Mr Speaker, the Department of Social Development has been honing a multifaceted approach to service delivery. Continuous training was undertaken by social workers to underpin the importance of the implementation of the Child Maintenance and Child Protection Acts. The department is grateful to the Foreign and Commonwealth Office and the Organisation of Eastern Caribbean States Commission for providing essential training and materials to assist social workers. As the department continues to render vital services it is imperative for us to note the growing healthcare demands. As we forge ahead into 2020 the department will focus on public awareness and the enhancement of our foster care system.

### **Department of Probation**

The Department of Probation's Juvenile Residential Centre, Zenaida Haven observed ten (10) years of providing secured and rehabilitative services to juvenile offenders under the theme; "***Limitations live only in our minds, the possibilities are endless!***" Reflecting on the past 10 years, there is much to be proud of, Zenaida Haven has provided opportunities for young people to complete secondary school, gain full-time employment through the 'Job Link Up' programme, explore their interests and to better themselves overall before leaving the Centre.

## **Department of Youth and Culture**

The Department of Youth and Culture (DYC) continues to work on its extensive mandate with vigour and passion. Within the Youth Division, work with the various youth organisations and community centres across the island continues. Work on the development of a new National Youth Policy continues and it is anticipated that a draft Policy will be available for review in the coming months. The DYC also continues its efforts to further develop and strengthen our cultural and creative industries. The Government, through the DYC, has membership on the boards of most of the island's festival committees, and provides them with varying amounts of financial support. It remains the intention of the government, under the aegis of the Ministry of Social Development, to establish a Festivals Commission and have it operational within the next 18 months.

## **Department of Sports**

Mr Speaker, 2020 marks the third year of phase one in the implementation of our strategic plan and national sports policy, towards a healthier happier Anguilla. We have made steady progress in advancing the areas of institutional strengthening and slower progress than hoped in facility development, which makes 2020 a critical year for sustained development. In advancing some development work we have forged good relations and are thankful to organisations such as the Anguilla Social Security Board, Her Majesty's Governor's Office and the Anguilla Progressive Association of New York. We remain optimistic because our athletes continue to shine on the regional and international stages. Building on the exploits of our stalwarts, we are seeing young athletes like Jahmar Hamilton, Hassani Hennis and Mikiah 'Kiki' Herbert Harrigan emerge, bringing new hope for the future. In 2020, we will continue to press forward and work towards enhanced governance in sports, deliver improved sports programming to communities and vulnerable groups, establish more partnerships for the execution of development plans and seek to spread our vision into the niche market of sports tourism.

## **3.5 Ministry of Infrastructure, Communications, Utilities, Housing, Agriculture, Fisheries and Environment & Departments**

The Ministry of Infrastructure, Communications, Utilities, Housing, Agriculture, Fisheries and Environment (MICUHAFE) and its departments has a 2020 recurrent budget allocation of **EC\$17.48 million**. This is a **17.5 per cent** or **EC\$2.61 million** increase when compared to the 2019 approved

budget of **EC\$14.88 million**. This additional funding will mainly be used for the maintenance of roads; settling outstanding payments for Air Safety Support International (ASSI) and personal emoluments.

The Ministry is committed to rebuilding and maintaining Anguilla's public physical infrastructure, and the development and conservation of the island's natural resources using innovative and sustainable practices. For this year, the Ministry will focus on developing and implementing a cohesive three-year strategic plan to revamp the delivery of its services. To facilitate this, a number of training initiatives will be delivered, including leadership, customer service and specialised technical trainings.

Notably, the Ministry anticipates concluding Anguilla's maritime boundary negotiations with Antigua and Barbuda. This will complete negotiations on all of Anguilla's maritime boundaries and permit the progression of an Ocean Governance Policy for Anguilla, in which the sustainable development of the Pelagic Fisheries will be a major component. Overall, the Ministry will continue to contribute to Anguilla's economic development and the wellbeing of our people by adopting a concerted effort with its various Departments.

