



Hon. Victor F. Banks
Minister of Finance and Tourism

BUDGET ADDRESS 2006

“MANAGING THE CHALLENGES OF SUCCESS”

Introduction

Mr Speaker, fellow Ministers of Government, Members of the Opposition, other Members of the House, invited guests, those listening via radio, television or over the internet – good afternoon. It is my duty this afternoon to present Government’s budgetary proposals for the fiscal year January to December 2006.

In the years that I have served as Minister of Finance I have always presented the Budget Address around a central theme. Usually in the process of deciding on a budgetary theme many possibilities are suggested. In this year’s budget retreat with my Division and Department Heads there was the overwhelming sense that over the past two years Anguilla has taken off to such an extent that we have to be careful that things do not run away from us. As such we unanimously agreed that the 2006 Budget Address theme should be “**Managing the Challenges of Success**”.

Mr Speaker, 2005 has been a very eventful year. There was a hard fought General Elections in February. A major plank of our election campaign was that the Anguilla United Front Government had successfully managed a financial crisis, reversing the trend of fiscal deficits on Government’s recurrent account in the period 1999 to 2001, to one of fiscal surplus over the period 2002 to 2004 through the implementation of a 3-year Fiscal Stabilization Programme. The fiscal buoyancy was partly the result of the reinvigorated economy. Whereas the economy grew by 3% in real terms from 1999 to 2001, it grew by 17.7% from 2002 to 2004.

Based on this record we felt that we had demonstrated to the people of Anguilla that the Anguilla United Front Government provided a safe pair of hands and could be trusted to “**Steer the Right Course to 2010 and Beyond**”. We were confident in our ability to deliver social reconstruction and social development for Anguillians, built on a foundation of gradual and sustained fiscal and economic expansion. You agreed and gave us the mandate to continue for another 5 years. On behalf of my fellow Members of Government and other members of the Anguilla United Front I wish to take this opportunity to again thank the people of Anguilla for giving us that resounding vote of confidence.

Mr Speaker, while economic recession brings with it problems of rising unemployment and deteriorating fiscal balances, economic expansion can be equally challenging. For example, there is a phenomenon, which economists call “immiserating growth”, which means that rapid economic growth need not be accompanied by economic development and in fact can result in a net reduction in overall social well-being.

I mentioned that 2005 has been an eventful year. One watershed moment came on October 27 when Government announced that it was imposing a moratorium on major new foreign tourism resort/resort residential projects for 30 months effective November 1, 2005. In our policy statement on the issue we stated that the moratorium is in keeping with the commitment of this Government to carefully manage the development of the economy to achieve long-term sustainability and to prevent over-development.

Mr Speaker, one might ask what can be the consequences of too rapid expansion of an economy driven by tourism? I posit that it can result in the need to import massive amounts of labour which would in turn lead to a rapid increase in the population, which would in turn put severe pressure on social services (such as education and health), infrastructure (roads and air and sea transport facilities) and social cohesion. We need not look too far among in our sub-region to see the impact of too rapid an expansion of the tourism industry in too short a period of time. It does generate social disintegration and the emergence of dual societies characterised by the “haves” and the “have nots” (largely immigrant), an increase in crime, environmental degradation and economic disenfranchisement of locals. In short, Mr Speaker, rapid economic expansion of an economy driven by tourism can be “immiserating”.

Depending on whom you speak to, Government has been either pilloried or applauded for its decision to impose the moratorium on new major foreign tourism projects. It is interesting to note that the Herald Newspaper of St. Maarten chose to make the Government of Anguilla’s announcement of the investment moratorium the feature of its Editorial and suggested that St. Maarten could do well to take note of Anguilla’s stance and analyse whether the seeds of the challenges it currently faces were not in fact sown during the period of rapid expansion of tourism in St. Maarten in the 1970s and 1980s.

Mr Speaker, it is tough to go against the prevailing winds, so to speak. But this Government has never shrunk from the task of being a countervailing force when it has been required to take tough choices. The themes of recent Budget Addresses such as “Paying our Own Way”, “Facing our Challenges with Solutions from Within”, “Being Effective Stewards Today”, “Real Choices for a Modern Anguilla” and yes, “Anguilla Inc: Open for Business”, patently demonstrate this.

Mr Speaker, even though last year I declared Anguilla Open for Business, it did not mean that this Government would accept foreign direct investment at any and at all cost. We have always been keen to point out to foreign investors who have beaten the path to our door in the past few years, the distinction between the “maximization of returns” and the “optimisation of returns” from a project. Maximization of returns focuses principally on financial returns. Optimisation of returns on the other hand is more qualitative and, speaks to an approach, which takes into consideration social, economic, political, environmental as well as financial factors, and seeks to derive an outcome, which is mutually beneficial to all stakeholders. Furthermore, we emphasize that the Anguillian Government favours the “optimization of returns” approach, as it is the only way to foster economic growth coupled with economic development, and avoid immiserating growth.

Mr Speaker, I end this introductory part of the Budget Address by quoting from the Nobel Prize winning economist Joseph Stiglitz who speaking on the necessity for the government's presence in the market states that:

'...the reason the invisible hand [of the market] often seems invisible is that it is not there. That means that there is an important role for government. Or to put it another way, every game needs rules and referees to avoid chaos, and that is true of the market game as well'.

This Government will not and must not allow a free for all in Anguilla no matter how strong the interest by foreign investors. "Good Governance", a phrase very much in vogue in relation to public administration not only speaks to issues of financial prudence and probity, it also fundamentally speaks to the consequences, the legacy of Government's policy decisions. As I stated in last year's Budget Address, we in the Anguilla United Front Government are motivated by the desire to ensure that the possibilities open to the present generation are continually expanded, but not at the expense of future generations. "Managing the challenges of success" is inherently a part of good governance.

Mr Speaker, putting together the annual budget is a very significant undertaking requiring efforts by many individuals. I am particularly indebted to and wish to again thank my two Division Heads – Mr Carl Harrigan, Permanent Secretary for Finance and Mr Marcel Fahie, Permanent Secretary for Economic Development, Investment, Commerce and Tourism – for the stellar job they have done in coordinating the preparation of the 2006 Budget. They were ably supported by the other senior and support staff of my Ministry (Dr Wycliffe, Dr Aidan Harrigan Shona Proctor, Patricia Wattlely and Sonia Brooks).

Mr Speaker, I would also like to acknowledge the support of my Ministerial colleagues in this endeavour in particular the Chief Minister, a former Minister of Finance. We feel that this 2006 Budget facilitates the realization of the pledge we have made to the people of Anguilla to focus on social reconstruction and social development, built on a foundation of gradual and sustained fiscal and economic expansion.

2. 2005 ECONOMIC AND FISCAL REVIEW

Permit me Mr. Speaker to undertake a brief review of the country's economic and fiscal situation.

2.1 Economic Activity

Mr Speaker, according to statistics compiled by our Statistics Department in conjunction with the Eastern Caribbean Central Bank, Anguilla's Gross Domestic Product, in real terms grew by **13.7%** in 2004. This represented a tremendous improvement from the growth rate of 3.5% in 2003. In fact, Anguilla's growth rate in 2004 was the highest among Caribbean Development Bank borrowing countries. Construction and tourism, as measured by activity in hotels and restaurants, were two

of the main drivers of economic activity growing by 45% and 15%, respectively. Economic activity in Anguilla in 2005 has remained buoyant. Projections are that economic growth for the year will be in the region of **10%**, in real terms, with construction and tourism continuing to drive activity.

2.2 Fiscal

Mr Speaker, fiscal performance is measured in terms of recurrent revenue relative to recurrent expenditure, and combining this with capital revenue and expenditure to give a picture of Government's overall fiscal balance.

Recurrent Revenue

Mr Speaker, not unlike 2004, the revenue budget for the whole of 2005 was fully achieved by the first week in November. The revised recurrent revenue target for 2005 is now estimated at **\$120 million** compared to the budget estimate of \$102.2 million. The strongest performers by revenue head in 2005 have been Import Duty (Other), Accommodation Tax, Stamp Duty and Work Permit Fees.

Collections from the Import Duty (Other) revenue head in 2005 are projected to amount to **\$35 million**. This would represent a 27.3% improvement from the budget estimate of \$27.5 million. The buoyant Import Duty (Other) collections are reflective of the growth in economic activity in general as economic growth is a natural revenue multiplier. Mr Speaker, I have to recognize the performance of the Customs Department, which despite working under severe staffing constraints has diligently stuck to the task of facilitating trade and collecting the revenues due to Government.

Accommodation Tax is also expected to perform better than expected with projected collections estimated at **\$15.7 million** compared to the budget estimate of \$12.7 million. This is directly attributable to strong visitor arrivals in 2005, particularly of the all important stay-over visitor category, which are expected to increase by 13.6% from the 2004 figure of 53,987 to 61,329 in 2005.

Stamp Duty has continued the exceptional performance of the previous three years. For 2005 the projected revenue is **\$15 million** compared to the budget estimate of \$8 million. The strong performance in Stamp Duty collections since 2002 is a reflection of the extensive foreign direct investment inflows to the island in new tourism resort and villa projects.

One other revenue head worthy of individual mention is Work Permit Fees. For 2005 collections from work permit fees are projected to amount to **\$2.2 million** compared to the budget estimate of \$1.7 million, 29.4% over the budget estimate. Collections from Work Permit Fees have steadily increased since 2003 and reflect the tightening labour market conditions, particularly in the construction industry, which has resorted to increasing the import of labour to meet the demand of new tourism resort and villa projects currently under construction.

Mr Speaker, while the strong revenue collections in 2004 and 2005 can for the most part be explained by the robustness of economic activity these past two years,

improvements in Government's revenue collection infrastructure have also made an important contribution. The Inland Revenue Department became operational as a distinct department within the Finance Division of the Ministry of FEDICT during the course of 2004 and has been vested with new tools to improve the efficiency of revenue management. This includes the implementation of the Standard Integrated Government Tax Administration System (SIGTAS), which went online in May of this year and the provision of renovated facilities to house the Inland Revenue Department in attractive and customer friendly facilities.

Mr Speaker I would like to take this opportunity to recognize the efforts of the Inland Revenue Department and the Department of Information Technology and E-Government Services in implementing the very complex and challenging SIGTAS project. Implementation of this project included the introduction of individual taxpayer codes and thus facilitates better enforcement of tax legislation and collection of arrears. Information for management purposes is now available in real time and therefore facilitates the whole fiscal monitoring and review process, making for proactive rather than reactive decision making.

Recurrent Expenditure

Mr Speaker, recurrent expenditure is expected to amount to **\$104.5 million** in 2005 compared to the budget estimate of \$98.0 million. The over-expenditure for the most part is attributable to the Government awarding an average pay increase of 10% to civil servants and an increase in the pensions benefit of retired civil servants, effective July 1, 2005. Increased subventions to the Health Authority of Anguilla and the Anguilla Tourism Board were also made.

Recurrent Balance

With recurrent revenue projected at \$120 million and recurrent expenditure projected at \$104.5 million Government's recurrent fiscal balance for 2005 is projected to be **\$15.5 million**. This would be the second year running that Government would have recorded recurrent surpluses in excess of \$10 million. A recurrent surplus of **\$22.7 million** was recorded in 2004.

