INTRODUCTION

1. Mr. Speaker, we live in a time of great challenges on many fronts. One of the most critical challenges facing the Government and people of Anguilla is to generate an increased level of revenue from the Anguillian economy, sufficient to meet the essential recurrent and capital expenditure requirements of the Public Sector. This challenge cannot be deferred any longer. We are forced by the recent policy decisions of the community of developed nations to become financially self-sufficient not tomorrow, but today.

2. Mr. Speaker, it is against this background that, as Minister of Finance, I am prepared to boldly carry the burden of responsibility to ensure that adequate and realistic provision is made in 2001 to raise the revenue necessary to meet the basic and reasonable needs of the people of Anguilla.

3. And so Mr. Speaker, I beg to move that the Bill for an Ordinance to provide for the services of the Government of Anguilla for the Financial Year ending the 31st day of December 2001 be read a second time.

4. Mr Speaker this is my 7th consecutive budget address. My most recent addresses to this Honourable House have usually started with the presentation of the theme I have selected as the focus for my discussion of Government’s fiscal plan for the particular year. This is then followed by discussion of the domestic, regional and international economic and financial situation. An analysis of key programmes and initiatives proposed for the year would follow next. And I would end with commentary on the major components of the Estimates and the most significant changes proposed compared to the preceding year.

5. This year I propose to take a somewhat different route but to the same destination. I hope that you will find it interesting and thought provoking. I hope that it will stimulate considerable discourse as we continue to grapple with the task of charting our own national destiny.

6. Mr Speaker the world is becoming ever more competitive. We in Anguilla are called upon even more to rely on our own talents and abilities, on our own resources to achieve our goals and develop our society. Ultimately we can only do so by providing for our needs out of our own resources, in a phrase by paying our
7. That is it Mr Speaker. We have to begin to pay our own way. And so my chosen theme on this occasion is: **Paying our own way**

8. Let us first of all Mr Speaker examine the expenditure proposals for 2001. The 2001 Recurrent and Capital Expenditure Estimates provide for total expenditure of $95,408,466 divided between Recurrent Expenditure of $88,082,466 and an allocation of $7,326,000 for locally financed Capital Expenditure. The Approved Estimates for the year 2000 by comparison provide for $81,723,486 in total expenditure comprised of $75,723,486 in Recurrent Expenditure and $6,000,000 in local Capital Expenditure. On a percentage basis the 2001 Recurrent and Capital Expenditure proposals represent the following increases over the Estimates for the year 2000:

   a) a total increase of 13.68 million or 16.75 per cent;
   
   b) a Recurrent Expenditure increase of 12.24 million or 16.32 per cent; and
   
   c) a local Capital Expenditure increase of 1.3 million or 22.1 per cent.

9. Mr Speaker the major increases in recent expenditure on a ministry and departmental basis would be (and I will name a few):

   i) Ministry of Home Affairs $2.74 million
   ii) Water 2.10
   iii) Education and Library Services 1.65
   iv) Secondary Health Care 1.48
   v) Airport and Seaport 1.14

10. These amounts total $9.11 million or 74.43% of the proposed recurrent expenditure increase of 12.24 million. A further five departments would have increases ranging from $500,000 to EC $900,000 for a total of $3.23 million.

11. The increases in the allocations proposed for the Education Department and Department of Library Services have been combined in order to be able to make a comparison between 2001 and 2000. The National Library Service has been managed as a special section of the Education Department since its modernization in 1995 with the completion and commissioning of the new central library
facilities.

12. The estimates make provision for the National Library Service to be strengthened institutionally by now establishing it as a separate department under the Ministry of Education, thereby increasing the degree of autonomy, and accountability of the Director of Library Services in his capacity as Head of that Department. Excluding the estimates for the Department of Library Services, the increase in the Education Estimates that would be spent on the education system, particularly the schools and the management thereof would be in excess of $1.3 million. This underscores, Mr Speaker, the emphasis that is being placed on bringing about further educational improvements for the young people of Anguilla.

13. The 16.75 % increase in projected recurrent expenditure does not mean that the proposed allocations for 2001 for all ministries and departments show an increase. To the contrary, a major reduction of $2.41 million is projected in the Ministry of Finance, from $4.99 million in 2000 to $2.58 million in 2001. This reduction Mr Speaker results mainly from transferring $2.4 million in funding for the Anguilla Tourist Board from the Ministry of Finance to the Chief Minister’s Office which is also the Ministry of Tourism. Additionally, the reduction reflects the proposed establishment of the Information Systems and Technology Unit as a separate department.

14. Also Mr Speaker the Internal Audit Unit, part of the Ministry of Finance for many years, will be established as a separate department in 2001.

15. A reduction of $191,634 will be made in the allocations for Attorney General’s Chambers from $1,626,180 in 2000 to $1,434,546 in year 2001 or a decrease of 11.78%. The Ministry of Infrastructure is also projecting a reduction of $57,589 in 2001 from $979,245 to $921,656 or a 5.9 % decrease. Similar to the case of the Ministry of Finance, the reduction in the Ministry of Infrastructure will reflect the net effect of transferring the management of the seaports from the Ministry to the Airport Department and the creation of an Airport and Seaports Department in preparation for the conversion of the combined Department to an Air and Seaports Authority.