### **Department of Infrastructure**

The **Roads Section** manages the road network by balancing needs and expectations against limited resources. To improve accessibility and delivery of services, the section will pursue the use of web-based services to make it easier for the public to report on road safety issues and submit applications. Mr. Speaker, in relation to road network expansion and development, work continues on the left turn lane at the George Hill road intersection to the Jeremiah Gumbs Highway; and the Chapel Hill road. These roads are poised to significantly reduce traffic congestion. The road improvement programme which will feature the paving of all dirt roads annually over a 5-year period will also be finalised and implemented. This will produce a more sustainable and an interconnected road infrastructure network, improving access and the quality of the infrastructure.

The **Building Section** of the Department will continue to further efforts towards a more sustainable and resilient public physical infrastructure in Anguilla. One illustration thus far, is the completion of a modern Combined Services Building which has provided the island with a fit-for purpose facility to cater to both the aeronautical and fire and rescue services-response needs, which will complement future upgrades to the airport facility. The Building Section will continue to work in tandem with the United Kingdom's Foreign Commonwealth Office, through the Anguilla Programme projects, to

deliver a platform of new structures including the construction of new primary schools, a modern secondary school, health facilities and storage buildings.

The **Vehicles Section** of the Department will also continue to modernise the Government of Anguilla's vehicles fleet in accordance with the Vehicles Replacement Policy, to make it more resilient. In 2019, a number of new vehicles were procured under this policy. In keeping with the agenda to become more energy efficient, the Department will also advance its plans for the procurement of electric vehicles as part of the overall plan to adopt greener practices.

The **Anguilla Maritime Administration and Shipping Registry** (AMASR) will continue to contribute to the vitality of Anguilla's blue economy, by ensuring that shipping within Anguilla's waters is safe, lives at sea are safe, and our marine environment remains clean from pollution caused by ships. Its contribution to Anguilla holistically, **Building a Dynamic Economy**, will be achieved by extending our economic diversification opportunities into the maritime sector, where employment and business niches in the tourism and commercial trade industries will be feasible.

### **Department of Natural Resources**

Mr Speaker, in 2020, we see the birth of the Department of Natural Resources, a Department created from the merger of the Departments of Environment, Agriculture and Fisheries and Marine Resources with an aim to increase efficiency and effectiveness in the management of our natural endowments. The Department will apply a holistic approach towards sustainable food production, research and regulation. This offers the opportunity to promote building a blue – green economy that opens pathways to further diversify our economic potential towards **Building a Dynamic Economy**. This is important as we seek to enhance our food production sector. Focus will be placed on improved food security through innovative initiatives, public-private partnerships and engagements.

This Department also aims to further safeguard our future through enhancing energy efficiency in public facilities and the use of renewable energy technology options. The Department of Natural Resources will strive to have improved sustainable food management and have a decarbonisation plan for our energy sector to build a dynamic economic future using our natural resources.

### **Aviation Unit**

A review of the existing aviation procedures revealed it is necessary to reorganise the method in which flight approvals and/ or permits are granted for foreign operators. This process will be revamped to align the Aviation Unit in Anguilla with the rules outlined in the Air Navigation (Overseas Territories)

Orders (AN(OT)O) to create a balanced playing field for all aircraft operators and will significantly advance Anguilla's aviation industry, aligning Anguilla with the rest of the Caribbean region.

### **Anguilla Fire and Rescue Service**

Mr Speaker, the Anguilla Fire and Rescue Service is an "all-hazards" emergency response organisation that is committed to enhancing its approaches to saving and preserving lives, property and the environment from the effects of fires, accidents, natural disasters, and other hazards, by enhancing fire safety, and raising community awareness through education and involvement. The department will lead in developing and implementing effective fire safety programmes and initiatives to make Anguilla a safer community.