This success is not by accident but goes to the policy measures that were included in the Fiscal Stabilization Plan, which ran from April 2002 to March 2005. Mr Speaker, you may well remember the theme of the 2002 Budget. It was "Facing our Challenges with Solutions from Within". **We addressed the fiscal crisis, which the Government faced at the end of 2001 by crafting the Fiscal Stabilization Plan within the Ministry of FEDICT without having to call on any external agency. That makes me proud Mr Speaker.** And I know it makes the Chief Minister proud as well, as he is always telling firms who try to hawk their public finance management consultancy services to the Government of Anguilla "thank you, but we have no need for your services as we have people who are eminently qualified in this area and they are doing an excellent job".

Contribution to Fiscal Reserves

Mr Speaker, generating recurrent surpluses affords Government the opportunity to set aside fiscal reserves for a rainy day. Some **\$5.86 million** of the 2005 recurrent surplus has been put towards fiscal reserves. Fiscal reserves now stand at **\$16 million** and are ahead of the \$12.9 million that was required to meet the target of 45 days of recurrent expenditure for 2005. Mr Speaker, 25 years after formal separation from the tri-state of St. Kitts-Nevis-Anguilla, Anguilla is indeed coming of age and every year we make important strides towards financial autonomy and sustainability. This Government will continue to do what is necessary to steer Anguilla on the right course towards greater financial sustainability.

Capital Expenditure

Mr. Speaker, capital expenditure for 2005 is projected to top out at around \$40.5 million. The major expenditure has been in the area of air transport development as Government continues implementation of its Medium Term Air Transport Sector Plan, covering the period 2004 to 2008. Other major areas of expenditure have been tourism marketing and promotion to complete the Anguilla re-branding effort commenced in 2004 and the funding of capital infrastructure for the Health Authority of Anguilla, most notably a new state of the art X-ray machine.

Overall Balance

Mr Speaker, the “overall balance” is simply the difference between total revenues and total expenditure. With recurrent expenditure projected at **\$104.5 million** and capital expenditure projected at **\$40.5 million**, total Government expenditure for 2005 is projected at **\$145 million**. Mr Speaker, there were no capital revenues during the year so that in fact total revenues is the amount projected for recurrent revenue which is **\$120 million**. The difference between total revenues and total expenditure is therefore expected to be **\$25 million**, representing expenditure on capital projects. Mr Speaker this financing gap has been met by \$12 million in borrowing in 2005 and \$16.35 million in unutilised borrowing from 2004.

Public Debt

Mr Speaker, the Public Debt of the Government at the end of October 2005 stood at **\$84.6 million**. Of that amount \$27 million is a bridging loan that was used to finance the extension of the runway at Wallblake Airport in 2004. The United Kingdom Government, with whom the Anguilla Government, like other Overseas Territories Governments, has agreed Borrowing Guidelines, does not count this bridging loan in Anguilla’s Public Debt since it will be repaid as soon as development assistance funds from the European Union are received. In this respect Mr Speaker, I am happy to

report that EU officials indicated to me at the EU-OCT 2005 Forum, which was held in Brussels last week, that the EDF 9 funds should be available for release to Anguilla by the beginning of March 2006.

In terms of other debt, Government Guaranteed Loans, that is, loans held by ANGLEC, the Anguilla Development Board and the Anguilla Tourism Board, which the Government guarantees, stood at **\$18.4 million** as at the end of October 2005.

Mr Speaker, Government's Debt to GDP ratio, excluding the bridging loan to finance the Wallblake Airport Runway extension, is now 24%. If the guaranteed loans are included the ratio would be 31%. This is well inside the prudential guideline established by the Eastern Caribbean Central Bank, which advises the ECCB member territories not to allow their Debt to GDP ratio to exceed **60%**.

Given its existing level of debt the UK Government in its recently concluded 2005 Economic Review of Anguilla concluded that the Government of Anguilla had room to borrow up to **\$20 million** in 2006.

I wish to note here Mr Speaker, that the process of tabulating Anguilla's debt and ensuring compliance with the Borrowing Guidelines has been made easier this year by the provision of a Debt Officer within the Ministry of FEDICT. This Officer will be working closely with the ECCB to bring all Anguilla's debt data on to a management information system called the "Computerised Debt Recording and Monitoring System" or "CDRMS" by June 2006.

That Mr. Speaker completes my review of the economic and fiscal situation in Anguilla in 2005. Having provided this situational analysis I now turn my attention to what Government considers to be the economic, fiscal and other strategic policy imperatives for 2006 and beyond.

3. ECONOMIC, FISCAL AND OTHER STRATEGIC POLICY OBJECTIVES FOR 2006 AND BEYOND

THE AUF'S VISION 2020

Mr. Speaker, I wish to place the **2006 Budget Address** in the context of the promises the **Anguilla United Front** made to the people of Anguilla in February this year, when we sought another five years in office to continue **steering the right course**, aimed at realizing an Anguillian society enjoying sustainable human development.

Our vision for Anguilla, presented to the people in February is now the vision of the Government of the Anguilla United Front. It is on page 1 of our Manifesto, "**Steering the Right Course**", approved as the guiding programme document of the Government for the next five years. The AUF Vision 2020 states:

“ANGUILLA IN THE YEAR 2020 WILL BE A HARMONIOUS AND EMPOWERED SOCIETY, IN A HEALTHY ENVIRONMENT, WITH CONSTITUTIONAL AUTONOMY, ENJOYING A HIGH STANDARD OF LIVING AND SUSTAINED SOCIAL, CULTURAL DEVELOPMENT, DEMOCRATICALLY ACHIEVED, A FULL MEMBER OF THE REGIONAL COMMUNITY, COMPETING SUCCESSFULLY IN THE GLOBAL MARKET.”

This vision statement is a central reference for shaping our policies, strategies, plans and programmes. Mr. Speaker, the Government of the Anguilla United Front has also determined its strategic focus for the next five years. We are committed to:

“SOCIAL CONSTRUCTION BUILT ON A FOUNDATION OF SOLID ECONOMIC PROGRESS AND DEVELOPMENT.”

Our **Strategic Focus** provides the direction, which our multi-year and annual planning, programming and budgeting should take.

GOVERNMENT’S OVERARCHING DEVELOPMENT POLICY OBJECTIVE

Permit me to address briefly the principal policy issues with which this Government will be concerned in 2006 until 2010. Mr. Speaker, our overarching development policy objective defined in “**Steering the Right Course**” is:

“Long term, self determined, sustainable, culturally enhancing and environmentally sound human development, with high, equitably distributed per capita income and low inflation”.

We have set ourselves a very tall objective. We are challenged to translate it into feasible annual and medium term programmes, policies, plans and strategies, to promote and advance the welfare of our people.

Mr. Speaker, over the past four years, we have succeeded beyond expectation in stimulating strong economic growth, restoring fiscal stability and balancing the annual budget. It is our solemn duty to manage this growth to assist us in realizing the general development objective we have enunciated. We will inevitably face obstacles, we will have to resist forces that would deter us from pursuing our vision of a developed Anguillian community. **We must reflect our commitment to this objective in the hard choices we make in managing the economy. We must demonstrate our commitment by aggressively pursuing development of the social sector and improvement of social service delivery on a greatly expanded basis.**

STRATEGIC ECONOMIC DEVELOPMENT OBJECTIVES 2005 - 2010

The Government has placed emphasis, rightly so, on the empowerment of our people through ownership and management of the economy. They must ultimately own and control the “**commanding heights of the economy**”.

Our major economic development policy objectives for 2005- 2010 are:

- maintenance of leadership by the Government and people of Anguilla in determining Anguilla’s development vision and mission and in setting its development policy objectives;
- expansion of participation by Anguillians into the lead role in the ownership, control and management of business;
- strengthening the economic management capacity and effectiveness of the Government; and
- expansion of the knowledge and skills of the Anguillian community to provide the majority of the human resources needed for development.

We are also deeply committed to maintaining and strengthening fiscal discipline and responsible fiscal management and governance. Emphasis will be placed on developing the tax system in 2006 and beyond to generate substantial revenues on a recurring and predictable basis sufficient to:

- finance recurrent expenditure;
- finance at least 20% of the Government’s capital expenditure;
- build reserves exceeding 90 days recurrent expenditure including special reserves for disaster response and for social sector development and;
- strengthen the Government’s ability to meet its debt service commitments.
- expanding Government’s borrowing capacity;
- improving the ability to finance short term responses to natural disasters and external shocks; and
- strengthening Government’s fiscal management capacity.

Government has set various economic development targets for 2005 - 2010. Our principal targets are:

- an annual average growth rate of 10 %;
- full employment, with unemployment not exceeding 5%;
- average inflation not to exceed 5% per annum;
- a significant annual average increase in real per capita GDP close to the 10% average annual growth target for the economy; and
- a significant reduction in the number of poor and economically deprived.

A major policy focus in addressing the challenges of our success will be on the management of private sector investment. The aim of our investment policy will be to achieve the Government’s economic empowerment and sustainable

development goals. Various elements of investment policy have been applied in negotiating investment agreements with foreign and Anguillian investors over the past four years. **Starting with these policy elements we will commence the development of a comprehensive and coherent private sector investment policy in 2006.** The direction for that policy statement has been included in our programme document “**Steering the Right Course**” in the form of the following Private Sector Investment Policy goals:

- enactment of legislation and regulations to improve the promotion and regulation of private sector investment;
- implementation of improved organizational arrangements for the administration of the investment process;
- implementation of programmes to facilitate and support investment by Anguillian entrepreneurs; and
- establishment of limits on the areas and business activities in which foreign investment would be permitted.

Mr. Speaker, the recent success we have achieved in attracting investment and stimulating the economy is unprecedented, since we began developing a tourism based economy 28 years ago, with the approval of the Cinnamon Reef Hotel in 1977.

ECONOMIC CHALLENGES OF THE CURRENT PERIOD OF GROWTH

Our success, Mr. Speaker, in restoring robust economic growth has been accompanied by the unleashing of significant negative pressures and forces. Failure to minimize the impacts of these forces, will lead to a bitter harvest of underdevelopment, rather than the desired dividend of sustainable development and social enrichment. Instead of economic self-reliance, self-determination and independence, succeeding generations could be faced with economic disenfranchisement and dependence, social decay and impoverishment – in short, immiserating growth.

Careful planning is required to prevent the lion’s share of the benefits of economic growth from accruing mainly to foreign investors, to the foreign managers and professionals which would be recruited to establish and manage these enterprises and to a limited few Anguillian business owners.

What are some of the significant aspects of the pressure being exerted, resulting in major development challenges for the Government and people of Anguilla at this time? On the economic front they include:

- pressure by foreign investors for licenses to purchase every square inch of our coastal lands and hurriedly to develop and sell develop luxury vacation residences, before the international real estate boom ends;
- pressure by Anguillian land owners eager to sell off their coastal lands to foreign investors at the greatly increased prices now offered for such lands;

- pressure to allow the unbridled, rapid and simultaneous construction of projects, regardless of the social and environmental costs of a frenetic pace of growth;
- pressure for the unrestricted inflow of management, professional, technical, skilled and unskilled workers, to meet the needs of the rapid and unrestricted build out of projects;
- pressure to expand and improve the public infrastructure including roads, airport and seaports to support the expansion of the economy;
- pressure to grant maximum tax concessions to; and
- pressure to create a fiscal regime that favours business, that is inadequate to generate the revenues needed to meet the needs of the public sector and the Anguilla community.

The unbridled outlay of investment, especially foreign investment in the tourism and vacation residential real estate sectors, could be a recipe for economic ruin if we are not careful. We should be warned by the examples around us. Being warned we should be forearmed.