16. The overall increase in the Recurrent Estimates Mr. Speaker is significant. Inevitably the question will be asked whether this level of increase is necessary. The answer Mr. Speaker is firmly and unequivocally in the affirmative. An additional question may be whether the increased expenditures cannot be postponed to 2002 or 2003 or even longer. The answer to that Mr. Speaker is no with an explanation. It is not simply a matter of a yes or no answer. If the increases are postponed by one or more years, the likely effect could be serious impairment of the standard and quality of essential public services. This could threaten the very economic livelihood of the people of Anguilla. Government
could be forced to shelve its plans to seriously address the persistent problems in Medical and Health and in Social Development.

17. Therefore Mr Speaker I urge support and approval of the increases included in this Bill.

18. The process of arriving at the Expenditure Estimates for 2001 as in previous years has been a complex and arduous one. This year for the first time it has been led from start to finish by Mr. Carl Harrigan, who assumed the office of Permanent Secretary Finance eight months ago on April 17th. Although he had already assumed office when the 2000 Budget was considered by this House at the end of April 2000, the work had been essentially completed by his predecessor in that office Mr. Ralph Hodge. The process of adjustment from Mr Hodge to Mr Harrigan has been extremely smooth and seamless. And I think it underscores the fact that Mr. Harrigan has been well prepared to assume the position of Permanent Secretary Finance. It bears ample and powerful testimony to the virtue of long-term succession planning within the public service and re-emphasizes the value of our investment in human resource development.

19. I wish to thank Mr. Harrigan and to congratulate him for the efficient way in which he has managed the budgetary process in this, his first year at the helm of the Anguilla Government’s budgetary system.

20. I would like to also single out my Permanent Secretary, Economic Development, Investment and Commerce, Mr Fabian Marcel Fahie. He is the senior Permanent Secretary in the Ministry whose hard work dedication and professionalism has been invaluable in the overall strategic planning for the Anguillian economy generally. He is spearheading the thrust into e-commerce, e-business, e-government, inward investment and commerce.

21. Specifically, Mr Fahie has brought organizational structure and substance to the preparation of the budget address. He is the undisputed leader of the management team in the Ministry. I wish to commend him for the role he has played and is continuing to play in the Ministry of Finance, Economic Development, Investment and Commerce.

22. These commendations are not to take away from the valuable inputs made by all the staff of the Ministry of Finance and the departments thereof to support and assist the Permanent Secretary Finance in ensuring that the budgetary process was efficiently and effectively administered and completed on time. I wish particularly to thank those officials who participated in the Ministry’s retreat held on 2 December, which afforded me the opportunity to discuss ideas for the 2001 Budget Address and matters related to the implementation of the budgetary
proposals for 2001. Here I must take time to make special mention of the Special Ministerial Assistants attached to my Ministry, Messrs. Ashton Bradley and Franklin Connor. Their inputs into the retreat and in follow up consultations following the retreat have been outstanding and reaffirms for me the positive role that the Special Ministerial Assistants and Advisers are playing in helping government to advance the interest of the people of Anguilla.

23. I am particularly pleased to note that the process of involving the top public servants in the budget preparation process was expanded this year. The Deputy Governor, Attorney General and Permanent Secretaries were brought together, in a series of meetings in the weeks immediately leading up to consideration of the Estimates by the Executive Council. They discussed the global budgetary figures and provided me as Minister of Finance and my colleagues in the Executive Council with the benefit of their collective advice. They engaged in broad consultations on such issues as the balancing of revenue and expenditure, measures to raise additional revenue, and the competing demands of the various ministries and departments. They also considered the generation of significant recurrent surpluses to finance priority projects in the Public Sector Investment Programme and the cutting back of estimates from the various ministries and departments without impairing Government’s ability to expand and improve the public service in critical and urgent areas. I commend the Deputy Governor and the Permanent Secretaries for their invaluable contribution to the determination of the figures and strategic targets for the 2001 Budget.

24. Mr. Speaker It would be remiss of me, if I did not thank all of the members of the Executive Council for their support and for their caring and concern or the people of Anguilla and their welfare. These traits were quite clearly displayed in the deliberations of that body on the proposals I presented. I appreciate very much the inputs from His Excellency the Governor, from my colleague elected members on this side of the House who sit in the Executive Council as well as from the Hon. Attorney General and the Hon. Deputy Governor who are also members of the Council.

25. Permit me Mr. Speaker to specially thank the Honourable Member for district 2 and Chief Minister – Osbourne Fleming - whose interest in the budgetary process is irrepressible. His experience as a former Minister of Finance is a valuable asset to the Government and people of Anguilla and to me personally. His concern that the Government should explore new and creative ways of meeting its short and long term financing needs is unquestionable. And his willingness to advance and support new initiatives in this regard has been amply demonstrated in his championing of several measures proposed in the 2001 Revenue Estimates.

26. It would seem that I have digressed somewhat from my initial introduction of the Expenditure Estimates by liberally sharing kudos and words of thanks and
appreciation to every man and his neighbour as it were. But that is the point Mr. Speaker. The proposals before this Honourable House are the result of the work of many individuals in the public sector. And ideas and suggestions have also been proffered by persons in the private sector and civil society as a whole.

27. The proposals represent a balanced programme, which focus on the critical and essential services that must be provided to meet not only the expectations of the Anguillian public, but also to achieve or maintain those international standards to which Anguilla is required to adhere.

28. The objective on the expenditure side is to maintain all services at least to the 2000 level and to expand in the priority areas as identified by the Government.