## **4 RECURRENT REVENUE 2020**

Mr Speaker, the recurrent revenue estimate for 2020 is **EC\$253.45 million**, which is a **21.6 per cent** increase over the 2019 recurrent revenue estimate of **EC\$208.36 million**. This projection was based on the expected growth in taxes as well as improvements in tax administration and compliance. However, we are mindful that with the impacts of COVID-19 the anticipated collections may not materialise. I will provide further detail on the estimated impact on revenue and expenditure later. I will now provide the recurrent revenue estimate breakdown.

Mr Speaker, Taxes on International Trade continue to be a significant revenue source and we estimate to collect **EC\$109.30 million** which represents **43.1 per cent** of total estimated recurrent revenues. Import Duties are the largest driver of this revenue category and is estimated to total **EC\$56.00 million**.

Taxes on Domestic Goods and Services accounts for **23.8 per cent** of budgeted total recurrent revenue and is projected to be **EC\$60.33 million**.

Taxes on Income, which includes the Interim Stabilisation Levy, are expected to generate **EC\$16.35 million**. Which is a slight decrease from the actual outturn in 2019 which yielded **EC\$16.8 million**.

Taxes on Property is projected to bring in **EC\$7.00 million**, which represents a **17.3 per cent** decrease over actual collections for 2019 of **EC\$8.46 million**.

Revenue from other sources, such as licences, fees and permits, is projected to total **EC\$60.48 million** in 2020.

Mr Speaker, while we are on the topic of recurrent revenue, I will take this opportunity to update the public on the implementation of a Goods and Services Tax (GST). As I indicated in the 2019 budget address it will be implemented in three phases. The introduction of Phase 1 has thus far been successful. As with all new things there have been hiccups, but we have revisited the rates to ensure that the burden on importers has resulted in a revenue neutral application. This first phase involved the implementation of the Interim Goods Tax (IGT) which came into effect on October 01<sup>st</sup> 2019; and included the repeal of the Customs Service Charge, reconfiguring the import duties where the tariff rates were lowered from an average of **12.9 per cent** to **8.0 per cent**; and the creation of a **1.0 per cent** Customs Service Fee. Phase 2 is the transition to a partial Services Tax covering hotel or short-stay accommodation, electricity, communication and wholesaler activities in 2021 with a concomitant repeal of the accommodation tax, environmental levy and communication levy. Phase 3 is the expansion of the Services Tax to include all other taxable services in 2023. At the onset of this phase, the intention is to repeal the IGT as currently structured to fully adopt GST.

Mr Speaker, at this juncture I would like to thank the staff of the Inland Revenue Department and the Anguilla Customs Department for delivering for Anguilla in 2019. We surpassed our targets and expect continued stellar service in 2020.

## **5 CAPITAL REVENUE AND GRANTS 2020**

Capital grants for 2020 are estimated at **EC\$7.05 million**. It comprises **EC\$6.0 million** from the European Development Fund and just over **EC\$1.0 million** from the UK Government's Conflict, Stability and Security Fund

Further receipts in Capital Revenue of **EC\$23.98 million** will be realised once the anticipated sale of ANGLEC shares is secured.

### **5.1 CAPITAL BUDGET**

Mr Speaker, the total envelope available to finance capital projects and programmes during 2020 is currently estimated to be **EC\$15.52 million**. This envelope is a combination of **EC\$6.00 million** from the European Development Fund, **EC\$4.40 million** of the remaining balance on the CDB loan

for construction of the ACC, just over **EC\$1.0 million** of reimbursed funds from the Conflict, Stability and Security Fund of the UK Government and just over **EC\$4.0 million** received from the Anguilla Social Security Board in 2019 following an exchange of lands transaction and to be used for land acquisition payments in support of the Blowing Point Port Project.

The UK Government financed Anguilla Programme, while not appropriated as part of the Budget, continues to be our most significant source of capital investment and this is evidenced by the concurrent construction of major projects in the health, transportation and education sectors that you see springing into life around us every day. The ongoing construction work at the Princess Alexandra hospital and the recent starts of the Valley and Western Polyclinics are particularly crucial developments at this critical juncture on the international health landscape. This, along with the construction of our primary and secondary schools, the construction of Road Bay Jetty and Phase 2 of the Blowing Point Port Project will account for over **US\$40 million** of capital investment in 2020. At a time when we anticipate severe challenges to keeping the economy ticking over, this activity in the construction sector is imperative to keep our people in active employment.