The volume of investment by the Government, and foreign and Anguillian entrepreneurs is expected to be sustained at high levels. The investment which foreign developers alone would like to undertake, Mr. Speaker, is beyond our ability to absorb. The Government has been forced to impose curbs on their enthusiasm. We have had to indicate to many that we will not take on more than the society can handle without suffering severe repercussions.

We would suffer severe overdevelopment were we to accommodate all or most of the overseas investors.

The projects we have already approved in full and which have started will over the next three years cause a major increase in the demand for construction labour. It will be necessary to significantly increase the number of workers brought in from overseas to facilitate construction of these projects.

The pressure to import labour in large numbers, will be further aggravated when the completed properties are ready for operation. The rate, the timing and the phasing of private sector investment therefore, will have a major impact on the rate of growth of the labour force and thereby on the rate of immigration, on population growth, nationality and belongingship. It will also impact growth in demand for social services and generate increased outlays for law and order and security services.

Mr. Speaker, several projects are currently approved in principle for which investment agreements are under negotiation. They may already be too much for us to take on over the next five to ten years without suffering significant effects of overdevelopment, the two and a half year moratorium on the commencement of new large scale foreign investment tourism related projects, notwithstanding.

Overdevelopment, in Anguilla's context is reflected in a situation of severe labour shortages resulting from large scale investment well beyond the productive capacity of the existing labour force, requiring recourse to the large scale importation of labour.

Overdevelopment, in the case of the luxury vacation real estate market, risks an excess supply of real estate products, as developers produce too many properties for sale at the same time. The prices of the properties would be forced down as developers seek to dispose of their products.

Mr. Speaker, Anguilla has experienced its share of failed tourism projects in the past 28 years. We do not wish to see any of the projects recently approved and shortly to be approved ending up as abandoned grey concrete eyesores melancholy evidence of overdevelopment.

Restrictions on the role of foreign investment are critical, if Government is to ensure the availability of opportunities for Anguillian entrepreneurs as well as for the Anguillian workforce on an ongoing basis.

Mr. Speaker, tourism is not the limit of our economy, but rather defines and shapes it. Some 60 % of our Gross Domestic Product is derived directly and indirectly from the industry. The risks to an economy thoroughly dominated by a single sector are well known. It is essential therefore that we continue to pursue economic diversification. Mr. Speaker in diversifying the economy we will reduce the risk of economic instability, when the tourism sector suffers major shocks such as 9/11 and hurricanes.

PUTTING THE SOCIAL SECTOR FIRST - OBJECTIVES FOR 2005 - 2010

Mr. Speaker, this United Front Government is committed to focussing on social sector development, as stated in our "**Strategic Focus Statement**" quoted previously. The **AUF Mission 2005 and Beyond** summarises our emphasis on the social sector thus:

"TO PROMOTE AND BUILD A MORE CARING, PEACEFUL, AND HARMONIOUS SOCIETY, WITH JUSTICE AND EQUITY FOR ALL".

The Statement commits the Government to:

"TO PROVIDE UNIVERSAL AND EQUITABLE ACCESS TO A BASIC PACKAGE OF QUALITY SOCIAL AND COMMUNITY SERVICES".

The objective of Government's social development programme 2005 – 2010 is to:

"Promote the Social Reconstruction of Anguilla to achieve an improved quality of Life for all and Universal Access to basic Social Services"

The **Education Sector** agenda will be geared mainly to achieve:

- expanded access to tertiary education by the establishment of a community college to offer, in particular technical and vocational education opportunities;
- increased access to technical and vocational education at the secondary level;
- improved student behaviour;
- improved learning environments at the primary schools and the high school;
- improved student performance; and
- improved professionalism and management capacity among educators.

Health Sector development over the next five years will seek to consolidate and expand on the gains made since the creation of the Health Authority of Anguilla. The goal is:

“Universal Access to quality, professionally delivered Health Care”

Our mandate includes:

- continuing the reform and development of the public health system;
- determining a basic package of health care services and providing universal access to these services especially by the economically deprived;
- building a professional, highly committed and competent team to manage the Health Authority;
- building linkages between the health care sector and tourism;
- developing a sustainable national financing mechanism for health care; and,
- strengthening cooperation between the HAA and private health care providers.

Government’s focus on the Social Sector, means that more resources must be allocated to social and cultural development. Social and cultural development initiatives will be aimed at:

“Promoting a more caring and harmonious Society which values the Humanity of all its Members”.

Government will continue its focus already initiated in 2005 on:

- expanding and strengthening the organizational mechanisms for the development and provision of expanded community services, particularly strengthening the Social Development Department and the newly established Department of Youth, Sports and Culture and the Probation Department;
- expanding and improving access by and delivery of community services to the disadvantaged; and
- partnering with NGOs and civil society to address social issues affecting the family and community relations.

THREAT OF SOCIAL DISHARMONY - CURRENT POLICY CHALLENGES

We face many challenges in the social sector, Mr. Speaker. The most serious include:

- increased delinquency among sections of our youth and increased gang violence;
- abuse of drugs and alcohol;
- increased criminal behaviour;
- continuing disregard by the community of the seriousness of the threat of HIV/AIDS;
- the breakdown in family relations and in social harmony in the wider community;
- inadequate provision for the reform and redirection of troubled youth;
- inadequate provision for youth, sports and cultural development;
- lack of facilities for basic and advanced technical and vocational education;
- poor learning environments in the schools;
- inadequate provision for the mentally challenged;
- inadequate access by the economically deprived to adequate health care services;
- inadequate social safety net to support the economically disadvantaged; and
- inadequate access by low income earners to decent housing, especially immigrants.

Effective responses to these challenges require expanded and strengthened cooperation between the Government, the private sector, NGOs and civil society and development of long term partnerships between these stakeholders.

Creation of the Department of Youth, Sports and Culture, the Probation Department, the Department of Health Protection and the HIV/AIDS Office of the Ministry of Social Development along with the reorganization of the Social Development Department and the continued development of the Health Authority of Anguilla, provide increased capacity for the Government to pursue its emphasis on social sector development.

THE ENVIRONMENT, PHYSICAL PLANNING AND DEVELOPMENT

Mr. Speaker, we cannot ignore our physical environment. We are committed to:

- controlling environmental degradation and achieving improvements;
- reducing Anguilla's vulnerability to natural and human hazards; and
- developing Government's environmental planning and management capacity.

Establishment of the Department of the Environment provides a means to pursue these objectives and to integrate environmental planning and policy issues into national planning.

The modernization of physical planning, land management and land development policy are areas requiring much attention. Rapid economic growth is significantly

changing land ownership patterns, with foreigners purchasing major portions of coastal land, with the greatest potential for luxury tourism and vacation real estate projects.

I need not, Mr. Speaker, dwell on the somewhat irrational frenzy generated when the Physical Planning Bill was recently subjected to further public examination and discussion. I am confident that going forward, more thoughtful and less sensational approaches will be adopted and that an appropriate Physical Planning Bill will in due course be considered by this Honourable House.

Mr Speaker, having outlined Governments priority objectives, I will now turn my attention to how we intend to facilitate the realization of those objectives through the provision of recurrent expenditure for 2006.

4. PROVISION OF RECURRENT EXPENDITURE 2006

In last year's Budget Speech Mr Speaker, I highlighted the initiatives and achievements of the Government of Anguilla in relation to improving the estimation and monitoring of Recurrent Revenue and Expenditure. Issues of fiscal planning, and monitoring, of transparency and accountability are an integral part of our fiscal regime on which we continue to place emphasis.

Mr Speaker, we strive for success in all aspects of life and unfortunately many times after it has been achieved we lose our way because we neglect what brought us success in the first place. There is a saying Mr Speaker that success is failure turned inside out. I must state that if the challenges of success are not properly managed, failure can easily become success turned inside out. Growth is often an outcome of experiences from both success and failure, but as a Government and a people Mr Speaker, we want our successes to greatly outweigh our failures.

There are certain fundamental principles that do not change when it comes to Recurrent Expenditure and indeed Capital Expenditure. One such principle is always having to choose between desirable alternatives. You see Mr Speaker, this country has a proactive Government committed to good governance in society that has become more sophisticated and demanding. The Government of Anguilla views the demands of society in a positive light and intends to satisfy those demands to the extent that our financial constraints allow us.

Mr Speaker, ladies and gentlemen, I present to you the main thrust of what the Government of Anguilla intends to spend on the recurrent side of the Budget to meet the needs of the people of Anguilla in 2006. First of all, we plan to spend much more in 2006 than we planned to spend in 2005 increasing from \$98 million to \$124.99 million in 2006 an increase of \$ 26.99 million or 27%. Mr Speaker, I begin with these statistics to highlight our intent to match words with deeds in terms of meeting the needs of Anguilla. It is true that a substantial part of that increase reflects the 10% increase in salaries for public servants implemented in July 2005 but there is more to the planned increase in expenditure than that. I will now highlight some of the proposed programming as it relates to functional areas. Given time constraints, the

list is not exhaustive, but nonetheless sheds light on what we consider to be priority areas.

Public Administration

Mr Speaker, upgrading the technical and administrative capacity of the Anguilla Public Service and producing an increasing number of tertiary trained employees, is an ongoing process, and the needs in that area are increasing. The training account of the Department of Public Administration has increased from \$ 2.65 million in 2005 to \$ 4.0 million in 2006 an increase of \$ 1.35 million or 51%. A well trained cadre of professionals is important for Anguilla's present and future development and the Government of Anguilla is dedicated to pursuing this cause on a continuing basis.

Disaster Management

In 1960, Mr Speaker, Anguilla was devastated by Hurricane Donna and then for 35 years we did not experience another major hurricane until Hurricane Luis in 1995. We all also remember the flooding caused by Hurricane Lenny in 1999. As our country develops, we do not want to be totally vulnerable to disasters – natural or otherwise. Additionally, we do not want chaos to reign (God forbid) after a disaster has occurred. In light of this the Government of Anguilla has established the Department of Disaster Management tasked with overseeing the planning, coordinating and managing of a comprehensive disaster management programme for Anguilla. Its Recurrent Expenditure allocation for 2006 is \$ 581,560.

Law Enforcement

Over the last few years, there have been many changes in Anguilla mostly for the better. However, one area where the change has not been for the better --- and is of deep concern for the well meaning people of this country is the increase in the criminal element in our midst. Mr Speaker, I must use this forum to say this. The Government of Anguilla will be relentless in the investigation, apprehension, prosecution, punishment and rehabilitation of people who have no other intention than to make criminal activity their mode of operation.

In light of what I just said Mr Speaker, the Royal Anguilla Police Force must be at the forefront. The expenditure outlay for the Force has increased from \$ 5.46 million in 2005 to \$ 6.31million in 2006. It goes beyond that though. There is an ongoing review of the Force in relation to remuneration and other financial benefits as well as working conditions. Mr Speaker, we intend to make the Royal Anguilla Police Force an attractive institution to qualified young men and women who want to make law enforcement a career. Most of all, we want to ensure that the law abiding reputation that Anguillians have enjoyed for so long is not further tarnished by those of our people who have lost their way and immigrants who have entered our shores for the wrong reasons.

Legal

Mr Speaker, the estimated expenditure for the Attorney General's Chambers for 2006 has increased by \$ 491,000 or 30% from \$ 1.62 million in 2005 to \$2.11 million. Despite the recent protests surrounding the Physical Planning Bill, the Government of Anguilla must continue the process of upgrading our laws to meet local needs as well as to be in line with regional and international requirements. With properly drafted laws, the process of governance is more orderly and will lessen the need for expensive legal action by various parties in the future when certain situations arise. The Attorney General's Chambers is the institution that must take this process forward.