EXPENDITURE PRIORITIES FOR 2001

29. I would like at this point Mr. Speaker to address the Government’s expenditure priorities for the year 2001. I have chosen to deal with expenditure first for a very simple but profound reason. The driving motivation for raising revenue should be to meet the essential and reasonable needs of the community for public services supplied by Government, to provide for the replacement and/or expansion of the public infrastructure required to support the supply of those services, to promote and facilitate the sustainable expansion and transformation of the Anguillian economy and to put aside financial resources in the form of government reserves to meet emergency needs, to finance future capital expenditures and to support Government borrowing.

30. The key strategic and development priorities of the Government can be divided into two categories as follows:

   i) priorities that will impact recurrent expenditure; and

   ii) priorities that will impact primarily capital expenditure,

31. Let me turn first to those priorities whose impact will be mainly on recurrent expenditure.

EDUCATION

32. In education, the priorities include:

   a) The opening of Campus B of the Albena Lake-Hodge Comprehensive School (ALHCS) and continuation of the institutional strengthening and management development components of the Secondary School Development Project (SSDP);
b) implementation of programmes under the five year Education Development Plan including the establishment of governing boards and boards of management for the secondary and primary schools and the improvement of discipline especially at the Albena Lake Hodge Comprehensive School.

MEDICAL AND HEALTH

33. The focus in the Health Sector will be on

a) preparation of the Secondary Health Care Department, the Princess Alexandra Hospital, for conversion to a statutory health authority, under the direction of a special committee already appointed by Government to implement this policy decision.

b) institutional strengthening and expansion of the Primary Health Care Department;

c) expansion of mental health and psychiatric services;

d) development and transformation of the Environmental Health Section of the Primary Health Care Department; and

e) improvement in the coverage and quality of the solid waste disposal services.

SOCIAL DEVELOPMENT

34. The area of community services and social development has not been given sufficient attention in recent years, given the focus on education and health and other areas.

Priority will be given to:

a) increasing access to and diversifying the range of community services provided to at risk individuals and groups in the community;

b) expanding and strengthening juvenile care services; and

c) expanding the sports development programme and strengthening the sports administration under the guidance of the National Sports Development Committee.
INFRASTRUCTURE

35. In the areas of infrastructure development, communications, utilities and housing the main recurrent expenditure priorities will be on:

   i) increasing the volume and quality of road and drainage maintenance

   ii) expanding the base of consumers with access to the public water supply;

   iii) increasing purchases of water from the contracted private producer for distribution to consumers;

   iv) improving administration and maintenance particularly at the seaports under a combined Airport and Seaports Department;

   v) improving the regulation of public utilities such as electricity and telecommunications; and

   vi) implementing the transformation of the Water Department and the Airport and Seaports Department into corporate entities for long run sustainable and autonomous financing.

CHIEF MINISTER’S OFFICE, HOME AFFAIRS AND TOURISM

36. The challenges in the Ministry of Home Affairs, Natural Resources and Tourism in 2001 will be considerable, even though their budgetary impacts will not be as substantial as in other ministries of Government such as Infrastructure and Social Development.

37. Key priorities in the Ministry of Tourism will be to:

   1) continue work on the development and implementation of an integrated tourism policy;

   2) complete a strategic marketing plan;

   3) prepare a product development programme;

   4) develop a business support programme for small local tourism enterprises; and

   5) prepare a medium term duty free shopping policy and strategy (in conjunction with the Ministry of Finance).
38. We are extremely thankful to God to have been spared the ranges of hurricanes in 2000 and trust that he will keep us safe in the coming year. We hope and pray that we will enjoy a very strong tourist season and that the summer will be better than usual. This of course would translate into additional revenue from Accommodation Tax in excess of the estimate for this year.

39. Mr Speaker Government has received representations from local entrepreneurs engaged in restaurants and recreational activities in the offshore cays and on the beaches of Anguilla that yachts especially from St Martin/St Maarten continue to exploit our marine resources and contribute little or nothing to the economy.

40. Government is committed to doing something about this. Steps will be taken to ensure that visiting yachts pay all the required fees to operate in Anguilla’s waters or on our beaches and offshore cays. We will also ensure that they use Anguilla businesses to supply a significant proportion of the products and services provided to their clients while visiting Anguilla, especially in the areas of food and beverage.

41. We cannot expect our people to pay their way to protect Anguilla’s environment and develop the economy and permit excursion boats to exploit our resources without making equitable contributions to support our economy.

42. The same holds good for salesmen who exploit our market in Anguilla.

**IMMIGRATION AND LABOUR**

43. Mr Speaker, the 2001 Estimates provide for the separation of the Immigration and Labour Department into two separate departments. I would venture to say Mr. Speaker that this move to once again manage these services as two separate departments reflects a commitment by the Chief Minister’s Office to give due weight and regard to immigration and labour policy issues in shaping Anguilla’s path to sustainable prosperity, without sacrificing its cultural and national identity.

44. The Estimates provide for the addition of human resources in both the Immigration and Labour Departments, but especially in Immigration, to enable them to increase and improve the quality of service rendered to the public. The Ministry will emphasize the revision of both labour and immigration policies in 2001. The revision of policy coupled with the increase in resources will help to ensure that the public is better served, that greater value for money is derived and that the interest of Anguilla as a whole is advanced.
PUBLIC ADMINISTRATION, POLICE, PRISON

45. Mr Speaker the subject areas that fall under the responsibility of the Governor including Police, Prison and Public Administration. They will pursue a number of significant initiatives in 2001. And these are reflected in the increases in the allocations proposed for these departments.