The most efficient and effective use of our limited capital funds is to support the completion of these major projects. Mr Speaker, through counterpart financing we can provide the necessary road and utility access to schools and clinics and outfitting of other facilities.

The energy efficient retrofitting of Government buildings not only meets this Government's aspirations to reduce the cost of its operations and improve efficiency but also meets the obligations under the policy-based loan arrangements with the CDB. By partnering with our communication and power companies to place our infrastructure underground across our capital we improve safety and reduce our exposure to risk from what, up until a few months ago, was our most severe and anticipated threat: tropical storms and hurricanes.

Mr Speaker, we are now facing a threat of a different kind and the need to be dynamic comes to the fore, the need to change our priorities at a moment's notice, to put on hold our original plans in order to finance, in this case, the construction of an isolation unit, the purchase of medical and personal protective equipment to protect and serve both the staff and customers of our health service and other frontline staff, also to invest in initiatives that support teleworking and other creative methods so that the business of the Government of Anguilla will go on. These dynamic responses will protect us, provide relief to our people, keep our economy going, but most importantly, save lives.

## 6 RESPONSE TO COVID-19: PROGRESSIVE & DYNAMIC

Mr Speaker, **Building a Dynamic Economy**, in the face of dynamic threats requires progressive, dynamic responses and action. Your government has undertaken a number of immediate and decisive short-term measures in response to COVID-19 to address the needs of the people of Anguilla; and will continue to act on expert advice to mitigate the health, economic and psychological impacts. This comes at a cost to the public coffers and budget performance may be strained as a result of lost tax revenues and increased public spending. On the public health front, all efforts are being made to mitigate against a possible outbreak in Anguilla and to exercise containment measures. So far so good for us in Anguilla, however, we must continue to be vigilant.

COVID-19 is likely to have a devastating and, in some cases, immeasurable effects on the economy that could be deeper and more intense than the 2008 global financial crisis. It is still too early to tell when the recovery of the global economy will start and what shape this recovery will take, whether:

A **U-shaped** recovery meaning the world will start to return to some basic normalcy by May/June 2020 and continue gradually through the next 12 months to return to normal.

A **W-shaped** recovery due to the return of the virus during the winter of 2020 that forces the world into another lockdown. Or,

A **V-shaped** recovery in that full lockdowns and social distancing across the world end by summer and global travel returns close to normal.

Whatever the shape of the recovery, we can safely say that it is unlikely that the world will return to the 'norm' of the pre-crisis COVID-19 pandemic, as there is likely to be lasting impacts. Mr Speaker, the global downturn means Anguilla's fragile recovery is likely to be complicated and there will be a narrowing of our fiscal space. Today, businesses and workers are affected amid a sudden stop in tourism. We expect businesses may face weaker tourism related inflows and further reduced demand as households cut spending. Mr Speaker, 'tourism is our business' and in this unusual time we are faced with a crisis of unknown length and severity. Therefore, scenarios have been designed to measure the impact on the 2020 Budget to understand the dynamic adjustments that may be required in the coming months.

Mr Speaker, a decline in domestic activity means that government performance also suffers. Public infrastructure spending will continue, and this will provide employment opportunities in the construction sector to reassign portions of the displaced workforce. Mr Speaker, I am hearing the pleas from the populace in this time of fear and anxiety. This government has sought to remain connected and provide regular updates. We often laud and celebrate the community values held dear in Anguilla. And in these times, we have a shared responsibility to ensure that our family and neighbours can meet their basic needs. We also have a responsibility of shared sacrifice as we try to navigate these desperate times. The shape and timing of the recovery is unknown, therefore we built scenarios ranging from low impact to very high impact on the 2020 Budget. We expect both tax and non-tax revenue collections to shrivel during the period of the lockdown and show signs of recovery only when traveller's sentiments improve and our hotel plant can be reopened to welcome guests and our people are once again gainfully employed. The iterations of the designed scenarios result in a 12 to 44 per cent loss, this equates to losing as much as **EC\$111.0 million** in recurrent revenue.

