

Government of Anguilla



2016

Budget Address



ANGUILLA 2016:

“We have to define the times; not allow the times to define us.”

by:

Honourable Minister of Finance, Economic Development, Investment, Commerce,
Tourism, Lands & Surveys and Physical Planning

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GOVERNMENT OF ANGUILLA 2016 BUDGET ADDRESS:

“WE HAVE TO DEFINE THE TIMES; NOT ALLOW THE TIMES TO DEFINE US”

1. INTRODUCTION

Mr Speaker,

This is the first budget address that I have the privilege to present since the election of our AUF team as the new Government of Anguilla on April 22, 2015. I must therefore crave your indulgence while I employ this occasion to once again express our profound thanks and appreciation to the people of Anguilla for the overwhelming confidence they have reposed in us to lead our country forward out of the wilderness of prolonged recession, severe unemployment and loss of income, economic and financial instability and fiscal uncertainty. We do so with great humility in the face of the strong mandate the people have given us. This is an awesome responsibility placed on our shoulders. With this in mind, and considering others, we find it fitting that the theme of this year's budget address be: **We have to define the times, not allow the times to define us!**

Mr Speaker, this AUF Government is all in. We are highly motivated and committed and are steadfastly devoting whatever talents and abilities the Lord has blessed us with to undertake the people's work to the best of our ability. We pledge to relentlessly pursue and achieve a new period of stable and sustained growth, increased jobs and full employment, growing incomes and improved well-being and quality of life. We will create increased opportunities for all our people, especially our youth. We will strengthen and expand the social safety net especially in the area of healthcare. And we will improve and extend social development services especially for the more vulnerable members of our community.

Mr Speaker, despite the fact that I have presented some sixteen budgets over the years, this one is of particular significance to the progress and prosperity of Anguilla because we are dealing with extremely critical, once in a lifetime and intergenerational challenges to the longer term sustainability of our economy, our society and Anguilla's ecosystem where we make our home. Foremost in this enterprise of returning the Anguillian community to progress and prosperity is the resolution, stabilization and strengthening of our indigenous banking sector. I am humbled, we all are humbled, that we, the AUF Party, have been chosen by the people of Anguilla to be charged with this awesome responsibility to ensure the survival, continuity and growth of the indigenous banking sector and at the same time ensure the safety and security of the hard earned savings of the people of Anguilla.

Mr Speaker, this year has been a particularly trying one for all of us. It is our main objective as a Government to bring our island back on a strong path towards fiscal and economic stability. Such a path requires a focused approach because the indigenous banking sector has been and still is responsible for seventy-five percent or more of domestic banking industry and banking activity. Indeed this sector is the foundation of the people of Anguilla's growth and participation in our national development. If this sector is struggling it is obvious that the rest of the economy will

likewise be adversely impacted. We recognized this very early and understood the need to take principled and well researched and informed action, after weighing various alternatives.

My colleagues entrusted me as Minister of Finance to lead the way, namely, to define the scope of the issue; research, examine, and review the options; and propose a viable and affordable way forward that ensures that customers deposits are guaranteed, the sector retains much of its indigenous character, an improved and effective regulatory framework is put in place; and negative impacts on staff are minimized.

Mr Speaker, I am happy to report that we are now in a position to realize all of the above in keeping with page 12 Section 3.4.1 of our AUF Party manifesto dealing with Recovery and Growth in Commercial Banking and Finance. And I quote our vision 2020 statement in this section: *“we envisage the indigenous banks will be recovered, strengthened and growing, meeting the needs of the people of Anguilla, and with the international banks facilitating a new period of robust economic growth.”* We took the time to define these times and the way forward for a prosperous Anguilla in our Manifesto. We aim to fulfil the goals and objectives we have set out therein over the next five years.

But all of the above will not be sustainable unless the underlying economy is robust and capable of fulfilling the requirements for growth and success, namely increased jobs, business opportunities, investment and training. These have been the core elements of our mantra upon seeking the support of the people of Anguilla in the last election. We do not intend to depart from these core imperatives.

After seven and a half months in office Mr. Speaker and despite the many challenges, our optimism for achieving these goals over the medium term has not waned. Indeed we continue to be encouraged by the patience, tolerance and understanding of the vast majority of Anguillians, who in various ways and without fanfare commend our efforts. This is indeed an indication that they understand that these are defining times and that we are bent on defining the times and not allow the times to define us.

In keeping with our tradition of democratic succession we took over the reins of Government and a budget passed by our predecessors, the AUM Administration. On behalf of the people of Anguilla we thank them for their service. Let me especially thank the Hon. Hubert Hughes for his long tenure and wish him Godspeed in his retirement. The baton of government has been passed to us and we intend to take full responsibility for doing what is necessary to ensure that all our people have an opportunity to share in the Anguillian dream.

Mr Speaker, even though this Budget Address is delivered by me as Minister of Finance I intend to depart from the usual practice where I speak on submissions from every Ministry. On this occasion I will do a very annotated walk-through and allow the Ministers responsible to elaborate on the details of the various programs in their portfolios when they make their presentations. I will stick mainly to the broader fiscal and economic presentations and issues.

Mr Speaker, let's get started.

2. ECONOMIC AND FISCAL REVIEW

2.1 Review of the Economy 2014

Last year Mr Speaker, our economy grew in real terms by a respectable **6.74 per cent**. This is significant for Anguilla because we have not seen such growth since the mid 2000s. Gross Value Added, as a standard measure of economic output was **EC\$720.45 million**. Although we are not yet back to our peak level of economic output which was EC\$815.33million in 2008, we are seeing the requisite growth in our critical sectors that will allow us to surpass that peak through controlled, sustained growth.

Mr Speaker, permit me the opportunity to speak a bit more about sector developments in our budding economy. In the past year, the most significant economic sectors in terms of their contribution to economic activity were: Hotels & Restaurants; Real Estate, Renting & Business Activities, Financial Intermediation, Construction; and Public Administration, Defence & Compulsory Social Security.

Notably Mr Speaker, our economic mainstay—Tourism continues to drive growth and create jobs. This sector grew by **2.92 per cent** in 2014 and contributed **EC\$141.63 million** to our economy in 2014. This expansion of tourism was as a result of a **17 per cent increase** in visitor arrivals over 2013 and the **EC\$345.82 million** that our visitors expended on our shores.