Chief Minister's Office

Mr Speaker, two very important functional areas under the Chief Minister's Office are Immigration and Labour. The Immigration Department has the duty to ensure that the movement of people into and out of Anguilla contributes to our national, social and economic interests. Mr Speaker, Anguillians have lived in Europe, North America and all around the Caribbean over the years. We understand that at a time when we are experiencing significant economic growth, Anguilla will be attractive to immigrants who have the best of intentions. Unfortunately, Anguilla will also be attractive to opportunists of all kinds and like any jurisdiction would do, we must guard against that. This duty falls principally on the Immigration Department and the Government's view is that an increase in manpower is essential in achieving that goal. A new computerised programme has also been installed at the Airport and Blowing Point to facilitate data capture. Such initiatives require resources to be implemented and sustained. The allocation for the Department has increased from \$ 1.36 million to \$ 1.85 million or by 35.8%.

The Labour Department is one that has to work hand in hand with the Immigration Department to ensure that Anguilla's immigration laws are not violated. Additional resources have been allocated to the Labour Department to allow it to recruit a Deputy Head and other staff to enhance the services of that Department in the face of increasing migrant workers that are needed to cope with the demand by the construction and hotel industries.

Mr Speaker a long-standing functional area under the Chief Minister's Office is the Environment. In order to ensure that the development of Anguilla does not compromise our physical attributes and ultimately challenge our very existence, a Department of the Environment has been established. These are still early days and as the details of its operation continue to be worked out, it will exist on a recurrent budget of \$ 326,047 in 2006. During 2006 the Department of the Environment will be collaborating with the Agriculture Department to undertake a major beautification project, which will undoubtedly enhance the aesthetic appeal of our country.

Ministry of ICUHAF

Mr Speaker, as part of the re-organization which took place when we began our second term of office in March of this year, two departments were transferred from

the Chief Ministers Office to the Ministry of Infrastructure, Communications, Utilities and Housing. These are the Agriculture and Fisheries Departments.

Mr Speaker, despite the usually dry climatic conditions in Anguilla, historically, agriculture has always been part of our existence. The advent of modern technology and advanced farming methodologies, have opened new opportunities in food production as well as horticulture. We feel that there is significant scope for agriculture to provide more inputs to the tourism industry, and therefore reduce the level of imports. Government has therefore committed to providing more resources to Agriculture for 2006 and beyond. To this end the allocation for the Department has increased from \$ 907, 000 in 2005 to \$ 2.04 million in 2006 an increase of \$ 1.13 million or 125%. Yes you heard correctly 125%. As I mentioned earlier the Agriculture Department in conjunction with the Department for the Environment in 2006 will also be undertaking a significant island beautification project.

Mr Speaker, in addition to the new functional areas, we have made adequate provision for the traditional infrastructure responsibilities of the Ministry of ICUHAF.

Ministry of Social Development

Mr Speaker, the allocation for the Department of Education has increased from \$ 13.36 million in 2005 to \$ 15.43 million in 2006. The recognition of the importance of education and the Government's commitment to education, is reflected in the increased estimate. The Education Department presented an outstanding initial proposal to the Ministry of Finance for discussion. Mr Speaker, without diminishing the outstanding efforts by all departments, my technical staff told me that that the Department of Education is truly educated in the budget process. No pun intended. The Ministry of Finance intends to use the Department as part of a pilot programme budgeting project in 2006.

Mr Speaker, a healthy nation is a productive nation and the Government of Anguilla is cognizant of that. The motivation behind the establishment of the Heath Authority was to improve the efficiency in the provision of health services in Anguilla. This did not afford the Government the luxury of washing its hands, so to speak, of any responsibility when it comes to health issues in Anguilla. To this end, the Department of Heath Protection has been established. This Department is to protect and improve the health and quality of life of the public through the development and implementation of sustainable and affordable heath promotion strategies, health protection strategies, preventative services and community surveillance programmes, for the benefit of the environment, public health and future generations. This Department has an allocation of \$ 3.52 million for 2006.

Mr Speaker, when I spoke earlier about the Government's approach to criminal activity in Anguilla, I mentioned rehabilitation. Part of our approach to dealing with criminal activity and the consequences, is alternative sentencing. We believe that incarceration and/or fines are not always the answer in terms preparing and assisting offenders to be law-abiding citizens. In this regard, the Government has established the Department of Probation. The Department has the mission to assist the Court by providing offenders, under our supervision, the opportunity to make positive

behavioural changes and also to promote and enhance the safety and security of the Anguillian Community. The allocation for 2006 is \$ 439,845.

Mr Speaker, to focus on sport is to focus on an activity that provides an avenue for recreation, team and character building and fitness especially among our youth. Additionally sport in the Twenty First Century can lead to a financially lucrative profession. To focus on our culture is to focus and be constantly aware of who we are and from whence we came. To focus on youth is to focus on tomorrow's leaders. The Department of Sports, Youth and Culture is growing by leaps and bounds and the allocation of \$ 400,000 for Grants and Contributions shows that the Government of Anguilla wants to be a dedicated partner with the private sector sponsors of sports, youth and cultural activities.

Ministry of FEDICT

And now Mr Speaker, it is time for me to come home, and when I say home I mean the Ministry of Finance, Economic Development, Investment, Commerce and Tourism. Primarily because of the addition of Tourism to the Ministry's portfolio, the Recurrent Expenditure allocation for 2006 is \$ 10.30 million as compared to \$ 1.81 million in 2005.

The Tourism Board will be continuing its research and marketing activities with the ultimate goal of bringing more visitors to our shores and when more visitors come to our shores it generates more economic activity and thus keeping our economy buoyant. Mr Speaker we have to promote the slogan " The Anguilla Experience-Feeling is Believing." Consequently, Government has allocated \$8 million as the subvention for the Anguilla Tourism Board for 2006. Mr Speaker, this represents approximately 50% of the receipts from accommodation tax for 2005. Nobody can say Mr Speaker that this Government is not investing in marketing and promoting Anguilla and thereby growing the tourism industry.

As regards the Treasury, it is estimated that the expenditure of this Department will increase from \$ 14.76 million in 2005 to \$ 18.10 million in 2006, a 22% increase. Mr Speaker, the population of Anguilla is beginning to age and this is being reflected in an increase in retirement benefits paid out by Government. Additionally, any responsible Government must service its debt and while foreign debt service has increased marginally, the domestic debt service has reflected the borrowing, which took place to finance important initiatives such as the on-going road development, and air transport and sea transport development programmes.

Customs is another major Department and absolutely crucial to the realization of Governments goals and objectives, as it is import duties which fund most of Government's recurrent expenditure. The Customs Department will be severely challenged during 2006 to improve on the revenue performance of 2005, which was first rate. Provision has been made in the 2006 estimates to enable the Department to increase its staffing complement to enable it to carry out its functions at the ports and provide a Customs presence in the Post Office as well as the surveillance function. Over the years the Customs Department has lost some vital staff to the more lucrative

private sector. We hope that those that remain and others recruited will bridge the gap and provide an enhanced service in the facilitation of trade.

Another Department crucial to the operation of Government is the Department of Information Technology and E-Government Services. Mr Speaker, information technology, both hardware and software, is as essential today for the operation of Government as is electricity. Consequently, Government must continually upgrade and expand its IT infrastructure and capabilities if it is to provide efficient services to the private sector and the general public. As such we have increased the allocation of this Department, particularly in the account Maintenance Services which has increased from \$ 288,674 in 2005 to \$ 496, 083 in 2006.

Mr Speaker I will round out this discussion of the Ministry of FEDICT departments by saying a little bit about the Post Office. A plan to corporatize the Post Office in 2007 is now being looked at. This Department has already been performing like a corporatized institution over the past five or more years. It has faced significant challenges from private express mail services, letter box services, private courier services and telecommunications services including the Internet. To be relevant in the modern world Government feels Postal Services would be best operated in a corporatized environment.

Mr Speaker, those are the areas of Recurrent Expenditure for 2006, which I wanted to highlight. As I have said, it is not an exhaustive treatment of the Recurrent Expenditure Estimates but rather an illustration of how Government intends to fund priority interventions and programmes.

5. PROVISION OF RECURRENT REVENUE 2006

Mr Speaker, if the proposed level of service to the people of Anguilla is not to be compromised, then the Government of Anguilla must deliver its Revenue Budget of \$139.46 million or more during 2006. The Revenue Budget is cast against realistic projections in revenue under a number of subheads and increases in Licence Fees and charges and several new tax measures affecting specific sectors.

Of particular note Mr Speaker is the strong performance of Import Duties (Other), which is expected to continue in 2006 with a growing economy fuelled by foreign direct investment inflows to the tourism sector. This is in turn fuelling local investment in services, trade and commerce as well as private home construction. An equally strong performance is also expected in goods on which duties and other customs related charges are applied.

Based on known and anticipated projects, we have included an estimate of \$20 million for Stamp Duty. We also anticipate that there will be increases in collections of Work Permit Fees, Accommodation Tax, Environmental Levy, Bank Deposit Levy and Import Licence for Block and Cement. This is not reflective of any increase in these tax measures but rather of economic growth and improved collection.

In terms of increased rates, Government has approved an increase in motor vehicle licences by an average of 25% from January 1, 2006. This is expected to yield about

\$1.0 million in additional revenues. The direct beneficiaries will be the road users who will benefit from a greater decrease in vehicle operating cost because of the better roads that are being built. It should be noted here Mr Speaker that over \$8.0 million will be spent on road development during 2006 from the Capital Budget and more than \$1.0 on road maintenance though the recurrent vote under the Ministry of Infrastructure. A similar of investment was made in 2005 and 2004.

Landing Fees at the Airport will be increased by an average of 50% from January 1, 2006. This will bring them in line with what is charged in the neighbouring islands. With this increase, LIAT and Caribbean Star will now be paying \$90.00 per landing for the smaller Dash 8 instead of the current charge of \$60.00. The larger Dash 8 will pay \$120.00 instead of \$80.00. Air Navigational Facility Charges will be increased from \$10.00 and \$15.00 per landing to \$15 and \$25.00.

In addition to the Landing Fees, a Noise Pollution Charge of EC\$100.00 per aircraft operating with jet propulsion will be charged from January 1, 2006. Aircraft powered by propellers will not pay this charge.

Mr Speaker, work is in hand to commence the collection of a Residential Asset Levy in 2006 for all residential components included in the new tourism resort/resort residential projects, such as the Temenos-St. Regis Anguilla project and the Viceroy Anguilla project. The levies were agreed as part of the investment agreements signed with the developers of these projects. They will be paid by the owners of estate residences, villas and condominium units included in such projects.

Another measure to be introduced in 2006 will be the Tourism Marketing Levy. This will involve legislation establishing a charge of US\$1.00 per day to be paid per visitor spending one or more nights on Anguilla. Owners/Operators of the various tourism accommodations will be required to match the payments by visitors and will be responsible for collecting and paying the revenue to the Government. The Tourist Board and the Anguilla Hotel and Tourism Association attempted this as a voluntary programme and met with only limited success. All tourism facilities will be required to implement this measure from January 1, 2006.

Mr Speaker as from January 2006, Business Licences will be increased on average by 20%. In addition, the Business Licence categories will be expanded to include businesses and professions that were not categorised separately in the previous legislation. In return, the businesses and professions on Anguilla can expect more business facilitation and some of the increased business licence collections will be used to finance the work of the Anguilla Chamber of Commerce and Industry (ACOCI).