46. Mr Speaker an increase of $516,735 is proposed for the Department of Public Administration. This will enable Government to increase its expenditure on post secondary education and training for the Public Service and assist more deserving young Anguillians outside of the service to equip themselves to serve in Anguilla and take advantage of the opportunities both in the public and private sector. The Department will also be enabled to introduce a state of the art human resources information system (HRIS) as a special module forming part of the British funded Caribbean Overseas Territories Government Accounting Reform (COTGAR) Project commonly known as the Treasury Computerization Project.

47. The Department will continue with and bring to completion a number of initiatives forming part of the Public Sector Development Project, the first phase of which was completed at the end of 1998, including the revision of General Orders and the introduction of a revised performance evaluation system. The revision of Training Policy Mr speaker will also be completed.

PRISON

48. Mr. Speaker, an increase of $171,152 or 31.28% is being sought for Her Majesty’s Prison. The actual budget would move from $547,120 in 2000 to $718,272 in 2001. Mr. Speaker such a significant percentage jump in the budget for the Prison compared to other departments should be reason enough for us to pause and think. While the actual figure of $171,152 is not large compared to the large increases exceeding $2.0 million in some departments, it represents one of the largest percentage increase of existing departments for 2001. The increase for the Social Development Department by comparison is a modest $253,686 or 12.12% moving from $2,092,454 in 2000 to $2,346,140 in 2001.

49. The sad truth Mr. Speaker is that the material gains of economic development seem to be accompanied inevitably by increases in crime and other deviant behaviour, necessitating increased provision for detention and expanded prison services. It is my hope that the strengthening of the Prison Service will not merely reflect the fact that the total population of the prison is expanding and that additional personnel are needed just to maintain existing operating levels but also Mr speaker that the Prison is increasing its focus on the development of a professional cadre of Prison Officers, whose impact will be evidenced by the
successful rehabilitation of inmates into society as productive citizens.

POLICE

50. A modest increase of $288,478 or 7.3% is also anticipated in the budget for the Royal Anguilla Police Force. The increase will enable the Force to expand its training programme as a result of providing $158,000 for training in its budget. The Force in addition will be able to access training from the training vote managed by the Department of Public Administration.

JUDICIAL DEPARTMENT

51. Mr. Speaker, the Judicial Department has benefited from the provision of new and much improved office and court facilities. In 2001 the modernization process will involve the updating of the system and operating procedures of the Eastern Caribbean Supreme Court, through the computerization of the administration of cases and the other functions of the Registry of the Court. The computerized procedures will necessitate additional staff trained in the operation of the system. As a result, provision is being made for an additional three members of staff to enable the Department to adequately handle the case management system.

52. The biggest component of the increase in the budget for the Judicial Department will be in Subscriptions, Contributions and Subventions moving from $120,000 in 2000 to $560,000 in 2001 an increase of $440,000 of 376% to cover Anguilla’s contributions to the Eastern Caribbean Supreme Court. This increase is necessary to meet past due contributions to the Court, which were inadvertently overlooked over the past several years and to meet current contributions due in the year 2001.

MINISTRY OF FINANCE AND ECONOMIC DEVELOPMENT

53. Mr Speaker the Ministry of Finance and Economic Development will be placing emphasis in 2001 on the following initiatives with impacts on recurrent expenditure:

a) completion of the Treasury Computerization Project;

b) institutional strengthening and development of the Information Systems and Technology Unit and its establishment as a separate department;

c) development of Internal Audit and its establishment as a separate department reporting to the Deputy Governor and an Internal Audit Committee;
d) institutional strengthening and development of the Statistics Unit, implementation of the 2001 Population Census and conduct of a survey of living conditions and assessment of poverty in Anguilla;

e) improvement in the project planning and economic planning capacity of the Ministry;

f) strengthening of the financial management and budgeting process;

g) strengthening of the administration of trade and commerce, business licensing and business development; and

h) improving the collection of taxes

54. The consequences of these initiatives include expansion of the Government’s financial and economic management capacity and improvement of the mechanisms of accountability. They also include efficiency improvements and increased value for money. They will enable the Government to make greater use of information technology and to implement e-government solutions.

THE GENERAL SITUATION

55. Mr Speaker I have not touched on each and every Department. That would be too long and would surely leave everyone snoring by the time I have finished. I sought merely to highlight a number of key areas of focus, directly related to the proposed recurrent expenditure increase. The fact that some departments may not have been specifically mentioned is not to be regarded as a reflection of their lack of significance. In those departments the minimum objective will be to maintain service in 2001 at the same level as in 2000.

56. The maintenance of current levels of some Government services and the expansion and improvement of others as planned by the various ministries and departments require in my best judgement Mr. Speaker total Recurrent Expenditure of $88,082,466 in 2001.

LOCAL CAPITAL EXPENDITURE IN 2001

57. Mr. Speaker I will turn quickly to the Government’s public sector investment priorities for 2001, which will have the greatest impact on capital expenditure. Without doubt, Mr. Speaker the expansion and development of Wallblake Airport heads the list. Significant provision is being made to enable the process of land acquisition and compensation for land and buildings to be substantially advanced in 2001 in order to facilitate the start of construction as early as possible in 2002.
58. The continuation of the road improvement and development programme is the second priority of the capital budget. In 2000, 100 per cent of capital expenditure on road development, some $5.0 million overall, has been incurred as local capital expenditure. Most of this expenditure was financed with part of the proceeds of a capital budget loan from the National Bank of Anguilla and the Caribbean Commercial Bank. For 2001 Mr. Speaker, funding for road improvement and development will come largely from external sources. Government has raised a loan from the Caribbean Development Bank of some EC $10.0 million (US $3.7 million) to finance improvements to roads damaged by Hurricane Lenny. This project will commence in the second quarter of 2001.