Furthermore Mr Speaker, any promise of robust economic growth in our unique economy must be preceded by robust growth in the Construction sector. This critical sector leads our booms and equally leads our slumps. It is therefore very propitious that in 2014 construction activity in Anguilla accelerated significantly, with an expansion of **38.08 per cent**. Mr Speaker this was Zemi Beach, The Reef, Manoah, Solaire and the range of other redevelopment, expansion and construction projects that were in works in 2014. Mister Speaker the construction sector was the primary driver of Anguilla's growth in 2014 as it did in the mid 2000s and in order for our recovery to continue, we must ensure that construction activity continues to thrive in our island.

Mr Speaker we cannot sit here in this Honourable House speaking about sector growth in our economy in the abstract and not address the proverbial elephant in the room—the banking sector. Tight credit conditions and dwindling activity in this sector has been an impediment to overall growth in Anguilla for five long years Mr Speaker. Estimates produced jointly by our Department of Statistics and the Eastern Caribbean Central Bank reveal that the banking subsector contributed **EC\$81.28 million** to the economy, representing a **0.91 per cent decline** in 2014. All Anguillians by now should be aware of the pressing need to resolve the two troubled indigenous banks, NBA and CCB, and to move forward to a new dispensation. So at this time Mr Speaker, it only needs be said that we are anticipating the approval by the UK Government of the Bank Resolution Plans in short order so that going forward the banking sector will no longer stifle growth in our economy, but return to a position where it adds to our overall growth position rather than subtracts from it.

Mr Speaker, we expect 2015 to be another year of compounded growth for Anguilla as real growth of **3.12 per cent** is anticipated this year as our industries continue to find ways to increase output in steadily improving global, regional and local economic climates.

2.2 Fiscal Review 2015

Mr Speaker, having reviewed the state of our economy, we will now focus on Government's fiscal position for 2015. This involves a review of recurrent revenue relative to recurrent expenditure, and combining this with capital revenue and capital expenditure to give a picture of the Government's overall fiscal balance in 2015. Mr Speaker, notwithstanding the positive developments in the economy, Government continues to operate within tight fiscal constraints. We continue to struggle with achieving and maintaining our commitment to the agreed prudential limits set out in the Framework for Fiscal Sustainability and Development and meeting the development needs of our people and island. **2.2.1 Recurrent Revenue**

Mr Speaker, it is anticipated that recurrent revenue for 2015 will total **EC\$195.22 million**, surpassing the budget estimate of **EC\$192.29 million**. 2015 collections, if realised, would represent an increase of **EC\$10.01 million** or **5.40 per cent** over 2014 when **EC\$185.21 million** was collected. This is proof of the economic turnaround that has begun and the relationship between the economy and government revenues.

Mr Speaker, the major contributors to recurrent revenue remained unchanged from previous years. Import Duty-Other continues to be the largest revenue contributor, with collections projected to yield **EC\$46.89 million** in 2015, exceeding the original estimate of **EC\$42.03 million**. When compared to 2014, collections increased by **11.24 per cent**. Mr Speaker, the increase in consumption that supports the increase in duty collections is expected when the economy is growing.

Mr Speaker, Accommodation Tax, the second largest revenue item, is expected to come in within budget to total **EC\$18.99 million**. This represents a **17.32 per cent** increase over 2014 collections of **EC\$16.11 million**. A portion of the collections is attributable to the payment of arrears. Customs Surcharge continues to perform in 2015. Projections indicate that collections will total **EC\$18.02 million**, compared to the budget estimate of **EC\$16.14 million**. Import Duty-Fuel and Gas is projected to total **EC\$14.15 million** and the Interim Stabilisation Levy is projected to total **EC\$13.97 million**.

2.2.2 Recurrent Expenditure

Mr Speaker, recurrent expenditure is expected to total **EC\$185.54 million in 2015**. This is **EC\$6.64 million** less than the budget estimate of **EC\$192.79 million** and **EC\$4.37 million** more when compared to 2014. Mr Speaker, we have unlimited needs and while there are several areas that we would like to see developed to do so can be challenging. Some of these areas have been included in the budget. However Mr Speaker, we want to be fiscally responsible and continue to employ expenditure controls, expending based on cash flow availability.

2.2.3 Recurrent Balance

The recurrent balance, the difference between recurrent revenue and recurrent expenditure, is projected to be a surplus of **EC\$9.68 million**.

2.2.4 Capital Expenditure 2015

Mr Speaker, capital expenditure for 2015 is expected to total **EC\$7.5 million**. This represents 38% per cent of the **EC\$19.8 million** that was budgeted. Mr Speaker, while this is some improvement on recent years, it is nowhere near where it should be or where I would want it to be in order to support the needs of our recovering and growing economy. This year saw limited but nonetheless important accomplishments with the completion of the first phase of the redevelopment of the Adrian T Hazell Primary School and additional minor education projects financed by the remaining UK Grant funds. Additionally, the completion of the Amerindian Heritage Centre project is another string to the bow of our constantly improving tourism product and is anticipated to open in the first quarter of 2016 offering visitors an insight into Anguilla's past. The Tax Reform agenda was also at the forefront with the on-going implementation of a property tax reform consultancy. The formation of a broader based tax regime is a goal that is essential for Anguilla's sustainable development and will afford us better schools, better roads, better health care, essential services that are fundamental for us all.

2.2.5 Capital Grants

Mr Speaker, in 2015, capital grants totalled EC\$3,726,529 from the UK Government in support of the implementation of the Adrian T Hazell School Development and other minor education projects.

2.2.6 Capital Balance

Capital grants totaled **EC\$3.7m** and capital expenditure is expected to total **EC\$7.5m**. This translated into a deficit of **EC\$3.8 million**. This was financed by funds from the Catastrophic Risk Insurance Facility (CCRIF) payout received in November 2014, drawdowns from the CDB loan in support of development of the Anguilla Community College and the balance of proceeds from the 3rd and final tranche of EDF 10 Grant Funds also received in November 2014.

2.2.7 Overall Balance

Mr Speaker, Government's overall fiscal position is determined by the sum of the recurrent balance and the capital balance plus grant receipts. The recurrent balance for 2015 is expected to be a surplus of EC\$9.68 million. The capital account balance is expected to be a deficit of EC\$3.8million. Taken together, the combined balances translate to a surplus of EC\$5.88 million. However Mr. Speaker once the debt amortization figures are factored in, an overall deficit of EC\$2.89 million is projected. This will be financed in the main by drawing on the government's overdraft facilities.