A cooperation agreement will be signed between the Government and the Chamber and all businesses that pay their licences will automatically become paid up members of the Chamber with the exception of businesses licenced under separate laws from the Trades Businesses Occupations and Professions Licencing Act. Provision will also be made for businesses that are majority owned by non-Belongers to pay the licence fee plus 50%. The fees payable by businesses undertaking several related activities will be reduced in respect of the secondary activities by 50%.

Finally, Mr Speaker, even though no figure has been budgeted, National Health Insurance is scheduled to be introduced from July 1, 2006. Associated with this will be the introduction of a Social Services Levy. With its introduction, workers and other income earners will be required to contribute a small percentage of their salaries or wages into a fund to finance Health Insurance and Social Services. With the National Insurance Fund, all insured persons including the elderly and indigent will be entitled to a basic package of medical services. From January 2006, the Ministry of Social Development will begin to explain what all Anguillians can expect with the introduction of this programme through a period of extensive public consultations.

Mr Speaker, the revenue target of \$139.46 million is achievable. It is however dependent on a number of factors. One of them is the avoidance of shocks to our fragile tourism industry. We have been lucky during the 2005 Hurricane season and hope that this will continue into the foreseeable future. We also have to keep crime at a low rate and improve productivity in both the public and private sectors. The revenue target includes provision for meeting the targeted level of reserves and to part fund capital expenditure.

6. 2006 CAPITAL PROGRAMME AND FINANCING

Mr Speaker we have made provision for \$23.43 million in capital expenditure for 2006. This represents a significant reduction from the 2005 capital budget estimate of \$46.82 million. The main reason for this is that the allocation for the air transport development programme has declined from \$15.42 million in 2005 to \$4.5 million for 2006. Mr Speaker, with the Phase I extension of the runway at Wallblake now complete, this gives Government some breathing space to plan for expansion of terminal facilities and the Phase II extension of the runway which would take the runway from the current length of 5,440 ft to 6,600ft.

Mr Speaker, with the switch away from the air transport sector, the largest allocation in the 2006 Capital Budget is \$8.0 million to continue the road development programme. The Minister of Infrastructure has instructed me to inform the people of the East that the road development programme will indeed be moving east in 2006, from J W Proctors to East End and from Stoney Ground to Deep Waters. The road from East End to Island through to Deep Waters will be completed later. The road development programme for 2006 will also incorporate the stretch of road from the traffic light at Lakes World down through Coronation Avenue and the stretch of road from the Cable and Wireless roundabout at Wallblake to the NBA roundabout at the James Ronald Webster Park.

Other major allocations include: \$2.0 million to fund land acquisition to facilitate the construction of the new container port at Corito, work on which is slated to begin early in 2008 and to meet land compensation obligations which are outstanding; \$1.0 million to continue with the sea port development improvements and extensions at Blowing Point and some rehabilitation work at Sandy Ground; \$0.8 million to fund capital improvements and expansion in the Health Sector; \$0.6 million to continue with the Water Development programme; and \$0.5 million to construct premises for the localised Deputy Governor's Office.

Government has also made provision for \$0.2 million to upgrade the cricketing facilities at the Ronald Webster Park to facilitate the 20-20 cricket matches which will be held next year; \$0.2 million to kick off the pre-implementation and planning for the long-awaited National Indoor Sports Stadium; and, \$0.3 million to upgrade various public tennis and basketball courts across the island.

I will close out this listing of the significant projects included in the 2006 Capital Budget by highlighting the fact that Government made provision for \$0.2 million for Police Development. These funds will be used to renovate the Sandy Ground Police Station. This is only the start in a wider effort that Government will embark upon over the next few years to locate Police Stations at strategic locations throughout the island, such as West End, East End and Island Harbour. We must stamp out this increase in crime as quickly as possible and Government feels that going back to the days when there were police stations in the villages would help to build a stronger rapport between the police and the community and therefore serve to deter crime.

Mr Speaker, on the financing side, it is projected that the 2006 Capital Budget will be financed as follows: Recurrent Surpluses – 10.43 million; Loans - \$13.0 million; for a total of \$23.43 million. Overall Mr Speaker, we feel we have struck a correct balance in terms of continuing to invest in productive infrastructure such as roads and air and sea port facilities while keeping debt to prudent and serviceable levels. It should be noted that capital expenditures in 2004, 2005 and that projected for 2006 are very much in keeping with the ECCB recommended level of at least 7% of GDP per annum.

7. CONCLUSION

In conclusion let me now return to my point of departure in this address. We have indeed been very successful in attracting significant direct foreign investment and achieving our public sector investment objectives in the delivery of critical infrastructure. The challenge must now be ours to treat with the important task of maintaining and enhancing the quality of our development.

In an environment where a high level of democracy prevails, where access to media is widespread, where advances in communication technology provide real time access to the international community, where there exists a healthy quest for more and more information about governance issues, where there are differences of opinion on strategic policy decisions, where there is resistance to change and a growing intolerance for new solutions --- it will always be difficult to implement tough decisions. It calls for courageous leadership armed with a strong breastplate of vision --- to steer the course.

The mandate which we received following the elections in February this year has been frequently challenged by individuals who have not yet accepted the clear decision of the people of Anguilla. Many persons have been led to believe that their signature can cause the recall of duly elected members of the House of Assembly, in a way, suggesting an alternative to the constitutionally based electoral process. Others have been led to believe that one elected representative can pass laws in the Anguilla

House of Assembly. And even worse that Government will make laws which effectively disinherit the children of Anguillians.

Anguilla is modernising. The entire community is undergoing a process of transformation. Traditional lifestyles must now be reinforced by regulation --- because we are no longer all relatives and acquaintances. What once could be dealt with in a family or a village pow-wow is now litigated in the court system. Your rights under the law therefore must be documented and clearly enunciated. No longer can we take anything for granted in this new dispensation. It is government's responsibility to prepare us for this new era of governance.

This is my eleventh consecutive Budget Address and on every occasion I have sought to bring Anguillians around to the realisation that: they must pull their weight in creating a sustainable economy; an economy not reliant on handouts and windfalls but one which is robust enough to withstand the vagaries of a dynamic environment --- susceptible to external, natural and man-made shocks; an economy in which revenue streams are predictable, in which expenditure is well-managed and in which reserves sufficient to provide an adequate buffer for times of hardship exist; an economy in which every citizen fulfils his/her responsibility to contribute to his/her own development fiscally, socially and otherwise.

The people of Anguilla have a great deal to thank God for. He has continued to bless our nation in many ways. Sparing us from the ravages of an extremely active hurricane season is one of the many blessings he has poured on us this year --- it is one blessing that we must take notice of as we strive to build our economy. We commiserate with the people of the Caribbean Region, Central America and the Gulf States of the USA who have not had our good fortune --- but we must not question God's plan or his purpose. We must only continue to seek his guidance and support in all our undertakings.

This year we celebrate twenty-five years of official separation from the State of St. Kitts-Nevis & Anguilla. We have come a long way. We have made good choices. We have had great success. Let us not be too complacent in our achievements. Let us diligently manage the challenges of our success as we continue to forge ahead with our stated vision for Anguilla. **Managing the Challenges of Success** must be our serious focus in the years ahead.

May God's continued providence attend you all during this Christmas Season and the New Year, around the corner. Let me thank you all very much indeed for your enduring patience and attention.

Mr. Speaker, I beg to move.

Permanent Secretary, Finance
The Valley
Anguilla

January 02, 2006

MINISTRY OF FINANCE CIRCULAR NO.1 OF JANUARY 2006

TO: DEPARTMENT HEADS
ACCOUNTING OFFICERS
PERMANENT SECRETARIES
DEPUTY GOVERNOR
H E THE GOVERNOR
MINISTERS OF GOVERNMENT (for information)

SUBJECT: BUDGET FOR 2006 - INSTRUCTIONS TO ACCOUNTING OFFICERS

The 2006 Budget was passed by the Anguilla House of Assembly on December 15, 2005 and The Minister of Finance signed the General Warrant in accordance with Section 29 of the Financial Administration and Audit Act 2003. With this provision, the Accountant General has been authorised to make payments from the Consolidated Fund within the limits specified under Section 29 of the Act.

This Circular is issued to provide Accounting Officers with instructions relating to the management of the Appropriation Act and Schedules for 2006.

In accordance with Section 9 and 10 of the Financial Administration Audit Act 2003, the Minister has appointed accounting officers for each programme or sub programme in the 2006 Budget. Accounting Officers will also be named for each revenue subhead. Accounting Officers may be required to explain any dereliction of their duties in respect of these programmes or the revenue subheads to the Public Accounts Committee or the Audit Committee.

A Fiscal Review Team headed by the Principal Assistant Secretary Finance will continue to monitor Expenditure and Revenue. This Team reports on a monthly basis to the Fiscal Evaluation Group including the Honourable Minister of Finance and the Honourable Deputy Governor and other senior government officials. A report is made every quarter to Executive Council. Monthly profiles were established for both revenue and expenditure. When revenue or expenditure varies significantly from the profiled amounts, Accountability Forms are issued to the Head of Department for comment. Heads of Department and Accounting Officers are required to take these forms seriously. Failing to comply with this requirement to submit the completed Accountability Forms within the time stipulated could result in disciplinary action.

EXPENDITURE LIMITATIONS

All single expenditure initiatives and new contracts, including contract renewals involving a commitment, in each case to spend an amount in excess of \$40,000 during the 2006 financial year must be presented to the Tenders Board for its review and recommendation. There are two exceptions to this requirement relating to the purchase of vehicles where the limitation is \$50,000 and the filling of posts already included in the Budget.

The Permanent Secretary Finance must approve the recommendation of the Tenders Board and the executing Ministry notified before any expenditure activity in relation to the procurement where the limits in the preceding paragraph are exceeded. The subdividing of projects in order to circumvent the tender process will not be permitted.

A number of new positions and re-gradings are included in the 2006 Budget. Completed Vacancy Forms must be submitted to the Permanent Secretary in the Department of Public Administration before any new post could be filled.

Allocation of funds during 2005 will continue on a quarterly basis. Almost every department is now on the Treasury Financial Management System. It is expected that accounting officers will ensure that the system is used to its maximum capability. This system must be used for preparing purchase orders. Purchase Orders should not be processed if they would result in over expenditure on the subhead to which it relates. No manual purchase orders are permitted unless specific prior approval is granted by the Accountant General.

In 2004, the Treasury Financial Management System has changed to funds check invoices upon approval. This allows invoices to be posted to the Ledger on the day they were inputted. If the invoice fails funds, it will not be paid until corrective action is taken to release additional funds. This will continue this year and Heads of Departments and Accounting Officers should monitor payments to ensure that amount released is not surpassed.

Accounting Officers should plan their expenditure in such a way that payments are not ballooned in December. It may not be possible to increase allocations during the year. Budgetary constraints that are likely to impede delivery of government services must be discussed at meetings of Permanent Secretaries and with the relevant Minister to determine if alternative strategies would be possible.

LOCALLY FUNDED CAPITAL

The 2006 Estimate for Locally Funded Capital was approved in the amount of \$23,430,000. Accounting Officers should establish how this expenditure should take place over the 12 months of the year. Accounting Officers have a responsibility to ensure that capital projects are delivered on time and within budget.

The Special Expenditure subhead has been reduced in all Ministries. Accounting Officers must make bids on the Furniture and Equipment vote under the Ministry of Finance capital programme.