Under the loss scenarios, we have several year-end outcomes that lead to a deficit in the overall balance with amortisation from a low point of **EC\$18 million** if we restrict expenditure and there is no contagion in Anguilla to as high as **EC\$120 million** if all the budgeted resources are spent and we are unable to divest of our share holdings in ANGLEC or secure debt financing.

Mr Speaker, stimulus measures are being designed and introduced in well-targeted areas that offer much needed relief to businesses and comfort to our people, for a period of up to three months in first instance. Protecting those most vulnerable and least able to respond is a top priority. In the coming days, the temporary unemployment assistance benefit through the Social Security Board will be launched to provide financial assistance of up to **EC\$1,000.00 per month**, to contributors to the fund whose jobs and wages have been severely impacted by the pandemic. For those that do not qualify under this programme, the Government will provide support direct financial support of up to **EC\$800.00 per month**, as well as an expanded public assistance programme. Healthy habits are crucial during this pandemic, however, as households face declining incomes, a larger proportion of their income will be used to purchase essential food and hygiene items. In order to make these items more affordable, duties and taxes have been waived on the importation of essential food and hygiene items. Contemporaneously, a maximum price ceiling for these essential items has been established to protect consumers.

Mr. Speaker, support must be provided to help our businesses bridge this shock. A fund will be established through the Anguilla Development Board to grant small low interest loans to provide crucial financing to get them back on track. With regards to tax measures, individuals and businesses should have the possibility to meet their tax obligations in timelines which do not cause further financial difficulties. As such, we will be pursuing a waiver of all interest and penalties on such obligations, excluding arrears. Businesses who continue to pay employees that are unable to perform their work duties will be considered for a waiver of social security and interim stabilisation levy for such periods up to three months. We are also working with the Water Corporation and ANGLEC to ensure that consideration be given to customers who are unable meet their bills because of loss of jobs or business opportunities. Mr. Speaker, if one thing is certain it is that these are uncertain times, more measures will be rolled out in the coming weeks and days as this situation unfolds.

I pause here to thank our development partners who wasted no time in stepping up when they themselves also face this most invasive of threats. The UK Government with immediate and pledged support on all fronts, the European Union with the World Bank, offering Disaster Risk Financing Strategy technical assistance and the UNDP with recommendations of their policy research and the offer of a rapid assessment. I thank the Monetary Council of the ECCB, with a grant of **EC\$500.00 thousand** to assist with COVID-19 related expenditures. In addition, the Monetary Council has approved the temporary reduction in the Discount Rate, the rate of interest the ECCB charges on loans to commercial banks and Governments, from **6.5 per cent** to **2.0 per cent**; and the fiduciary allocation to Governments in the ECCU been revised upward. This will increase the amount of credit available and significantly reduce the cost of borrowing through the such short-term credit facilities, which we rely on for cash management purposes. In addition, I applaud our private sector partners, such as the banks, communication services and hotels, for stepping up and providing much needed relief programmes to cushion their customers and employees from the impact of COVID 19.

Mr Speaker as indicated before, the Government has been devising approaches to business process innovation and development and we must expedite our digitalisation plans to streamline e-Government. We have started to implement a number of solutions that will aid in Officers working remotely which are critical with the social distancing measures that are in place to curtail the spread of the virus. With the newly implemented Voice over Internet Protocol (VoIP) system, we have asked users to install the softphone on their personal devices so that they can receive calls just as if they were sitting at their desk. We have also hardened the security of the network to allow persons to access

network resources remotely, in a secure manner that protects Government data. Over the next few weeks, we will also be implementing a solution that would enable Government's data to coexist in the Microsoft cloud thereby allowing persons to access these files using their personal devices via the cloud. With these measures in place, it strengthens Government's business continuity following any disaster including extreme weather events. Mr Speaker, these unfamiliar times harken the need to build along progressive lines for green, smart, resilient and socially inclusive growth.