2.2.8 Public Debt

At the end of 2014, disbursed outstanding public sector debt stood at **EC\$221.88 million** or **26.36 per cent** of GDP. This represented a decline of **4.21 per cent** relative to the 2013 debt stock of **EC\$231.65 million**. Central government debt accounted for **94.25 per cent (EC\$209.14 million)** of the debt stock while the remaining **5.75 per cent (EC\$12.75 million)** was due to government guarantees. Approximately **9 per cent (EC\$19.69 million)** of the portfolio was held in short-term instruments.

Mr Speaker as you are aware, the Government of Anguilla is required to maintain public debt within UKG borrowing limits. At the end of 2014, Government was compliant with the debt service to recurrent revenue target of a maximum of 10 per cent, having achieved a ratio of **8.84 per cent**. The net debt to recurrent revenue ratio breached the stipulated target of 80 per cent by **17.90** percentage points and the liquid assets to recurrent expenditure ratio was **8.07** percentage points less than the **25 per cent** minimum benchmark.

Mr Speaker in 2015 no new long term debt was acquired and as at 30th November, 2015 public sector debt stood at **EC\$211.06 million or 24.30 per cent of GDP**. This represented a reduction by 4.88 percentage points over the 2014 stock of debt. Mr Speaker, my government pledges our commitment to prudently manage Anguilla's debt portfolio as we face the challenges confronting us at this critical juncture.

3. RECURRENT EXPENDITURE 2016

Mr Speaker, the 2016 Estimates of Revenue and Expenditure provide for total expenditure (including principal repayments) of two hundred and twenty five million three hundred and thirty five thousand two hundred and twenty seven dollars (\$225,335,227).

Mr Speaker, therefore, the Recurrent Expenditure without amortisation for the fiscal year 2016 is estimated at EC\$202.3 million which is 5.3% increase over EC\$192.1 million for fiscal year 2015. There are varying degrees of increases across the various budget economic classifications for 2016 Budget when compared to 2015. Salaries and Wages will increase from EC\$86.8 million to EC\$87.2 million. This minor 0.4% increase is mainly attributed to the filling and regularizing of positions in critical areas such as Education, Social Services and others. Retiring Benefits moved from EC\$10.0 million to EC\$10.3 million resulting in a 3.1% to facilitate the additional retirees in 2016. **Interest Payments increased from EC\$9.3 million to EC\$15.6 million which is the largest increase of 67.3%**. This spike in interest payments is essentially to deal with resolving our banking crisis. Goods and Services increased from EC\$43.3 to EC\$45.2 million. The 4.4% increase is basically attributed to training, maintenance services, utilities, insurance, and supplies and materials. Lastly, Current Transfers which includes payments to our Statutory Bodies increased from EC\$42.6 million to EC\$44.0 million. This 3.2% increase is primarily due to public assistance, health services, community and youth initiatives and sports.

Mr Speaker we will now take some time to outline in some detail the expenditure allotment by ministry and departments as well as the on-going and new initiatives of our ministries for the 2016 year.

3.1 H E The Governor's Ministry and Departments

The 2016 recurrent estimate for the Governor's Office & Departments is **EC\$28.842 million**. Mister Speaker this is a very minuscule decrease over the 2015 approved estimate of **EC\$28.849 million**.

Police

Generally the public would like more visibility, more Police stations and an officer in every district. However, realistically with the resources available these ambitions are not easily achievable. The RAPF must therefore police according to the threat and risk the public faces and modernize its approach so that where people are living in areas where there have been crimes or the public has expressed vulnerability, then they can see an increased presence. Patrolling is important but the RAFF must seek other ways of working in partnership to improve crime reduction measures such as with CCTV pilots, smarter use of the Special Constabulary and having some shared space at the extremities of Anguilla so that patrols are not always drawn back to the Valley

The RAPF will strengthen Community Policing, which will see officers assigned to a district under the leadership of a sergeant. This will allow this team to forge the relationships with the local community through street level briefings and meetings so that they can consider and address the problems and issues they may be facing.

Mr Speaker, the RAPF will introduce an Independent Advisory Group drawn from across the communities who meet with the senior police officers on a regular basis to consider the impact of policing on our communities, offer advice on tactics and methods that are being employed by the police and advise on managing community impacts of high profile or critical incidents.

While recognizing the excellent work by PAVE and DARE in diversion and education as preventative measures in crime reduction the RAPF acknowledges that there is a gap which needs to be bridged in managing high risk offenders/suspects and victims in Anguilla. It therefore requires Multi Agency Public Protection Arrangements to be forged with partners to ensure Anguilla remains safe.

Mr Speaker, the RAFF under the leadership of the new Commissioner is committed to developing the officers. Officers will be supported in reaching and maintaining good standards and to make officers accountable at all levels. Additionally, a Policing Plan will be formulated and published during the course of the year.

Public Administration

Mr Speaker in 2015 the Department of Public Administration implemented a number of initiatives. These included the implementation of a service- wide formal recognition programme to recognize significant accomplishments by employees. Public Administration has also been working with DITES to implement a system called Common Office which will automate a number of the HR services offered, reduce the over-reliance (that presently exists) on paper, integrate the revised Performance Management System and improve efficiency at both administrative and operational levels.

Although overseas training was suspended, except for critical areas, such as Education and Health, some in-house training sessions were conducted this year and the government continues to provide support for students pursuing studies online.

House of Assembly

A number of programmes are being considered for 2016 in an effort to build the capacity of the House of Assembly to make it a more capable and efficient Assembly. To achieve this objective during 2016, the HoA will:-

1. Identify an appropriate governance and administrative model for the House of Assembly;
2. Develop a House of Assembly Strategic Plan for the period 2017-2020;
3. Begin an annual training needs assessment for House staff and develop a corresponding training programme that utilises local and international networks and institutions;
4. Increase cost effectiveness and efficiency of House administration through the use of ICT into the House Strategy 2017-2020.

Judicial Department

In 2016, the most urgent initiative of the judicial department will be to have the Birth, Death and Marriage records of Anguilla computerized. This will enable us to greatly improve the delivery of this service and preserve these records.