Inventories must be maintained for all items of furniture and equipment and should be available for inspection by the Internal Audit Department. Once per year, the Ministry of Finance should receive a completed inventory list or Asset Register from all departments. A sample of the Inventory list is available at the Ministry of Finance. The Department of Information Technology and e Government Services (DITES) will maintain the inventory of IT equipment in all departments.

DEPOSITS AND ADVANCES

Advances and Deposits are sometimes referred to as Below the Line Accounts. They are temporary vehicles permitting expenditure and receipts that may not conform closely to revenue or expenditure as detailed in the budget. They may represent prepayments or a temporary receipt, a payment or receipt on behalf of another individual, institution or government to be adjusted or refunded within a short period. The Treasury Department will

continue to reduce the number of such accounts since they play a vital role in the management of cash.

Advances are permitted under section 45 of the Financial Administration and Audit Act 2003. They must be authorised by the Minister of Finance and must be recoverable within 12 months. The total amount of personal advances cannot exceed \$500,000 unless authorised by the House of Assembly.

Deposits are permitted under Section 47 of the Financial Administration and Audit Act 2003. Interest accruing on Deposits if invested, unless otherwise directed by the Minister of Finance, shall be deposited to the consolidated fund.

A deposit that is unclaimed for 5 years, subject to provisions of any law, shall cease to be a deposit and shall accrue to the Consolidated Fund. If the Minister is satisfied that an individual was entitled to the deposit at a subsequent date he may direct that the amount due be refunded.

Deposit Accounts should not be confused with the establishment of a "Special Fund". Special Funds are authorized pursuant to Section 48 of the Financial Administration and Audit Act 2003. The Act allows their establishment when:

1. they are established by or under any Act and for a specific purpose
2. they represent a trust fund held by the Government; and
3. the Minister of Finance authorizes the establishment of a fund by regulation.

THE ROLE OF THE ACCOUNTING OFFICER

The role of the Accounting Officer is clearly defined in section 9 of the Financial Administration and Audit Act 2003.

The House of Assembly through the Public Accounts Committee may call on any Accounting Officer to report on

- (1) the prompt collection and receipt of revenue under a head of revenue or part of a head of revenue in respect of which he or she has been appointed accounting officer,
- (2) the control of, and accurate accounting for, expenditure for which he or she is appointed under—
 - (A) the expenditure vote or part of a vote,
 - (B) each head or part of a head of expenditure charged on the Consolidated Fund or Development Fund by law and identified in the main or supplementary estimates, and
 - (C) each head of revenue or part of a head of revenue in the main estimates,
- (2) the control of, and accurate accounting for, public money, other than money for public purposes, received by the ministry, department or public service for which he or she is accounting officer, and
- (3) the control of, and accurate accounting for, the disbursement of public money, other than money for public purposes, received by the ministry, department or public service for

which he or she is accounting officer, in accordance with this Act and the regulations and any other Act and its regulations and in accordance with the financial instructions;

- (3) the procurement of stores and other government property as are provided by the regulations.

The Accountant General has been instructed to reject all vouchers from Departments that do not comply with standards set by the Financial Administration and Audit Act, Financial Instructions, General Orders or any other regulations in force.

REALLOCATION

Sub-section 6 (32) (p. 24) of the Financial Administration and Audit Act 2003 sets out the conditions under which monies may be reallocated between votes (Ministries or Programs). Specifically, with the approval of the House of Assembly, the Minister of Finance may by means of a reallocation warrant under his or her hand, direct that any surplus arising from under expenditure on any item in an expenditure vote contained in the main or supplementary estimates be applied in aid of any item in any other expenditure vote in the estimates or in aid of any new item of expenditure.

The purpose of the Reallocation Warrant is to make provision during the year to cover a type of expenditure authorized by an Appropriation Act for which the original allocation was insufficient. Therefore an increase in one Vote must be offset by a reduction in another Vote without affecting the total sum appropriated.

VIREMENTS

Virements are what was referred to prior to the passage of the new Financial Administration and Audit Act as Reallocations. This refers to transfer of funds within the same vote among standard object codes. The Reallocation on the other hand refers to transfers among votes (Ministries or Programs).

The Ministry of Finance will review all requests for virement and reserves the right to reject any application that is deemed inappropriate. The specific restrictions regarding the virement are as follows: -

1. Funds cannot be transferred between Recurrent and Capital Budget.
2. Funds should not be transferred from a standard object and then back to that standard object.

Whenever an application is made for the reallocation or virement of funds, the expenditure records must be reconciled with the Finance Officer before the application is made. Schedules of Reallocation Warrants approved by the Permanent Secretary Finance shall be laid before the House of Assembly for information

CONTINGENCIES WARRANTS

As outlined in the Financial Administration and Audit Act 2003 Subsection 6 (32) (p.23) in a financial year if

- (a) an expenditure for a public service not foreseen and provided for, or not sufficiently provided for is required for the public good
- (b) the Legislature is not meeting and will not meet for a period of more than ten days; and
- (c) the appropriation Act for the financial year has come into force.

The Minister of Finance may, in anticipation of approval of the expenditure in a Supplementary Appropriation Act, issue a Contingency Warrant under his or her hand authorising the expenditure to be made out of the Consolidated Fund but the aggregate of the amounts of the warrants issued under this section in the financial year shall not exceed 2 ½ of the main estimates of recurrent revenue in that financial year unless cleared by the House of Assembly in the form of a Supplementary Appropriation Budget.

Applications for Contingency Warrants must satisfy the following conditions: -

1. There is no provision for the expenditure in the Estimates;
2. The requirement is urgent, in the public interest, and cannot be deferred until supplementary provision is authorized by the House of Assembly;
3. The need could not have been foreseen; and
4. Provision cannot be made by reallocation or virement.

Department Heads should take special note of any Applications for Contingency Warrants that are required to supplement Standard Objects of Expenditure that have been reduced earlier to serve as a source of funds for a previous Reallocation or Virement Warrant.

Whenever an application is made for Supplementary Appropriation or for a Contingency Warrant, the Departmental expenditure records must be reconciled with the Treasury records and reviewed by the Ministry of Finance.

Please refer to Section 6 (30) page 23 of the Financial and Administration and Audit Act and review the “Contingency Warrants.”

OFFICERS LIABLE TO MAKE GOOD DAMAGE

The Revised General Orders (2004) indicates that in the event of any financial damage arising from disregard of, or failure to comply with any general order, Financial Instructions, Stores Rules or departmental instructions or from any neglect of duty whatsoever on their part, officers may be liable to make good the damage or any part thereof.

Additionally, the Financial Administration and Audit Act (2003) Subsection 9 (5) p. 13 advises that an accounting officer is accountable for discharging his or her responsibilities under this Act, the regulations and financial instructions with

diligence and honesty and is subject to discipline under the applicable law for failing to do so.

Disciplinary action may take a number of forms but it must be noted that it does include surcharge, where the implementation of it is facilitated by other developments in the new act.

RIGHT OF SET OFF

Officers are required to conduct a detailed review of Subsection 35 page 25-26 of the Financial Administration and Audit Act under the above caption. Subject to this section and the regulations, when a person owes money to the Government or to a government agency in a specific amount and the person is owed money by the government in a specific amount, the Accountant General may exercise a right to set off in relation to the indebtedness. The procedural details are given in the aforementioned subsection.

Therefore a mechanism is in place for the easy implementation of any surcharges that may be levied against officers where the indebtedness of the officer is the amount of the surcharge and the indebtedness of the Government is the officer's salary or some other income generated from the government.

INTERNATIONAL TRAVEL

Accounting Officers are reminded that the current policy of severely limiting international travel remains in effect. International travel must be approved by the appropriate Minister and Permanent Secretary and must be considered beneficial to the Government's overall objectives. This policy applies to all public servants regardless of whether the travel is paid wholly or in part from Government appropriations or "fully subsidized" by an external organisation.

Officers are reminded that applications for overseas travel should be processed with adequate lead-time to avoid the last minute rush that is too often associated with some of these applications.

COMMUNICATIONS AND UTILITIES

Accounting Officers are encouraged to continue to enforce all necessary measures to reduce and control expenditure in both these Standard Objects of Expenditure during the financial year with a view to achieving at least a 20% reduction in the Government's expenditures in these areas. In working towards this goal, the following specific points regarding the use of communications facilities should be kept in mind:

1. Official, Overseas, Facsimile and Telephone calls must be signed by the Officer making the call and Name of person or business called must be indicated next to the officer's signature;
2. Private Overseas calls shall only be made with the expressed permission of the Accounting

Officer or Head of Department on the appropriate form. This includes the provision for the deduction of the relevant cost of the calls from their salaries if the settlement is not made by the due date;

3. Department Heads are required to check the Phone Logs to ensure that the above procedures are being followed;
4. With the upgrading of the telephone system, officers will be required to use extension numbers in preference to direct dialling to reach other officers on the government switchboard. A system of call accounting will be introduced to all telephones on the switchboard. Heads of Department must monitor these accounts and indicate whether the calls made by officers within that department are reasonable and consistent with their job descriptions. Any calls in excess of what can be considered reasonable must be paid for by the officers concerned. This will include calls to cellular numbers that are not work related.

OVERTIME

Overtime carried out by junior officers must be supervised. The supervising officer will be held personally responsible for any irregularities relating to the claim, and must certify all payment vouchers for overtime. Wherever possible supervising officers should encourage persons entitled to an overtime claim to use time off in lieu of payment. Overtime claims must be submitted monthly in arrears. Written justification outlining the reasons for any deviation from this procedure must be provided in a timely manner.

REVENUE

The Financial Administration and Audit Act permits the Minister to appoint accounting officers for revenue. This will be done in due course. Accounting Officers should refer to Section 9 of the Act to understand their role in relation to revenue.

Revenue collectors are urged to make every attempt to collect public revenue when it is due. Departments that collect revenue shall pay their collections into the Treasury Department on the scheduled date or before the end of each week. In the event this schedule cannot be followed, the Accounting Officer, or his/her delegate, must inform the Permanent Secretary Finance in writing as required by the Financial Instructions. The Head of the Department will be held personally responsible for any losses where this directive is not followed and will be liable to surcharge.

Cheques made payable to the Government must indicate the name and address and telephone number of the payee. All cheques written to the Government of Anguilla should be crossed in line with Financial Instruction 96.

RATES OF PAY

There is now one revised salary scale for government established employees and also an adjusted wage rate schedule for government non-established employees that is included in this budget booklet.

ADVANCES WARRANT

The purpose of an advance is to make payments or part payment for goods or services for which the exact cost may not be known and goods may have to be purchased overseas. An Application for Advances should be prepared in triplicate and a voucher prepared using a coding block to be provided by the Treasury Department. Heads of Departments must ensure that, prior to the request for the advance, there are sufficient funds in the Standard Object(s) to which the expenditure(s) will eventually be charged; i.e. advances must be recorded as commitments against the particular Standard Objects.

Advances for Overseas Orders must be settled within two (2) months of the issue date.

Advances made to officers required to travel overseas to acquire goods or services must be settled within two (2) weeks following his/her return to Anguilla. Cash returned, original receipts, and a statement of expenses incurred must accompany the Transfer Voucher (prepared in duplicate) on settlement.

Except for special circumstances related to extended overseas travel approved by the Permanent Secretary Finance, all advances must be settled within the financial year in which they were made.

It must be noted that Advances shall not, after deduction of any repayment, in the aggregate exceed \$ 500,000 at any time or such other amount as may be prescribed by regulation and approved by the House of Assembly. Additionally, Advances shall not in aggregate exceed such amount as the Minister of Finance authorises when the authority to make an advance comes from that source.