59. A further $5.0 million in grant funds from the European Development Fund (EDF) will become available in 2001. European Commission officials have advised that the financing plan for the construction of the Blowing Point to Little Harbour (Development) Road should be approved by the European Commission by the end of March 2001 and construction should commence round about the middle of the year.

60. The European Union is the only source of public sector grant funding that Will be accessible to Anguilla over the next few years. I wish there were other sources but regrettably that is the reality of the international aid situation today.

61. Capital expenditure on road improvement amounting to at least $15.0 million will therefore be largely financed from external sources in 2001 and 2002 if necessary. The local capital expenditure allocation for the Ministry of Infrastructure is $4.05 million.

62. The second largest allocation for Local Capital Expenditure for 2001 is to the Ministry of Finance a figure amounting to $1.725 million. This is to cover capital expenditures ranging from purchases of vehicles and equipment for all ministries and departments, to renovation of government buildings and plant as well as financing capital projects specific to the Ministry of Finance such as local counterpart financing for the Treasury Computerization Project.

63. $1,401,000 is being allocated for capital expenditure in the Ministry of Social Development to cover priorities in medical and health, social and community development and sports development.

64. Total local capital expenditure is estimated Mr Speaker at $7,326,000. This is local capital expenditure. The bids submitted by the ministries for capital projects ran into many more millions than this modest amount for which this House is being requested to make provision. The amounts have not been broken out into specific subprojects at this stage because Ministries would need to revisit
their priorities and adjust their plans to best utilize the available funding. They will be required to submit priority lists of proposals for use of the capital expenditure allocations for the approval of the Ministry of Finance. They will be required also to submit memoranda on each approved project in their priority lists before authorization to incur expenditure will be given. In this way control will be exercised to ensure that the limited local capital budget is allocated to projects of the highest priority.

65. The 2001 Estimates provide for the financing of the 2001 capital budget out of surpluses of revenue over recurrent expenditure unlike in the present year when Government had to resort to a capital budget loan of $6.0 million, raised in equal proportions from the Caribbean Commercial Bank and the National Bank of Anguilla.

66. The sum of $88,082,466 in recurrent expenditure and $7,326,000 in local capital expenditure gives a total of $95,408,466. I am proposing that we spend this amount to provide for the public services of Anguilla in 2001 and to upgrade and add to our national infrastructure. We do not intend to borrow to raise any of the revenue to meet these expenditures. In fact as a core fiscal policy objective we are required to adhere as closely as possible to the balanced budget principle without resort to borrowing to fund the local capital budget. We were able to obtain the approval of Her Majesty’s Government for the local capital budget loan in 2000 because of the recognition that Hurricane Lenny had severely impacted Government’s fiscal position in 2000. At the same time Government would have to continue to implement long-term infrastructure rehabilitation measures and expand infrastructure to meet the requirements for long term growth of the economy.

67. Mr. Speaker, this brings me to the most challenging part of the budget exercise, that is the raising of the revenue required to meet the expenditures discussed so far and deemed to be necessary to maintain and improve the delivery of the public services to the Anguillian populace.

THE 2001 REVENUE ESTIMATES

68. Mr. Speaker, the 2001 budget exercise has brought home powerfully to all those who have participated in it, the urgency and necessity for the people of Anguilla to foot the bill themselves, as it were, in providing for the annual financial requirements to run the Government services. We delude ourselves Mr Speaker if we think that the world is still very generous and development aid grants are still out there to be accessed. The international community has moved away from providing grant support to developing countries, both large and small, that have reached a significant level of economic welfare as measured by economic
indicators which overemphasize per capita Gross Domestic Product (GDP) and ignore structural and social factors.

69. The focus of the advanced countries Mr Speaker is now on supporting poverty reduction among the world’s poorest nations. It does not matter how the advanced countries are grouped, whether as the seven largest industrial countries, the G7, or as the Organization for Economic Cooperation and Development (OECD) or in major trade and economic blocks such as the European Union, poverty reduction wherever you go Mr Speaker is now their watchword.

70. This policy change has also been adopted by the United Nations and its various development institutions, such as the World Bank and the United Nations Development Programme (UNDP).

71. The message is clear Mr Speaker we have to pay our own way, starting now.

72. The developed countries have made poverty reduction the core objective of their bilateral aid programmes as well as their regional aid programmes. This is reflected in the Strategic Country Programme agreed between Anguilla and Her Majesty’s Government that caters essentially for capacity building and institutional strengthening in the Anguilla Public Service and does not include any commitment at all to assist in providing grant financing towards actual construction of any of the major infrastructure projects of the Government of Anguilla.

73. The writing is on the wall – we have to pay our own way.

74. Can we borrow our way out of the current development challenges Mr Speaker? Prudent Government means that we have to develop and implement a borrowing policy and plan that is responsible and affordable and does not mortgage the future of succeeding generations to the repayment of loans which they did not incur and cannot afford.