3.2 Ministry of Home Affairs and Departments

Mr Speaker you will see that the overall budget for this particular Ministry is reduced. The Ministry of Home Affairs has seen the transfer of four of its departments to other Ministries. Specifically, the Physical Planning and Lands & Surveys Departments are now a part of the Ministry of Finance and the Agriculture Department and Fisheries and Marine Resources are now a part of the Ministry of Infrastructure. This transfer has left the Ministry of Home Affairs with an overall budget of **EC\$7.3 million**, an EC\$5.3 million decrease over the approved 2015 Budget.

Some highlights of the Departments within The Ministry of Home Affairs include the following:
Department of Environment: Key initiatives continuing in 2016 will include completion of the Anguilla National Ecosystem Assessment (ANEA) Project: Towards a Green Economy, Governance for land use planning, seed conservation work, development of a national soil map and a reconnaissance geological map. As well, the ongoing coordination of the Sargassum seaweed cleanup and maintenance is also part of the department's mandate.

A major priority for **Gender Affairs** in 2016 will be to continue the development of the Gender Unit and the unit's signature programmes (Women's and Men's Week and the 16 Days of Activism activities) will continue to expand.

Department of Labour will, as part of its 2016 agenda, work towards a Labour Code that addresses the actual and potential needs of the Labour force in Anguilla. Concomitantly, will be the issue of a minimum wage and its relevance to the island. While these two goals are significant mandates, the Department will continue, through its work as legislated by law, to ensure that fairness and consistency are always administered.

The Department of Immigration in 2016 will continue to provide staff development through training to improve the efficiency of services. The implementation of the Regional Clearance System (RCS) Sail Clair at the Marine Base Port will allow both Immigration and Customs to have advance knowledge of passengers/crew on vessels before arrival. This improved technology will help to manage the movement of persons in and out of Anguilla thus ensuring that security remains paramount.

3.3 Ministry of Finance, Economic Development, Investment, Commerce, Tourism & Departments

Mr Speaker the recurrent 2016 estimate for the Ministry of FEDICT and Departments is **EC\$72.6 million, up from EC\$62.3 million in 2015**. Mister Speaker this is a **16.5% increase** over 2015, bearing in mind that Physical Planning and Lands and Surveys Departments are now under this Ministry. These two departments account for an increase of EC\$2.4 million in the Ministry's overall budget.

Finance Division

Mr Speaker, in terms of expenditure relating to the Finance Division of the Ministry I will focus on the costs associated with the proposed Bank Resolution Plan. There has been much discussion in Anguilla in recent weeks about the costs that the GoA will have to incur to facilitate the resolution of NBA and CCB. I can state that the proposed borrowing in the Resolution Plan submitted to the UKG for approval is EC\$302 million to be amortized over a period of 25 years. The majority of the proposed borrowing would be in the form of a EC\$217 million 25 year Bond

(at 3 per cent interest rate) to guarantee the deposits of the Anguilla Social Security Fund which are on deposit with NBA and CCB. Mr Speaker, Part 1, Section 14 of the ASSB Act states that any shortfall in the Social Security Fund would have to be made good by drawing on the Consolidated Fund. Consequently, GoA has no alternative but to protect Social Security Deposits 100 per cent as part of the Bank Resolution Plan so as to avoid a shortfall in the Social Security Fund. Other borrowing associated with the Bank Resolution includes a EC\$45 million 15 year Loan (at an average 3.4 per cent interest rate) from the Caribbean Development Bank to recapitalize the new Bridge Bank to be formed of the “good bits” of NBA and CCB. The remaining amount of borrowing associated with the Bank Resolution Plan is to be a 10 Year EC\$40 million Bond (at 2 per cent interest rate) to guarantee deposits other than Social Security deposits. Mr Speaker, I trust that this puts to rest the often sensational speculation surrounding the proposed borrowing to facilitate the resolution of NBA and CCB. Protection of deposits is paramount to preserving the savings of the Anguillian people, businesses and public bodies which is the wealth of the nation and the key to the financial, economic and social stability of Anguilla. It trumps everything!!!

Mr Speaker, total debt service for 2016, is estimated to amount to **EC\$38.57 million**. Of this amount **interest payments** account for **EC\$15.59 million** while **amortization** amounts to **EC\$22.98 million**. The debt service associated with the proposed new borrowing for bank resolution in 2016 is estimated at approximately EC\$8.0 million in interest payments and EC\$4.0 million in principal payments. Principal repayments on the policy-based loan obtained from the CDB in 2010 for which the grace period expired in October 2015 is estimated at EC\$12.37 million. It should be noted that as per accounting conventions interest payments are included in the annual Recurrent Expenditure Estimates while principal payments (that is debt amortization) are made “below the line”. However, for the sake of transparency I am reporting on the total debt obligations of the GoA for 2016 which is an improvement to the way the Budget has been presented in the past. Provision has been made in the Budget to meet all GoA debt obligations for 2016.

Economic Development, Investment, Commerce and Tourism

Mr Speaker, Foreign Direct Investment will continue to figure highly into the national development agenda in 2016. While the construction phases of some projects will slow in 2016, for example ZEMI Beach, Manoah and the hotel component of The Reef by Cuisinart Golf Resort, other projects are being negotiated to continue to boost the construction sector, these include:

- Two projects in West End & Meads Bay respectively by Sunset Homes
- The commencement of construction for condominium/villa developments and estate homes at the Cuisinart Golf Resort;
- Frangipani Resort will be constructing 40-50 rooms by end of next year;
- Marina Project at Altamer to commence construction next year;
- CeBlue Expansion project anticipated to begin construction in 2016; and
- Cap Juluca renovation to commence in 2016.

While these projects are significant investments in themselves, totaling over US\$100 Million in the short term, the Government continues to negotiate other MOUs with the anticipation that they also will come on stream next year and beyond. To facilitate this process the Ministry is streamlining the MOU investment approval processes.

The Government is also considering the implementation of an economic residency programme that is appropriate for Anguilla. This has the potential to not only improve the investment climate directly but generate significant revenues for national development.

Mr Speaker, as regards Tourism for 2016 the Government of Anguilla is committed to increasing the island's market presence in traditional markets like North America and Europe, but also intends to place considerable emphasis in the development of new source markets in South America and Asia. To this end the revitalized and creative Tourist Board has already begun to implement new strategies, which will continue into next year, geared at increasing visitor arrivals.