Officers are required to refer to the Financial Administration and Audit Act 2003, Subsection 7 (32) p 29 –30 and comprehensively review the section on Advances.

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Carl Harrigan
Permanent Secretary Finance

GOVERNMENT OF ANGUILLA
2006 ESTIMATES OF RECURRENT REVENUE, EXPENDITURE AND CAPITAL
BUDGET SUMMARY

	EC\$		EC\$
Recurrent Revenue	139,841,100	Recurrent Expenditure	125,125,914
		Capital Expenditure	
		External	0
		Local	23,430,000
			23,430,000
Loans New	13,000,000		
Loans B/F 2004	N/A	Surplus	4,285,186
	152,841,100		152,841,100

GOVERNMENT OF ANGUILLA
2006 ESTIMATES OF RECURRENT REVENUE, EXPENDITURE AND CAPITAL BUDGET
DETAILS OF RECURRENT REVENUE 2006
SUMMARY BY TYPE AND STANDARD OBJECT

	Estimate 2006	Approved Estimate 2005	Revised Estimate 2005	Actual Revenue 2004
TAX REVENUE				
110 Property	800,000.00	700,000.00		612,576.33
115 Domestic Goods and Services	45,310,000.00	25,885,000.00		40,476,265.12
120 Licences	11,474,300.00	8,996,400.00		9,147,106.22
125 Taxes on International Trade and Transactions	9,450,000.00	9,050,000.00		7,812,948.36
130 Duties	47,800,600.00	36,400,600.00		38,665,426.35
TOTAL TAX REVENUE	114,834,900.00	81,032,000.00	0.00	96,714,322.38
NON TAX REVENUE				
135 Fees, Fines, Permits	13,579,500.00	9,476,000.00		10,446,815.71
136 Manufacturing Fees	538,000.00	538,000.00		0.00
140 Rents, Interest and Dividends	4,367,800.00	4,086,800.00		4,175,551.32
145 ECCB Profits	100,000.00	100,000.00		171,904.00
150 Other Revenue	6,420,900.00	6,974,000.00		6,290,338.85
TOTAL NON-TAX REVENUE	25,006,200.00	21,174,800.00	0.00	21,084,609.88
TOTAL REVENUE	139,841,100.00	102,206,800.00	0.00	117,798,932.26

GOVERNMENT OF ANGUILLA
2006 ESTIMATES OF RECURRENT REVENUE, EXPENDITURE AND CAPITAL BUDGET
DETAILS OF RECURRENT REVENUE 2006

REVENUE SOURCE	Approved Estimate 2006	Approved Estimate 2005	Actual Revenue 2004
TAX REVENUE			
<u>110 Taxes on Property</u>			
11001 - Property Tax	700,000.00	700,000.00	612,576.33
11002 - Vacation Residential Levy	100,000.00	0.00	0.00
Total 110	800,000.00	700,000.00	612,576.33
<u>115 Taxes on Domestic Goods and Services</u>			
11501 - Accommodation Tax	17,000,000.00	12,700,000.00	11,990,844.15
11502 - Bank Deposit Levy	4,500,000.00	3,500,000.00	4,881,613.01
11503 - Entertainment Tax	10,000.00	35,000.00	25,548.83
11504 - Stamp Duty	20,000,000.00	8,000,000.00	21,935,979.48
11505 - Environmental Levy	2,200,000.00	1,650,000.00	1,642,279.65
11506 - Tourism Marketing Levy	1,600,000.00	0.00	0.00
Total 115	45,310,000.00	25,885,000.00	40,476,265.12
<u>120 Licences</u>			
12001 - Air Services	100.00	100.00	0.00
12002 - Amateur Radio	45,000.00	60,000.00	34,370.00
12003 - ANGLEC	200,000.00	200,000.00	200,000.00
12004 - Telecommunication Licences	1,000,000.00	1,000,000.00	1,145,036.57
12006 - Boat and Permits	35,000.00	35,000.00	50,114.17
12009 - Diving Permits	5,500.00	3,000.00	2,958.69
12010 - Dog	50,000.00	30,000.00	32,825.00
12011 - Drivers	1,650,000.00	1,200,000.00	1,286,862.72
12012 - Firearms	35,000.00	30,000.00	30,100.00
12013 - Fishing	500.00	100.00	750.00
12014 - Food Handlers	40,000.00	80,000.00	39,170.00
12016 - Liquor	65,000.00	60,000.00	64,797.00
12017 - Lottery	210,000.00	220,000.00	200,864.00
12018 - Marriage	120,000.00	110,000.00	113,100.00
12019 - Mooring Permits	10,000.00	10,000.00	9,633.42
12020 - Motor Vehicles	4,800,000.00	3,600,000.00	3,597,699.94
12023 - Petroleum	73,000.00	73,000.00	73,100.00
12026 - Trade (Business)	1,500,000.00	1,150,000.00	1,113,529.37
12027 - Caribbean Beacon - Transmitting	100.00	100.00	0.00
12028 - Traveling Agents	35,000.00	35,000.00	34,600.00
12030 - Import Licence - Block & Cement	1,600,000.00	1,100,000.00	1,117,595.34

GOVERNMENT OF ANGUILLA
2006 ESTIMATES OF RECURRENT REVENUE, EXPENDITURE AND CAPITAL BUDGET
DETAILS OF RECURRENT REVENUE 2006

REVENUE SOURCE	Approved Estimate 2006	Approved Estimate 2005	Actual Revenue 2004
12099 - Other Licenses	100.00	100.00	0.00
Total 120	11,474,300.00	8,996,400.00	9,147,106.22
<u>125 Taxes on International Trade and Transactions</u>			
12501 - Cruise Permits	300,000.00	300,000.00	270,980.00
12502 - Embarkation Tax	3,800,000.00	3,800,000.00	3,324,008.95
12503 - Foreign Exchange Transaction	1,000,000.00	1,000,000.00	906,662.26
12504 - Ticket Tax	1,950,000.00	1,950,000.00	1,342,661.98
12505 - Customs Surcharge	2,400,000.00	2,000,000.00	1,968,635.17
Total 125	9,450,000.00	9,050,000.00	7,812,948.36
<u>130 Duties</u>			
13001 - Export Duty	500.00	500.00	247.70
13002 - Import Duty - Alcohol	2,500,000.00	2,200,000.00	2,161,712.53
13004 - Import Duty - EU Transshipment	100.00	100.00	0.00
13005 - Import Duty Fuel and Gas	7,300,000.00	6,500,000.00	6,110,245.90
13006 - Import Duty - Other	38,000,000.00	27,500,000.00	30,142,692.25
13007 - Import Duty - Parcel Post	0.00	200,000.00	250,527.97
Total 130	47,800,600.00	36,400,600.00	38,665,426.35
Total Tax Revenue	114,834,900.00	81,032,000.00	96,714,322.38
NON TAX REVENUE			
<u>135 Fees Fines and Permits</u>			
13502 - Airport Landing Fees	300,000.00	300,000.00	183,608.28
13503 - Agricultural Fees and Supplies	20,000.00	15,000.00	33,190.33
13504 - Alien Land Holding Lic./Penalties	200,100.00	100.00	31,774.21
13505 - Belonger Status Fees	40,000.00	30,000.00	43,570.00
13506 - Births Deaths & Marriage Cert.	50,000.00	45,000.00	47,110.00
13507 - Building Permits	60,000.00	65,000.00	57,196.53
13508 - Civil Aviation Fees - Airport	60,000.00	60,000.00	58,156.24
13509 - Company Annual Fees	2,500,000.00	1,900,000.00	1,916,584.29
13510 - Company Registration & Docs.	1,200,000.00	900,000.00	940,394.52
13511 - Court Fines and Fees	150,000	150,000	141,149.79
13512 - Customs Officer Fees	75,000	75,000	100,575.00
13513 - Customs Penalties	30,000	30,000	0.00

GOVERNMENT OF ANGUILLA
2006 ESTIMATES OF RECURRENT REVENUE, EXPENDITURE AND CAPITAL BUDGET

REVENUE SOURCE	Approved Estimate 2006	Approved Estimate 2005	Actual Revenue 2004
13515 – Domain Name Registration	40,000.00	30,000.00	33,871.36
13516 - Estate Fees	100,000.00	20,000.00	156,872.79
13517 - Examination Fees	100.00	100.00	0.00
13518 - Extension of Stay	400,000.00	300,000.00	340,597.00
13520 - Land Registry Fees	800,000.00	250,000.00	290,703.00
13521 - Legal Fees	100.00	100.00	0.00
13525 - Naturalization & Registration Fees	40,000.00	35,000.00	38,220.00
13526 - Pier Dues	1,700,000.00	1,225,000.00	1,338,568.83
13527 - Tonnage Dues	1,000,000.00	700,000.00	810,872.41
13528 - Planning Permits	300,000.00	95,000.00	109,881.00
13530 - Storage Dues [warehouse rent]	100,000.00	100,000.00	101,258.34
13531 - Airport FBO Concession charge	100.00	0.00	0.00
13533 - Passport Fees	35,000.00	0.00	31,893.49
13534 - Patent Registration	6,000.00	2,000.00	1,075.28
13535 - Permanent Resident Fees	200,000.00	200,000.00	248,670.11
13537 - Police Certificates	15,000.00	15,000.00	18,825.00
13528 – Port Dues	435,000.00	375,000.00	386,353.31
13539 - Pound Fees	900.00	1,000.00	338.00
13540 - Private Water Connection Fees	60,000.00	55,000.00	52,445.61
13541 - Survey Fees	5,000.00	500.00	0.00
13542 - Terminal Fees - Post Office	100.00	100.00	0.00
13543 - Trademarks Registration	250,000.00	135,000.00	138,257.68
13544 - Traffic Ticketing Fines	200,000.00	190,000.00	210,885.20
13545 - Travel Permit Fees	10,000.00	35,000.00	48,800.00
13547 - Veterinary Services Fees	2,000.00	2,000.00	1,119.00
13548 - Work Permit Fees	2,600,000.00	1,700,000.00	2,072,694.80
13549 - Container Road Fees	175,000.00	150,000.00	152,600.01
13551 - Administrative Fees - Passport	60,000.00	50,000.00	55,760.00
13552 - A.L.H.L. Application Fees	150,000.00	150,000.00	103,000.00
13553 - Villa Rental Fees Under A.L.H.L	200,000.00	60,000.00	77,062.30
13555 - Penalty Bonds	100.00	100.00	0.00
13556 - Court Mediation	5,000.00	0.00	0.00
13599 - Fines, Fees, Permits - Other.	5,000.00	5,000.00	72,882.00
Total 135	13,579,500.00	9,451,000.00	10,446,815.71

GOVERNMENT OF ANGUILLA
2006 ESTIMATES OF RECURRENT REVENUE, EXPENDITURE AND CAPITAL BUDGET
DETAILS OF RECURRENT REVENUE 2006