Mr Speaker, while the Recurrent and Capital Expenditure Estimates as approved by Executive Council on February 26, 2020 have been signed off by the UKG, as I indicated in the Introduction, it is necessary to consider what adjustments may be necessary to expenditure accommodate COVID-19 impacts. Consequently, on March 26, 2020 in considering potential Revenue Loss Scenarios as a result of COVID-19 Executive Council agreed to reserve **EC\$15.9 million** of the proposed Recurrent Expenditure Estimate of **EC\$241.47 million** and place under the control of the Ministry of FEDICTTT in a **"restricted expenditure account"**. It is proposed that at the Committee Stage of the debate of this budget, that specific changes proposed such as reserving the proposed **EC\$2.0 million** increase in the Training Budget under Public Administration, proposed **EC\$0.87 million** increase in Road Maintenance under the Ministry of Infrastructure, proposed **EC\$5.0 million** increase in the ATB subvention, and other new spending requests be considered for transfer to restricted or reserved expenditure. The Ministry of FEDICTTT would then reallocate additional resources to Ministries / Portfolios in accordance with the procedures as set out in the Financial Administration and Audit Act as COVID-19 response policies are considered and approved by Executive Council. Mr Speaker I mentioned the concept of **"dynamic adjustment"** earlier. This means that you model various scenarios and map out possible responses. It may turn out that the impact of COVID-19 is more along the lines of the low to moderate scenarios, in which case some of the restricted expenditure can be released for the original purpose. On the other hand, the impacts could be along the lines of the high to very high scenarios or even worse in which case all of the restricted expenditure may have to be reallocated to other areas such as social development. The above notwithstanding, Anguilla's capacity to respond will be tested no matter how severe the impact and consequently I have already requested assistance from the UKG.

Mr Speaker, I expect that we will have a very spirited debate as colleague Ministers, the Leader of the Opposition and other colleague Parliamentarians give their considered views on what is appropriate going forward in 2020. In the end, whatever changes are proposed and approved at the Committee

Stage must fall within the ceiling of **EC\$241.47 million** approved for recurrent expenditure and **EC\$15.52 million** approved for Capital Expenditure. Most of the listening public will be familiar with approval process, namely, that once the 2020 Appropriations Bill is approved by the House of Assembly it is commended by the Hon. Speaker of the House to HE the Governor for formal assent as may be instructed by the Foreign Secretary or as delegated. As the Provisional Warrant under which Government expenditure is presently occurring, in the absence of an approved budget, expires on April 30<sup>th</sup> 2020, we trust the final approval will occur in a reasonable period of time so as to continue on the important business of **Building a Dynamic Economy**.

## 7 CONCLUSION

Mr. Speaker, on yet another occasion I have imposed on my listening audience, mainly on broadcast and social media, this lengthy Budget Address at a time when our minds are most likely immersed in thoughts surrounding this unprecedented disaster that is impacting our world. Unlike other disasters over the past years there is literally no place to run or hide on Anguilla --- indeed no place to run or hide globally. I therefore want to thank all of you for your kind indulgence and patience this afternoon.

I expect that many persons may be asking the question, why are we carrying forward a budget, which given the present environment, is clearly not current. The answer is quite simple. This is the budget estimate that we presented to the FCO on March 5, 2020 and which was approved by Baroness Sugg, the new Minister for the Overseas Territories in her letter to me on 19 March 2020. I wrote to the Baroness before we began to consider fully the potential effects of the COVID-19 Pandemic. However, when she responded on March 19, 2020 she was fully aware that we had already entered into the initial period of border closure. Therefore, so as to give proper context to this presentation, I will quote verbatim the two operative paragraphs of that letter as follows: (The Baroness wrote)

“With respect to the 2020 Budget, I appreciate that this was drawn up before the COVID-19 crisis and it will be difficult to predict the duration or its impact on your economy and public finances. However, I acknowledge that the Government of Anguilla needs to pass the 2020 Budget and therefore I am happy to approve the request. I am aware that you will be tracking the economic and fiscal impact of the virus and will make adjustments as the position, particularly on revenues, becomes apparent. I also know that our teams are already in discussion on these matters.