The people of Anguilla articulated the vision of Anguilla's tourism by the year 2020 which is entrenched in the Sustainable Tourism Master Plan. The vision calls for Anguilla to become **"A premier Caribbean destination known for our world class beaches, pristine azure waters, top class resorts and restaurants, relaxed ambiance, sense of place, peace and tranquillity in a safe setting among a friendly and hospitable people, that take pride in their identity, cultural heritage and environment."**

Recognising that achieving this goal will require sustained and strategic planning and careful execution, the Ministry has identified the following priorities as stipulated in the Master Plan for action in 2016 and will continue to collaborate with key stakeholders across the island in the following areas, including revising the original Tourism Policy; improve the regulatory and legislative framework for registration, licensing and certification of tourism enterprises, creating a more diversified tourism product, improve standards through training.

Mr Speaker, the government recognizes the challenges of air and sea access to Anguilla which impact the efficiency of tourists and nationals travelling to and from Anguilla and commerce in general. Next year government we will be using a mix of initiatives to encourage local and international carriers to use the Clayton J Lloyd International Airport as a means of increasing intra-regional and international traffic, including providing incentives for local carriers to ply routes that are important.

The Government will also be conducting the necessary negotiations and background work with developers and local land owners for the extension and further development of the airport. Mr. Speaker, Anguilla cannot rebound to economic prosperity if access to the island is not efficient. Improving this sector is one sure way of improving our levels of commerce and investment. As the theme says we have to define the times and not allow the times to define us!

Department of Lands and Surveys

The Department of Lands and Survey continues to work in collaboration with various Government Agencies and the OECS on Global Climate Change Alliance Project which focuses on

Climate Change Adaptation and Sustainable Land Management in the Eastern Caribbean. As well the department is also pursuing to establish the island's first GPS System. Mister Speaker in the coming year, the department will be reviewing, improving and developing land policies to improve land management practices, recognizing that land is of vital importance and must be managed in a sustainable way.

Department of Physical Planning

The overall goal of the Planning Department for 2016 will continue to be the promotion of the sustainable development of Anguilla's economy through the facilitation of wise planning and building practices, the development of a suitable planning system and the creation of orderly developmental plans.

The departments endeavours to:

- Effectively manage the planning and building process through proper legislation and a one-stop platform.
- Revise the building code
- Expand its GIS system
- Broaden its public awareness program; and
- Conduct a National Electric Code (NEC) training course with all electricians on the island.

Department of Statistics

Mr Speaker it is hoped that during the year ahead, the importance of a strong statistical system would be recognized and efforts made by all stakeholders to assist the Anguilla Statistics Department through their participation, whether it be; ministries, departments and agencies returning the standard data in a timely manner, stakeholders attending workshops, businesses/households returning data requested by the department or as simple as encouraging your 'neighbour' to comply with requests by the department for data.

Anguilla Commercial Registry

Mr Speaker, our financial services sector is one of Anguilla's strengths. In view of the critical role of the financial services sector in creating a conducive business environment for diversification and growth, Government remains committed to the Financial Services Sector and the Commercial Registry alike. Our economic growth initiatives have to be intensified.

The Commercial Registry will consider the feasibility of establishing a private jet register; a non-commercial private yacht register and a business name register diversifying its portfolio.

Government will introduce a special Financial Sector Incentive Scheme to attract international investors and high net worth individuals to relocate their front-office operations to the shores Anguilla. The Anguilla Finance Promotion Agency will be reenergized for more effective promotion campaigns, especially to diversify our Global Business activities. And a Financial Services Institute (offering short courses/certification) is being set up in collaboration with The

Anguilla Community College to provide specialized training courses that are focused on the actual needs of the industry.

Honourable Speaker, as we embrace change to make the future work for our children, let us remember that if we do nothing, what is now a precarious but rectifiable situation could dissipate into a severe crisis and become unmanageable. Economic adjustment will then be forced upon us from outside and the conditionality for foreign assistance will surely be undesirable for the Anguilla population. This Mr. Speaker would be difficult to endure. Let me reiterate, don't let the time define us, we must define the times!

3.4 Ministry of Social Development and Departments

The Ministry of Social Development has a 2016 recurrent budget of **EC\$76.8 million**, a **3.9% increase** over their 2015 approved budget of **EC\$73.9 million**. This increase is due to social initiatives that the Ministry plans to introduce or continue in 2016. These include, but are not limited to the following:

Education

The Ministry of Education continues to strive to provide quality education services through highly motivated and qualified educators. With a new Education Development Plan (EDP) 2015 to 2020, emphasis will be placed in 2016 on the completion and implementation of a Technical and Vocational Education and Training (TVET) Framework to strengthen the development of our human capital and the availability of technical skills on Anguilla. 2016 will also see a move towards enhanced physical and socioeconomic accessibility to education services. This will be seen in the move towards the improvement of Science, Technology, Engineering and Math (STEM) facilities, in efforts to support the early childhood sector and a look at what the future holds for comprehensive secondary education, with the development of a master plan for the Albenia Lake-Hodge Comprehensive School (ALHCS).

Sports

In 2016, the Department of Sports will focus on developing programs in communities and partnering with national sports organizations to strengthen their programs and enhance the performance of national teams. Additionally, some of the department's initiatives include:

- A structured coaching program will be implemented in primary schools in an effort to build a strong foundation in the acquisition of sports skills at that the level.
- Inter-departmental sports activities will be held monthly for government departments in an effort to encourage a healthier lifestyle and more social interaction among civil servants.
- Work will continue at the Stoney Ground playing field, the 400 metre Athletic track located in Cauls Pond, the Owen Mussington sports field and at the James Ronald Webster Park since there has been an expression of interest to bring back regional cricket to Anguilla.

Youth and Culture

The Department of Youth and Culture's efforts to reduce youth unemployment and improve youth employability will be intensified in 2016, building on the gains of the last two years in the Job Link-Up, the Youth Exposure Programme and the GET SET Entrepreneurial programme. In 2016:

- The Department will be working in collaboration with the West End and the Valley communities will see two additional Centres become operational, offering education and community support services.
- An afterschool arts development programme will be implemented in 2016 to positively expose primary level students to the performing arts.
- A two-year project will be launched in 2016 to revise the 1990 textbook titled "Anguilla Our Island".
- Responsibility for the development and promotion of Anguilla's national sport (boat racing), will be transferred to the Department of Youth and Culture commencing January 2016.