75. Moreover, Mr Speaker, so long as we maintain our constitutional ties with Britain, they will insist on transparency, responsibility and accountability in financial management especially in borrowing, if only because they carry a burden of contingent liabilities for the loans raised by Overseas Territories. We are enjoined therefore to develop borrowing policy guidelines that would enable us to use borrowing to advance Anguilla closer to the achievement of sustainable development. Even so Mr Speaker loans have to be paid. To meet our loan repayment obligations the necessary revenues will have to be raised from within our economy.

76. There should be no doubt that we are being called on to provide from our own resources, the revenues required to directly finance our development and to
finance the repayment of loans raised to help pay for projects. It comes down to nothing less than paying our own way.

77. Mr. Speaker there is only one sure and low risk way for a person to pay his own way. He has to dip into his pockets and find the money, earned from hard work. If he borrows he is merely postponing the time when he will have to dip into his pocket and spreading out the period during which he has to make good on repayment. And we all know how much we would rather not pay the interest cost on a loan which can be a very substantial sum over the life of the loan.

78. It is no different with running the Government. The end users of the public services, whether these services are law and order and security, health and education or business regulation, pay for these services through the taxes, licenses, fees and charges levied by the Government. If we are to pay our own way we must dig deeper into our pockets. Indeed we have no choice seeing that development grants have all but dried up.

79. Self-reliance is one of the character traits that accounts for the survival and growth of the Anguillian community over the centuries leading eventually to the economic, social and political transformation that has been achieved over the past 33 years and particularly the last 20 years on the economic front. The call to pay our own way is a call for us to return to and wholeheartedly embrace self-reliance. It is also a call for self-sacrifice.

80. Self-sacrifice is another trait that served our forebears well. They knew how to postpone the fulfillment of immediate desires so that they could have greater satisfaction later. Their reputation for saving was born out of their commitment to self-sacrifice so that they and their children could have something better in the future. Self-sacrifice Mr Speaker also meant that they were always willing to give up some of their individual desires in favour of the interest and the good of everyone in their family, village or entire island community. We have to call on this spirit of self-sacrifice for the common good as we face the challenge of generating the finances from the people and businesses of Anguilla to meet the recurrent and development needs of the Public Sector.

81. It would be well to note Mr. Speaker that Government Services in 1999 according to the National Accounts Statistics accounted for 13.57 % of Gross Domestic Product (GDP) at factor cost in constant prices contributing a net amount of $25.4 million. By comparison the Construction Sector contributed $29.92 million, Banking and Insurance $23.97 million and Hotels and Restaurants the largest share, $59.1 million. Government Services was therefore the third largest contributor to GDP behind Construction with 16.22 % and Hotels and Restaurants with 32.03 %. Government Services has rivaled Construction over the years as the number 2 and number 3 contributors to GDP. Some years Government Services
has been the second largest contributor and in other years it has been the Construction Sector.

82. I am mindful therefore of the expansionary impact of the Government budget on the Anguillian Economy and the added importance of having an activist fiscal policy rather than a passive policy stance. The expansion in the budget proposed for 2001 should therefore have a very positive impact on the economy and should be reflected in the 2001 GDP Estimates when they are prepared in 2002.

83. Government’s critical role however is economic and financial management and the promotion and facilitation of sustainable development. To do this effectively we require adequate resources. Hence, we have to propose a number of revenue measures, which we deem to be modest, in order to increase the contribution required from the people of Anguilla. At the same time, we have calculated that a number of fees based initiatives geared to clients in the rest of the world, notably the domain name registry will begin operations early in 2001 and it is expected to generate substantial revenue.

84. This domain name registry has taken more time to be established than earlier anticipated. At this time the servers for the Anguilla location at the Information Systems and Technology Unit have been installed as well as at locations in the USA and Singapore. The marketing plan has been developed and ready for roll out. I am extremely optimistic that this project will generate substantial revenues in 2001 and probably exceed our budgetary estimates.

85. Some of the additional revenue required will derive from improvements in tax collection and from expansion of supply of products and services, notably increased production and sale of water. Additionally, a number of special initiatives have been included in the revenue plan relying on a fresh and creative approach to revenue raising, taking account of the broad range of short and long term options open to the Government.

86. The summary, Mr Speaker, of Recurrent Revenue Estimates for 2001 shows projected total revenue of $97,538,600. The figure approved for 2000 was $75,923,000. We anticipate an increase therefore of $21,615,600 or 28.47 %. By comparison, total Recurrent and Capital Expenditure is $95,408,466. We are therefore projecting an overall net surplus of $2,130,134. This surplus would be used to build up reserves to be used in the event of national emergencies such as hurricanes, to serve as a fund for helping to retire long term Government debt and to help finance future public sector investment projects. To this end Mr. Speaker, Executive Council recently agreed to set aside a sum of $250,000 at least each quarter into a reserve fund.
87. This small step represents significant self-sacrifice on the part of the Government on behalf of the people so that Anguilla can be placed in a stronger financial position with significant reserves built up over the medium term. Government proposes Mr Speaker to set aside increased amounts in the years following, barring any hurricanes or any other natural disaster. This will considerably strengthen our borrowing capacity as we address the expansion of Wallblake Airport, seaport development and continuing improvement and expansion of the road network.

**TAX REVENUE MEASURES FOR 2001**

88. Careful consideration has been given to various ways of financing the proposed expenditures for 2001. Government finally decided on a combination of increases to a number of taxes, fees and charges and the adoption of a number of short term and longer-term strategies to generate the required revenues.