This will be a difficult year for all of us, but I am aware of the particular challenges that COVID-19 poses for Anguilla. I want to assure you that the UK Government and I, personally, intend to stand by you in these difficult times.”

These are reassuring expressions of support indeed --- as is the UK Government’s ongoing assistance to Anguilla through the natural and human disasters that have impacted our homeland over the last five years. It is therefore with confidence that we proceed with our own programmes and initiatives to stem the impacts of this crisis on our economy --- reassured that while we must continue to make sacrifices, we can count on the UK Government to be “on tap” for our reasonable requests.

As in the past we continue to make the case regarding our vulnerability as a small open economy susceptible to external shocks of all kinds --- and struggling to “build a dynamic economy”. Also, as in the past we remind them (as we must also remind ourselves) of our record of responsible management and resilience that has brought us through many challenges in the past as well as our sincere desire for a “hand up” rather than a “hand out”.

I want to assure you that in this regard I strongly believe that we have developed a relationship of mutual respect. And indeed this is all we seek, as we move ever onward to building more and more self-reliance --- a dynamic economy steeped in pride. I must therefore not squander this opportunity to thank the British Government and its citizens who themselves are also going through a period of severe challenge and loss, as a result of this pandemic. We must also extend our prayers to the citizens of that country and their families who have been infected and affected by the virus so as to hasten their full and speedy recovery. Not to forget of course my dear friend Prime Minister Boris Johnson who is among those blessed with returning good health.

But this presentation as a part of the budgetary process is not intended to be exhaustive. So while I have touched on a number of areas within the various ministries as a part of this submission --- I have left it up to my colleague Ministers to further elaborate on their respective portfolios during the debate stage scheduled for next week.

I want to make the point very strongly that this budget does not include any new tax measures. It is based on assumptions coming out of the 2019 budgetary performance that the level of economic activity and growth in that year would be further experienced and indeed exceeded in 2020. But having said that it is now very clear that the impacts of the COVID pandemic will militate against any considerations for placing additional burdens on our people. However, as a responsible Government

we will continue to encourage responsible citizens to make their equitable contribution through faithful compliance to existing fiscal measures. This will demonstrate our pride in contributing to the building of a dynamic economy.

Over the last month your Government has had to impose a number of restrictions through regulations on the freedoms of our people in an effort to contain the spread of the corona virus in our island home. We have as a result achieved positive outcomes for these efforts. This has been in no small part the result of the seriousness by which the most people in the community have embraced this containment campaign. However, we are not yet “out of the woods” --- and admittedly a number of persons seem to be becoming complacent. Let us not lose the gains we have made thus far in this campaign by exposing the frontline workers in the health sector in particular, but in other essential services as well, to further risks. But rather let us through responsible conduct show our appreciation for their courage and dedication to this war.

I want to especially thank our private sector partners like the hotels; restaurants; banks; communications providers; as well as other quasi-government agencies like Social Security, ANGLEC, ADB and the Water Corporation for their concessions to the community as our people struggle with lost jobs and business services over the coming months. We are indeed all in this together. With God in the midst as always --- throughout our history of challenge as a people!

And finally, let me thank the hardworking staff in the Ministry of Finance for coordinating this Budget Address as well as their leadership in working with the various ministries in putting the Budgetary Estimates together over the last few months. I am grateful to my Ministerial colleagues in Executive Council, including the Governor, the Deputy Governor and the Attorney General as well as the Clerk to Executive Council for their support in the overall budgetary approval process. This has been a team effort all around to ensure that we continue to design the architecture for building a dynamic economy for Anguilla and its people.

Mr Speaker, I beg to move!