Anguilla Community College (ACC)

Mr Speaker the overarching priority for the ACC in 2016 is the construction of its new purpose built facility at the Long Path site. Efforts are in place to strengthen the human resource capacity and operational procedures at the institution. ACC will also strengthen its TVET offerings; become a Business & Technology Education Council Centre, and the Centre of Excellence in Oenology and Mixology in the Caribbean, and transition to the Caribbean Tourism Learning System.

Ministry of Health & Social Development

Mr Speaker, with the regards to the other part of the portfolio, the Ministry of Health & Social Development continues work toward the vision that all residents of Anguilla will enjoy a high standard of living and universal access to quality social services. As it continues to perform its steering and governance role, the Ministry of Health achieved a number of accomplishments including the following:

- Finalized and secured the approval of the National Health Policy and Strategic Plan (2015-2025)
- Established the Chronic Disease Unit with responsibility for Non-Communicable Diseases as well as HIV/AIDS and sexual and reproductive health
- Reengaged the National Chronic Disease Commission

The Department of Health Protection is in the process of amending its food safety legislation to address specific food safety standards and significant strides continue to be made in strengthening the department's laboratory capacity to audit food and the department continues to offer a free bulky waste removal service to reduce the proliferation of vectors.

This year saw the passing of two important pieces of legislation for the Ministry of Health & Social Development. The Social Protection Act establishes a formalized social benefits system to qualifying persons in Anguilla. It seeks to ensure that resources are properly allocated so that all who qualify can receive the assistance they need. Violence and injury have significant social and economic costs. The passage of the Domestic Violence Act provides greater protection for victims of domestic violence and makes provision for the granting of protection orders.

Additionally, The Ministry of Social Development formalized the Inter-agency Child Protection Protocol with an official protocol signing ceremony. The protocols guide all agencies responsible for safeguarding children on working collectively to respond to child abuse and neglect. The Follow up to the 'Break The Silence Campaign' funded by UNICEF, DFID & UKAID offered support in 2015 to execute activities focusing on anti-bullying, sexual abuse, domestic violence, corporal punishment, and child-friendly schools.

August saw the opening of a Place of Safety managed by the Department of Social Development. This residential care facility caters to children whose needs cannot be properly met in their homes or the foster care system and whose behaviour do not warrant them being placed at the Zenaida Haven, the Juvenile Rehabilitation Centre. This has created a strain on the department's budget but has provided another opportunity to help our children 'regain' their lives.

Finally of note Mr Speaker, this year the Department of Probation observed 10 years in operation and **In 2016, the Ministry of Health & Social Development** and the departments under its remit will continue efforts to develop and preserve Anguilla's social landscape.

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

Mr Speaker, the 2016 recurrent budget for the Ministry of Infrastructure is **EC\$16.7 million, up from the 2015 budget of EC\$14.4 million**. The transfer of the Agriculture Department and the Fisheries and Marine Resources accounts for **EC\$2.3 million** of the Ministry's overall budget. The focus is on operationalizing programmes to achieve the 2015 – 2020 strategic objectives of the Anguilla United Front Government.

The Department of Agriculture and the Department of Fisheries and Marine Resources

The Departments were transferred to the portfolio of MICUH(AF)IT during 2015 and significant attention is directed on the sustainable economic development and employment opportunities which could be derived for Anguillians while safeguarding and protecting the environment for future generations. The focus is the operationalization of a national agriculture policy and collaboration with the National Farmers' Association, and other government and non-governmental stakeholders to promote and increase the production of vegetables, fruits and livestock on the island, both in backyard and commercial ventures and to create a regulated environment for the use of hazardous agriculture chemicals. The Department of Fisheries will

continue to play its role in improving the sustainable use of Anguilla's fishing and marine resources while advancing the economic and financial opportunities in Anguilla's Exclusive Economic Zone (EEZ).

The Anguilla Fire and Rescue Service

The Anguilla Fire and Rescue Service will continue to focus on its core functions of aerodrome rescue and fire-fighting; domestic land search and rescue and fire-fighting; and protecting life and property while developing its institutional capacity in the area of fire safety, prevention and precaution and near shore maritime rescue and fire-fighting. Training and the construction of new facilities will continue along with work on the operationalization of the fire precaution and safety systems for public buildings. Similarly, the Maritime Unit will be strengthened so as to accelerate Anguilla's preparedness and compliance with international requirements.

Energy Sector

Mr Speaker, Energy and climate change are inextricably linked and this Government is now in a position to really advance our strategic objectives in this area during the course of 2016 so as to bring about real energy transformation. The Anguilla National Energy Committee will be re-established to coordinate the various international and regional initiatives and ANGLEC will be a true partner in the new energy dispensation. The Public Utilities Commission will be the regulator for the electricity sector.

One of the short terms goals of this Government was to ensure that the public water supply meets the needs of Anguillian public. This has been achieved in a relatively short time. The second part of our objective for the water sector is to ensure that the operations of the Water Corporations are financial viable, economical sustainable and conducted to international corporate governance standards. In fact the MICUHAFIT and the MFEDICTLP are partnering in the development of a corporate governance framework for the statutory bodies of the Government of Anguilla.

DITES & Telecommunications

Mr Speaker, the Government of Anguilla will push for the modernisation of the Government of Anguilla through digital government and this will entail, at the national level, the implementation of e-commerce legislation and the continued advancement of the telecommunication and broadcasting capacity to developed world standards. The Department of Information Technology and e-Government Services will continue with the modernisation of the Governments network infrastructure and also exploring a strategy to maximise the sharing of data and information across government departments and ministries.

Transportation, Air, Sea and Ground

Mr Speaker, the Government of Anguilla through the Anguilla Air and Sea Ports Authority and the Anguilla Tourist Board have been making progress with the reintroduction of the night ferry and

they are actively engaged in expanding air access opportunities for Anguilla. The Government of Anguilla will take advantage of the offer from the UKG to assist with the technical aspects of the development of the Airport and the repair of the Road Bay jetty remains paramount for 2016

Roads: The Roads Section continues its focus on road safety by highlighting a number of sections of line marking on the primary road network. Routine and periodic road maintenance activities were executed throughout the year and work continued on a number of CCRIF-financed projects that resulted from impacts due to the passage of Hurricane Gonzalo. A project to put in place a critical road access linkage of the Sandy Ground village from Back Street commenced with the initial clearing of the route. The preconstruction phase including the detailed designs and land acquisition is presently ongoing.