89. The following Mr Speaker are the main adjustments in taxes fees and charges that are proposed in the year 2001:

   i) **Accommodation Tax**
      
an increase by 2 percentage points from 8 % to 10 %.

   ii) **Import Duty Alcohol**
       
an increase in the specific tax from $10.00 to $20.00 per gallon.

   iii) **Import Duty Gas and Fuel**
        
an increase of $0.50 per gallon

   iv) **Business and Professional Licenses**
       
increases in the fees for the various categories listed in the schedule and new additions to the schedule of trades, businesses, occupations and professions.

   v) **Drivers Licenses**
       
increases in the fees for temporary, annual and multi-year drivers licenses ranging from a 233 % increase for temporary licenses to 90 % for three-year licenses and 78 % for annual licenses.
vi) Motor Vehicle Licenses

an average of 50% increase for cars and small capacity vehicles with higher rates of increase for large capacity vehicles that do most damage to the road network.

90. Adjustments are considered for a number of other fees and licenses affecting businesses, occupations or professions not covered by the business licensing law. These, Mr. speaker are not major and will be covered fully when the House goes into Committee.

91. I must comment in particular on the increase in Motor Vehicle Licenses and I must stress Mr Speaker that there will be no increase in the duty on the import of vehicles. The upgrading and maintenance of our road network is an expensive process to which Government is committed. However it is absolutely necessary that all road users contribute to the expansion, upgrade and maintenance of the road network through the payment of realistic vehicle licenses. In particular heavy vehicles, which do most damage to our roads will be required to pay more. And we intend to include a fee for the moving of trailers on the roads, as is the case in other countries. It must be emphasized that the increased contribution from motor vehicle licenses will be more than offset by savings on wear and tear and maintenance of vehicles as a result of the improved quality of our roads.

INCREASED EARNINGS OF GOVERNMENT DEPARTMENTS

92. Mr. Speaker, the earnings of Government Departments are projected to increase by $5,089,900 from an estimate of $14,739,200 in 2000 to $19,829,100 in 2001 or an increase of 34.53%. The revised estimate for 2000 is $7,296,850. The main sources of this major shortfall in earnings for 2000 is the delay in implementation of the domain registry project and the problems with water distribution and billing compounded by the flooding of the Water Department caused by Hurricane Lenny and other factors.

93. A shortfall of $2.0 million is expected in revenue from the sale of water out of an estimate of $3.0 million in 2000. None of the $4.0 million estimated from domain name registrations will be realized. Between these two revenue items $6.0 million out of the expected total shortfall of $7,442,350 will be accounted for. In both cases the problems of 2000 are well on the way to rectification early in 2001. On this basis Mr Speaker earnings of $7.5 million for water sales and $4.0 million for Domain name registrations have been included in the Earnings of Government Departments for 2001. The increase in the figure for water sales from $3.0 million to $7.5 million also reflects a substantial increase in the supply and sale of water on the basis of an agreement just recently signed with Ionics-Aqua Design to increase its sales to Government from 500,000 gallons to 750,000 gallons daily in
The exclusion of the $11.5 million from water sales and the domain registry combined leaves a total of $8,329,100 to be earned from the sale of other services. The estimates for earnings from the Financial Services Department have been conservative and could very well be substantially higher. But out of an abundance of caution we have chosen to be conservative having had experience of the marketing challenges and the negative impacts of the various international financial services related initiatives over the past two years.

The projected increase in Earnings of Government Departments though large is realistic. The good thing is that no increased burden will be placed on the people in realizing the revenue from sale of water, domain name registrations and company registrations. Modest increases are being considered for some of the other fees included in the Earnings of Government Departments but these will affect the direct users of these services.

**MISCELLANEOUS**

Mr. Speaker, I stated earlier that we have been challenged to find new and creative ways to generate additional revenue on a short to medium term basis, to provide the finances required meeting our budgetary objectives. This is particularly important as we commence the transition to a situation where we will achieve sustainability in Government revenues and be able to truly pay our own way.

The work commenced by the Revenue Task Force on Property Tax and Accommodation Tax under the leadership of the Special Ministerial Assistant, Mr. Ashton Bradley will be broadened in 2001 to improve collection in other areas. Emphasis will also be placed on planning the reform of the Property Tax system to generate a meaningful level of revenue comparable to amounts raised in economies of similar size in the region of the order of $4.0 to $6.0 million annually. Further improvements in the administration of Accommodation Tax is also a major imperative of the Ministry of Finance in its drive to improve tax collection.

I wish to draw your attention Mr. Speaker to two new revenue subheads in 2001 under the revenue head Miscellaneous. The first is entitled Proceeds of the Sale of Anglec Shares from which an amount of $6.0 million is estimated to be raised. Government is fully committed to making an Initial Public Offering of shares in Anglec within Anguilla and the OECS sub-region in 2001 to include the divestment of a significant percentage of its 100% ownership of that Company to the people of Anguilla, in the first place and the people of the OECS region in the second.
99. It is my view Mr. Speaker that a properly planned and managed public offering will realize significantly more than $6.0 million in revenue. The market value of Anglec’s shares today Mr. Speaker should significantly exceed their book value because of the financial success of the Company over the past 9 years since it began operations. It would be a disservice to the collective interest of the people of Anguilla, if the shares were to be sold to the public at a substantial discount under their market value. Additionally once the sale is effected Government will no longer own that portion of equity in Anglec. All it will have is the proceeds to be used to help finance the urgent needs of the Anguillian community or to save towards the long-term financial sustainability of Government.