REVENUE SOURCE	Approved Estimate 2006	Approved Estimate 2005	Actual Revenue 2004
<u>136 Manufacturing Fees</u>			
13601 - Sugar Export Levy	258,000.00	258,000.00	0.00
13602 - Combined Fees (Road, Pier Dues)	280,000.00	280,000.00	0.00
Total 136	538,000.00	538,000.00	0.00
<u>140 Rents, Interest and Dividends</u>			
14001 - Annual Lease Maundays Bay	2,200,000.00	2,200,000.00	2,031,770.59
14002 - Annual Lease Merrywing	174,000.00	154,000.00	308,067.72
14003 - Concessional Rent - Airport	60,000.00	60,000.00	68,987.00
14004 - Interest on Bank Deposits	300,000.00	300,000.00	291,648.56
14005 - Lease of Government Property	90,000.00	0.00	131,055.20
14006 - Rent Agricultural Equipment	10,000.00	10,000.00	13,444.40
14007 - Rent Agricultural Lands	100.00	100.00	270.80
14008 - Rent DICU Equipment	100.00	100.00	0.00
14009 - Rent of Government Buildings	5,000.00	7,500.00	3,235.00
14010 - Rent Non-Agricultural Lands	100.00	100.00	0.00
14011 - Rent Post Boxes	160,000.00	160,000.00	173,124.30
14012 - Rent Public Market	300.00	300.00	1,200.00
14013 - Royalty All Island Television	200,000.00	200,000.00	193,570.00
14014 - Royalty Private Water Extractions	300,000.00	250,000.00	333,293.73
14015 - Share of Dividends National Bank	162,000.00	148,500.00	162,000.00
14016 - 3% Share Caribbean Beacon	5,000.00	6,000.00	0.00
14018 - Share of Profits ECDS	100.00	100.00	0.00
14020 - Share of ANGLEC Dividends	600,000.00	500,000.00	463,615.20
14021 - Share of FSC Revenue	100,000.00	0.00	0.00
14022 - Airport Fuel Flowage Charge	1,000.00	0.00	0.00
14099 - Rents, Interest & Dividends Other	100.00	100.00	268.82
Total 140	4,367,800.00	3,996,800.00	4,175,551.32
<u>145 ECCB Profits</u>			
14501 - ECCB Profits	100,000.00	100,000.00	171,904.00
Total 145	100,000.00	100,000.00	171,904.00
<u>150 Other Revenue</u>			
15001 - Cargo Handling Charges	40,000	40,000	45,763.10
15002 - Commission Insurance & Association	100	100	0
15003 - Contributions to Local Capital	100	100	0
15004 - Customs Restoration	25,000	25,000	14,331.16
15005 - Disposal of Vehicles	0	100	0
15006 - Fisheries Supplies	80,000	135,000	113,889.00
15007 - Forfeiture of Bail	100	100	0

GOVERNMENT OF ANGUILLA
2006 ESTIMATES OF RECURRENT REVENUE, EXPENDITURE AND CAPITAL BUDGET
DETAILS OF RECURRENT REVENUE 2006

REVENUE SOURCE	Approved Estimate 2006	Approved Estimate 2005	Actual Revenue 2004
15008 - Gains on Exchange	10,000.00	10,000.00	7,814.47
15009 - Income from Broadcasting	200,000.00	200,000.00	197,927.85
15010 - Insurance Settlements	100.00	100.00	4,161.60
15011 - Lapsed Deposits	100.00	100.00	0.00
15012 - Over Payments Recovered	100.00	100.00	0.00
15013 - Parcel Post Handling Charges	16,000.00	16,000.00	14,612.00
15014 - Philatelic Sales	50,000.00	50,000.00	31,758.83
15015 - Plant Propagation and Sales	4,000.00	3,500.00	5,676.80
15016 - Post Office Promotional Sales	300,000.00	300,000.00	381,089.96
15017 - Previous Years Reimbursements	100.00	100.00	152,838.56
15018 - Refund Social Security Benefits	375,000.00	375,000.00	361,897.44
15019 - Sales by Auction	100.00	100.00	775.00
15020 - Sale of Company Documents	450,000.00	350,000.00	233,925.84
15022 - Sale of Government Equipment	100.00	0.00	30.00
15023 - Sale of Maps and Flags	4,000.00	7,000.00	5,460.00
15024 - Sale of Insecticides	10,000.00	10,000.00	8,019.94
15025 - Sale of Law Books	100.00	100.00	0.00
15026 - Sale of Livestock	20,000.00	20,000.00	16,447.00
15027 - Sale of Publications	20,000.00	20,000.00	23,931.57
15028 - Sale of Seeds, Seedlings, etc.	8,000.00	5,000.00	7,769.00
15030 - Sale of Stamps	300,000.00	500,000.00	466,479.36
15031 - Sale of Vegetables & Fruits	2,500.00	6,000.00	7,018.81
15032 - Water Charges	4,000,000.00	4,500,000.00	3,150,511.17
15036 - Express Mail Services	100.00	100.00	0.00
15038 - Sale of Government Land	100.00	100.00	0.00
15040 - Refund on Expenditure	200.00	100.00	349,971.44
15041 - Bulk Postage	1,000.00	5,000.00	3,873.23
15042 - Cable and Wireless Discounts	30,000.00	30,000.00	0.00
15044 - Airport Baggage Handling Charge	220,000.00	175,000.00	158,138.00
15045 - Contribution from Financial Services	0.00	100.00	0.00
15046 - Repayment of Student Bonds	4,000.00	0.00	0.00
15099 - Other Revenue	250,000.00	190,000.00	526,227.72
Total 150	6,420,900.00	6,973,900.00	6,290,338.85
Total Non Tax Revenue	25,006,200.00	21,059,700.00	21,084,609.88
TOTAL REVENUE	139,841,100.00	102,091,700.00	117,798,932.26

GOVERNMENT OF ANGUILLA
2006 ESTIMATES OF RECURRENT EXPENDITURE AND CAPITAL
SUMMARY OF APPROPRIATIONS

PROGRAM	ESTIMATE 2006
PART I - RECURRENT EXPENDITURE	
001R HE THE GOVERNOR	18,851,799
350R MINISTRY OF HOME AFFAIRS, LANDS AND PHYSICAL PLANNING	6,787,508
450R MINISTRY OF FINANCE, ECONOMIC DEVELOPMENT INVESTMENT, COMMERCE AND TOURISM	37,848,785
550R MINISTRY OF SOCIAL DEVELOPMENT	42,320,389
650R MINISTRY OF, INFRASTRUCTURE, COMMUNICATIONS UTILITIES, HOUSING, AGRICULTURE AND FISHERIES	19,317,433
TOTAL RECURRENT EXPENDITURE	125,125,914
PART II - LOCAL CAPITAL	
001D HE THE GOVERNOR	1,105,000
350D MINISTRY OF HOME AFFAIRS, LANDS AND PHYSICAL PLANNING	2,350,000
450D MINISTRY OF FINANCE, ECONOMIC DEVELOPMENT INVESTMENT, COMMERCE AND TOURISM	2,200,000
550D MINISTRY OF SOCIAL DEVELOPMENT	3,275,000
650D MINISTRY OF, INFRASTRUCTURE, COMMUNICATIONS UTILITIES, HOUSING, AGRICULTURE AND FISHERIES	14,500,000
TOTAL LOCAL CAPITAL	23,430,000
TOTAL RECURRENT AND CAPITAL EXPENDITURES	148,555,914

**2006 ESTIMATES OF RECURRENT REVENUE, EXPENDITURE AND CAPITAL
2006 ESTIMATES OF RECURRENT REVENUE, EXPENDITURE AND CAPITAL BUDGET
SUMMARY OF RECURRENT EXPENDITURES BY STANDARD OBJECT CODE**

STANDARD OBJECT		ESTIMATE 2006	PERCENT OF TOTAL
310	Personal Emoluments	41,685,099	33.31%
311	Temporary Staff	318,147	0.25%
312	Wages	4,410,077	3.52%
314	Social Security	1,920,000	1.53%
315	Ex Gratia Award	1	0.00%
316	Allowances	2,236,985	1.79%
318	Allowances to House of Assembly	472,600	0.38%
320	Local Travel and Subsistence	712,087	0.57%
322	International Travel and Subsistence	859,000	0.69%
324	Utilities	3,107,060	2.48%
326	Communications Expense	1,259,850	1.01%
328	Supplies and Materials	2,776,596	2.22%
329	Medical Supplies	62,000	0.05%
330	Subscriptions/Periodicals/Books	183,650	0.15%
331	Maintenance of Buildings	212,000	0.17%
332	Maintenance Services	2,309,483	1.85%
333	Maintenance of Roads	900,000	0.72%
334	Operating Cost	7,772,080	6.21%
336	Rental of Assets	620,907	0.50%
337	Rental of Heavy Equipment	1,928,410	1.54%
338	Professional Consultancy Services	3,452,313	2.76%
340	Insurance	2,400,000	1.92%
342	Hosting and Entertainment	316,003	0.25%
344	Training	4,344,701	3.47%
346	Advertising	430,200	0.34%
350	Retiring Benefits	5,407,000	4.32%
352	Grants and Contributions	28,015,212	22.39%
360	Public Assistance	1,527,252	1.22%
361	Medical Treatment Overseas	300,000	0.24%
362	Sports Development	1	0.00%
370	Refunds	75,000	0.06%
372	Claims Against Government	75,000	0.06%
374	Sundry Expenses	322,700	0.26%
380	Debt Servicing - Domestic	4,000,000	3.20%
382	Debt Servicing - Foreign	710,000	0.57%
384	Special Expenditure	4,500	0.00%
	Total Expenditures	125,125,914	100%

GOVERNMENT OF ANGUILLA
2006 ESTIMATES OF RECURRENT REVENUE, EXPENDITURE AND CAPITAL
SUMMARY OF ESTABLISHED POSITIONS

DEPARTMENT	2006		2005
	Authorized	Forecast	Authorized
H E THE GOVERNOR	4	4	4
PUBLIC ADMINISTRATION	21	21	21
HOUSE OF ASSEMBLY	0	0	0
DEPUTY GOVERNOR AND DISASTER MANAGEMENT	6	6	0
POLICE	88	88	88
JUDICIAL	15	15	13
ATTORNEY GENERAL'S CHAMBERS	12	12	11
MINISTRY OF HOME AFFAIRS, NATURAL RESOURCES	8	8	9
IMMIGRATION	45	44	35
INFORMATION AND BROADCASTING	15	13	14
LABOUR	7	7	5
LANDS AND SURVEYS	23	23	13
PHYSICAL PLANNING	12	12	11
DEPARTMENT OF ENVIRONMENT	8	10	0
MINISTRY OF FINANCE , ECONOMIC DEVELOPMENT & TOURISM	20	19	19
TREASURY	17	17	16
CUSTOMS DEPARTMENT	62	58	58
COMMERCIAL REGISTRY	6	6	6
POST OFFICE	24	24	18
INFORMATION SYSTEMS, TECHNOLOGY & E-GOVERNMENT SERVICES	20	17	20
INTERNAL AUDIT	6	6	6
STATISTICS	8	8	8
INLAND REVENUE	25	23	24
MINISTRY OF SOCIAL DEVELOPMENT	12	11	32
EDUCATION	218	211	226
DEPARTMENT OF SOCIAL DEVELOPMENT	16	15	16
HEALTH PROTECTION	20	20	0
DEPARTMENT OF PROBATION	12	12	0
LIBRARY SERVICES	16	15	16
DEPARTMENT OF SPORTS, YOUTH AND CULTURE	11	11	11
H M PRISON	24	24	23
MINISTRY OF INFRASTRUCTURE	7	7	7
AIRPORT	72	70	71
INFRASTRUCTURE, COMMUNICATIONS & UTILITIES	15	14	14
WATER	11	11	11
AGRICULTURE	13	11	12
FISHERIES & MARINE RESOURCES	8	8	8
TOTALS	907	881	846