Buildings: Technical assistance has been provided throughout the year, to various procurement authorities (Departments and Ministries) in the implementation of a number of building projects. The post of Facilities Manager was filled in September 2015 and as a result MICUH will be better able to address the unsystematic nature of building and facilities maintenance of the Government of Anguilla.

Vehicles: The Government's fleet of vehicles continues to deplete as a result of the age and poor condition of the vehicles. A . There is an urgent need to implement the recommendations of the Vehicle Replacement Strategy that form part of the Vehicle Usage Policy. The proposed acquisition of additional fit for purpose vehicles will enable Government departments to execute their programmes in a more effective and efficient manner.

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Mister Speaker in sum, I now restate that Recurrent Expenditure for 2016 is budgeted at **EC\$202.3 million** and I now turn my attention over to recurrent revenue.

4. RECURRENT REVENUE 2016

Mr Speaker, the revenue estimate for 2016 is **EC\$219.87** million, which represents a **12.67%** increase over the 2015 estimate of EC\$195.145 million. This projection is based on a combination of new tax measures, a more robust approach to collections, and modest economic growth expectations of 3% to 5%.

The new tax measures for 2016 are as follows:

1. Increase in Anglec Licence by 150% – EC\$750k
2. Implement Anglec Gross Rev Tax of 0.65% on – EC\$520k
3. Implement Petroleum Licence (bulk importers) – EC\$1.5m
4. Implement Petroleum Gross Rev Tax of 0.85%– EC\$760k
5. Increase in Land Registry Fees by 100%– EC\$568k
6. Increase in Driver Licence by 25%– EC\$2.4m
7. Increase in Vehicle Licences by 25% - EC\$8.8m

8. Increase Cruise Permits by 50% – EC\$1.2m
9. Increase Marketing Levy from \$1 to \$3 per night per person - EC\$3.5m
10. Implementation of a Training Levy at 10% of the work permit fee – EC\$486k
11. Increase Communication Levy from 10% to 15% - EC\$5.09 m

In addition to the tax measures mentioned above, the yield from the property tax is expected to improve significantly based on the updated property tax register.

Mr Speaker, the following presents a summary of the revenue composition in 2016:

30.7% of total recurrent revenue is projected to come from Duties and is estimated to total **EC\$67.57** million. Another significant contributor to revenue is taxes on domestic goods and services, accounting for some **24.58%** of revenue or **EC\$54.04 million**. Of that total, Accommodation Tax accounts for **EC\$21.3 million**, and Stamp Duty, **EC\$12 million**. The Interim Stabilization Levy will remain in its current form and is expected to generate some **EC\$13.9 million**. Tax on property is estimated at **EC\$10.07** million, which represents a modest **4.58%** of recurrent revenues. Taxes on International Trade and Transactions continue to be a major source of revenue and in 2016, anticipated collections are **EC\$20.4** million or 9.3% of recurrent revenues.

Non-tax revenues account for some **EC\$33.22** million or 15.11% of revenue of which fees, fines, and permits account for **EC\$23.67** million.

Mr Speaker again, there has been much speculation in recent weeks about the measures which will form the 2016 Revenue Budget. The speculation can now come to an end. With all the challenges facing Anguilla (the need to finance the resolution of NBA and CCB, the need to finance our recurrent expenditure needs in Health, Education and other areas of Social Development, the need to finance investment in our social and economic infrastructure (schools, health and sports facilities, ports and roads) we have a choice to make. **We either define the times or we allow the times to define us.** I would suggest that the former is the better choice to make. It involves sacrifices to be made, but in the long-run we as a People will be better off for it. Indeed real leadership often involves taking decisions which while they may not be popular they are for the greater good.

Mr Speaker there has been a number of studies over the years which have pointed to the need for Anguilla to have a diversified and streamlined tax base. These include the Oxford Policy Management Revenue Study of 2010 and the Ghandi – Wiggins Study of 2011. This AUF Administration has decided to step up to the plate and tackle the long-overdue need for comprehensive Fiscal Reform. Our initiative in Property Tax Reform in 2016 is just the start of the process. In 2017 we will transition the ISL into a Social Development Levy to fund a National Health Fund system and interventions in Education. With the introduction of the NHF the finances of the Health System will be put on a sustainable basis and Anguillians can begin to enjoy a high quality standard of medical care. Mr Speaker in 2017 we also plan to introduce a broad based Goods and Services Tax (GST) in conjunction with a reform of the Customs Duty System to

a have a lower average rate of Customs Duty. This should help to increase the number of start ups of small and medium enterprises and the expansion of existing businesses. The strategic objective Mr Speaker is to provide a better environment in which businesses can flourish, therefore creating employment, which in turn increases aggregate demand and Government revenue and therefore enables Government to provide the goods and services demanded by the populace (Education, Health, Sanitation, Policing, etc) – that is, to create a virtuous cycle.

Mr Speaker, in addition to the measures mentioned above, over the medium term this Administration intends to implement a number of initiatives which will generate significant revenues to drive the transformation of the Anguillian economy. As mentioned earlier, these will include a Fisheries Licencing Regime to harness the resources present in Anguilla's Extended Fisheries Zone (EFZ), a Permanent Residency for Investment Regime, and an Aircraft and Ships Registry. With the revenues to be derived from these initiatives it is the intention to reduce and / or eliminate some of the stop-gap and ad hoc measures which have been introduced over the years (e.g. the Customs Surcharge which was increased by the previous Administration to 6 per cent). To reiterate the strategic objective is to have in place a diversified and streamlined tax system, that is business friendly and socially equitable and will position Anguilla as the Number 1 Place in the Caribbean to do business and for persons to reside.

Mr Speaker, as I said **“we have to define the times and not allow the times to define us”**. We have to end this cycle of “stop – go – stop – go” development which has been the characteristic of Anguilla's progress since separation from the tri-State of St. Kitts – Nevis – Anguilla in 1980. Indeed with the 50th Anniversary of the Anguilla Revolution around the corner if we are to be true to the legacy of the heros and heroines of the Revolution we have to end this period of “arrested development” and unleash the potential of Anguilla so that current and future generations can live “Strong, Proud and Free”.