100. It is imperative, Mr Speaker, that this matter be fast-tracked and that a joint Government- Anglec Task Force be urgently created with a strict mandate to implement the divestment by say October 31st 2001. The British Government is prepared to favourably consider providing Government with further technical assistance in the divestment process. While such an input could prove to be valuable I believe that it will be imperative on Government and Anglec to rely on the private sector in the form of one of the internationally recognized financial and audit consulting firms to take the lead in advising on the management and administration of the issue. And I should add as a footnote that the expertise is right here on our doorstep through the Anguilla Office of KPMG LLC, whom I understand has been engaged by the National Bank of Anguilla to advise on and manage their public offering due to go on sale in the first quarter of 2001.

101. Mr Speaker this matter demands urgent action. The Ministry of Finance together with the Chief Minister’s Office, the Ministry of Infrastructure and the Anglec Board and senior management will need to combine their ideas and experience to move this process forward rapidly through a task force specially appointed for the purpose. I feel certain that with determination on all sides the objective will be accomplished in 2001.

102. Mr. Speaker the other new Miscellaneous Revenue sub-head is entitled Social Security Contribution to the Elderly. Mr. Speaker this is not intended to be a one off programme but a permanent programme of the Social Security Board in the furtherance of its mandate to provide a social safety net for the people of Anguilla. This would be the realization of the long held dream of the father of Anguilla’s Social Security System, the Honourable James Ronald Webster. He has always held that Social Security should cover not only those who are the direct contributors, but should also provide a source of support along with the Government to those who did not have the privilege of contributing to the Social Security Fund, but who gave their best years to developing Anguilla to what it has become today. This would put Anguilla in line with other Social Security organizations in the region, which have included among their various benefits,
support for the elderly and other economically deprived groups within their societies.

103. This will be a strong indicator Mr. Speaker that the people of Anguilla are fully committed through their national institutions to improve on the existing standard of care and support for the elderly and other indigent groups in our community. Preliminary discussions have been held with representatives of the Board and management of Social Security and I am assured that this falls fully within the mandate of the Board and that it represents an opportunity for the Board to extend its support for community services and social development programmes.

104. One final revenue item under Miscellaneous is worth commenting on Mr. Speaker, that is, an increase of just over $1.0 million in Dividends from Government investments in the National Bank of Anguilla and Anglec. The $1.0 million represents a projected cash dividend to be paid by Anglec to the Government of Anguilla in 2001 on the results of its operations for the financial year 2000. The Company has achieved a level of profitability that will allow it to make such a distribution and still retain a substantial amount of profit as reserves or retained earnings.

**TOTAL REVENUE**

105. The Total Revenue Estimate, Mr Speaker, of $97,538,600 should be achieved all things being equal. It is a challenging task but I firmly believe that Government is equal to it. I believe that the senior management of the Public Service will be excited by this Budget and in fact have been the source of many of the ideas for new revenue measures. Their willingness to make bold recommendations to their Ministers and the Members of Executive Council opened the way for the Government to begin seriously and substantially to address the question of paying our own way starting with the 2001 Budget.

106. The successful implementation of the programmes to be financed by the Budget, the achievement and I would hope the surpassing of the revenue targets would surely set us on a firm path and provide us with considerable momentum to undertake further innovative and necessary initiatives that would enable us within a matter of a few years to say to each other, to the British Government and to the rest of the world

“We are paying our own way”

107. Mr Speaker this critical point of our development calls for bold steps. We cannot afford to hide our heads in the sand and believe that this situation will pass. We cannot afford to sit back and hope for handouts from external sources in our
quest for development. Those who engage in loose talk about independence need to recognize that it is not a panacea for limited aid flows and claims of too much power in the hand of the British Government. Others who have carefully observed the plight of independent states in our region would notice that limited aid flows continue to be the reality and real control over their destiny quite often ends up in the hands of the IMF and the World Bank, as opposed to a more accessible colonial power.

108. The Government of Anguilla recognizes its responsibility in this new dispensation and as leaders we are prepared to take up the challenge with courage and aplomb. We believe that at the end of the day all Anguillians will come to appreciate the importance of the initiatives we are taking in this budget and will give us their full support.

109. Mr. Speaker in closing let me offer a few words at this Christmas Season and on this occasion of the true end of the Second Millennium and Twentieth Century and the eve of the Third Millenium and 21st Century.

110. This year has had many challenges and as a resilient people we have risen to the occasion. It is my hope that this Xmas season can be used as a time for reflection on the blessings we have received and the importance of giving a little more for the betterment of our nation. Many of our friends and family members have gone on, but in particular this week it would be remiss of me not to mention the passing of two of our pioneering businessmen the late Mr MacEllis Brooks and Mr Clement Daniels, two stalwarts who played an important role in the building of our economy. It is the kind of entrepreneurship which they demonstrated that has sustained our economy over the years and it would be a great testament to their memory if we carry on their spirit as we wrestle with the challenges of this new age.

111. I thank you Mr. Speaker for the opportunity to deliver the 2001 Budget Address. I trust that all the people of Anguilla will give their wholehearted support to the Government as it endeavours to do more for the entire community, to meet the people’s expectations for a higher standard and quality of public services. I hope that they will respond by contributing their fair share of the modest increases in the revenue measures proposed in the 2001 Appropriations Ordinance

Mr. Speaker I beg to move

Victor F. Banks
Minister of Finance

December 14, 2000