5. CAPITAL BUDGET 2016

Mr Speaker, the proposed Capital Budget for 2016 is EC\$26,547,800 and the anticipated sources of funds include the remainder of the UKG grant funds that will finance the Telecommunication Tower Replacement and the Fire Station and Air Traffic Control Tower Development; and, the remaining Loan and Grant from the Caribbean Development Bank for the on-going development of the Anguilla Community College. The balance of the Caribbean Catastrophic Risk Insurance Facility (CCRIF) funds will continue to finance recovery and mitigation projects such as the operationalization of the National Emergency Operations Centre and ensuring that existing backup power and communications systems are reliable and in usable condition.

Provision has been made to support the most crucial equipment needs of the Health Authority of Anguilla. Every effort is made to supplement this with requests to various corporate agencies for grant support. Mr Speaker, having heard the most recent statistics on the prevalence of CNCDS in our island, it is quite alarming and all efforts must be made to support our people's own individual efforts to live and promote healthy lifestyles in a bid to arrest this trend. The Pan

American Health Organisation (PAHO) have committed to providing counterpart financing to support the important implementation of a STEPS survey that measures the main risk factors that cause chronic non communicable diseases (CNCDS). This will enable development of better targeted programmes and interventions to address CNCDS.

The remaining projects in the 2016 Capital Budget are a mix that focuses on development and replacement of government's assets, fisheries development, efficient energy practices, further developing our tourism product, and an evidenced based vision and plan for our country. Two projects worthy of specific mention are the continued development of the Valley Primary School and the Albena Lake Hodge Comprehensive School Masterplanning and development. Advancement of the Education sector continues to be given a high priority as seen by the EDF 11 Programme scheduled to support the implementation of Anguilla's Education Development Plan, 2015 to 2020. Approximately EC\$41m (14m Euro) has been allocated to Anguilla for the 11th EDF period, 2015 – 2020. It is anticipated that these funds will finance the remaining projects in the 2016 Capital Budget.

Mr Speaker, fiscal prudence continues in the face of on-going financial challenges which often mean a combination of restrictions on spending and phased project implementation. However, this approach must be mirrored with the reality that there are vital areas of development that must be addressed, some projects that have to be implemented. A case in point is the rehabilitation of the Road Bay Jetty, which has become one of the most crucial projects in our Capital Budget. Mr Speaker, capital investment is imperative, the need to economise cannot continue to be at the expense of our health, our education, our safety and our progress as a nation.

Mr Speaker, as always, we extend our gratitude to all our development partners and look forward to a continued dynamic and fruitful working relationship.

6. CAPITAL REVENUE 2016

Capital Revenue for 2016 is estimated at **EC\$32.2m** and comprises the following: Approximately EC\$12m of EDF funds are anticipated for disbursement in 2016 and these funds will finance projects in the 2016 Capital to the amount of EC\$8.4m. A grant request to the UK of EC\$4m to finance the rehabilitation of Road Bay Jetty is pending. The sale of ANGLEC shares is expected to net EC\$16.2m. The intention is to use these funds to make an initial contribution to a **Sinking Fund** which will be created to meet the repay the debt that will be incurred to resolve the two troubled banks.

7. CONCLUSION

Mr Speaker,

The Staff in the Ministry of Finance as well as the Permanent Secretaries and Heads of Departments in the various Ministries work extremely hard during the preparation of the Annual

Budgetary Estimates. Let me now take this opportunity to commend them for the brilliant job they are doing with us as with past administrations. And let me state openly and candidly that we will not “*throw you under the bus*” simply to avoid the blame for taking decisive action.

Yours is an exercise that begins in late July and August and is continually revised, updated and tweaked up until this very important day. The term “estimates” is definitive. It is not an exact science to begin with and moreover the process is further subjected to the vagaries of the external environment. This is especially so in small island states with open and vulnerable economies like Anguilla. We must therefore be continually redefining ourselves and adjusting our strategies to manage the conditions and the circumstances that we face.

These conditions and circumstances are seldom ever of our making --- whether it is the global recession; the rising cost of energy; climate change; terrorism; harmful tax initiatives; sea level rising or global warming. What remains constant is that nothing comes without a cost and very often we have to make sacrifices for the damage done by others. Many of the issues we are faced with today require that they be managed in an atmosphere of calm and responsibility. Any other approach will not be helpful to the cause of effective resolution.

Over the last weeks, Mr. Speaker, many of our detractors have been telling the people of Anguilla what they don’t want and why they should protest. However, we are not hearing any reasoned solutions being put forward on how to deal with the challenges or how they will be financed. All we hear about are scare tactics and calls to civil disobedience, as if this is their approach to good governance.

Mr Speaker, it is clear that the last five years did not offer up a viable response to fixing the underlying economy on a sustainable basis. There can be no viable adjustment program that does not provide for some form of investment in the public and private sectors to stimulate and sustain growth, restore employment and incomes. Simply balancing the budget can be a cosmetic exercise when it comes to national development. The Government’s balance sheet may look handsome but the wider economy will not show any positive effects for an extended period of time, without a robust growth strategy in addition to a fiscal rebalancing and stabilization strategy.

Our Government, Mr. Speaker, has pledged to fix our indigenous banking industry, maintain fiscal stability and budgetary balance and at the same time aggressively promote and pursue the revival of the economy and a return to robust and steady growth and the expansion of access to improved social services. And to do so we are prepared to take the tough decisions to make positive things happen for all the people.

The period ahead calls for responsible leadership that looks to the longer term well-being of the economy rather than the expediency of political or social advantage. Dialogue is indeed essential in the process of democratic governance. But it must never deteriorate to the level of bullying and boisterousness. It is becoming apparent that in Anguilla today the end game is more personal than national.

But through it all we as the AUF and now as the Government of Anguilla will continue to focus on the greater good. The people of Anguilla deserve no less and we are confident that we are the Government capable of delivering on this. Yes Mr Speaker we have to define the times and not allow the times to define us.

Let me end by thanking all of you in the gallery who have graced us with your presence today and have politely and patiently endured this lengthy presentation. May you all be blessed with a wonderful Christmas and a bright healthy and prosperous 2016.