

## STATEMENT ON FISCAL POSITION

March 12, 2010

As a follow up to the presentation made by the Ministers of Government on the 11 March, 2010 please find following a release of the Fiscal Position as at December 31, 2009 and current.

### Recurrent Revenue

At December 31, 2009 recurrent revenue collections totaled **EC\$145.65 million**. This represents a **30% decline** from 2008 recurrent revenue collections of **EC\$203.74 million**. To put the situation truly into context, 2009 recurrent revenue collections were not only lower than 2008 but lower than 2007 and 2006 collections as well. Consequently it is no exaggeration to say that recurrent revenue situation in Anguilla **has been set back 5 years**. Key revenue heads such as Customs Duty Other, Stamp Duty and Accommodations Tax were down by 33%, 54% and 25%, respectively from 2008 collections. It should be noted that revenue collections of EC\$246.92 million was budgeted for 2009.

### Recurrent Expenditure

Recurrent Expenditure for the year ending December 31, 2009, on the other hand, was **EC\$204.17 million**, marginally lower than recurrent expenditure of EC\$206.87 million in 2008. A retrenchment in public sector salaries and wages and a partial freeze on hiring were key to cutting expenditure from the budgeted amount of **EC\$241.81 million** for 2009.

It should be noted that there were some **EC\$14.25 million** in unpaid invoices as at the end of December 31, 2009 which will be accounted for in 2010 as they are paid. These include:

- **Anguilla Social Security Board: EC\$6.88 million (Benefit Contributions)**
- **Civil Service pension Board: EC\$1.57 million (Pension Contributions)**
- **ANGLEC: EC\$1.32 million**

### Recurrent Balance

The recurrent balance, which is the difference between recurrent revenue and recurrent expenditure, for 2009 was a **deficit of approximately EC\$58.52 million**. This translates to an average monthly recurrent deficit of just under **EC\$5 million**. **This is clearly unsustainable.**

### Capital Expenditure

In terms of capital expenditure this was approximately **EC\$10.58 million**, a fraction of the **EC\$98.12 million** budgeted for 2009. The Capital Budget bore the brunt of the austerity measures imposed by Government.

## **Overall Balance**

Given the situation with respect to the recurrent and capital accounts Government's overall balance for 2009 was a **deficit of EC\$69.10 million**. This deficit was partially financed by the drawing down of Government's fiscal reserves in the amount of **EC\$39 million**. The remaining deficit was financed by borrowing from the local and regional banking system.

As a result of the deficit on Government accounts Central Government Debt increased to approximately **EC\$172.1 million in 2009**, up from **EC\$149.65 million** at the end of 2008. The government has found itself in a position where it has been borrowing money each month since October 2009 to fund Civil Servants salaries and other obligations. This practice is unsustainable and cannot be continued indefinitely. This will even prove to be more difficult because of the financial crunch where Banks and other lending institutions are finding it difficult to lend to government because of liquidity issues and the borrowing guidelines that the British Government has agreed with the Government of Anguilla.

### **The current Fiscal Position as at March 11, 2010 is as follows:**

- Overdraft position: deficit of EC\$13.7 million
- Payables: Unpaid bills: EC\$16.3million

The financial position will temporarily improve with a grant of approximately EC\$16 million expected from European Development Fund (EDF 9 4<sup>th</sup> Tranche). These funds will be used to repay a short-term loan of \$12m from Eastern Caribbean Central Bank which is due and payable by April 1, 2010.

The Caribbean Technical Assistance Centre (CARTAC) has been providing ongoing support to the Government of Anguilla in a number of consultative and training initiatives. As part of this support the government is benefiting significantly from the expertise of Economic Consultant Dr. Eliahu S. Kreis who has been in Anguilla from 28 February, and leaves on 18 March 2010. He has been working with technical staff in the Ministry of Finance assisting with GDP and Fiscal projections for the period 2010 to 2014.

As a result based on the data compiled it is projected that revenue for 2010 will be approximately \$148M while expenditure is expected to be around \$237M. This will result in a recurrent deficit of over \$89m. Therefore, the Government of Anguilla will have to limit its Capital Expenditure significantly which is normally funded by a recurrent surplus.

With this revelation the Government of Anguilla will have to find ways and means to narrow the gap between expenditure and revenue as the Ministry of Finance puts together the budget for 2010. The Government of Anguilla has been operating on a Provisional Budget in the absence of an Approved Budget for 2010. This arrangement cannot continue beyond 31 April 2010. However, the Ministry is confident that a budget will be finalized before the deadline. The gloomy position that government has find itself in means that serious measures will have to be implemented in order to stabilize the deteriorating financial position of the government.

Both Permanent Secretaries in the Ministry of Finance have been mandated along with other technical staff to put together a recovery plan that will assist the Government of Anguilla in closing the Gap identified. This will be completed in a short period of time in order to be reflected in the 2010 budget. When the recovery plan is completed the General Public will have an opportunity to review it.

One of the main revenue generators Customs Duty has experienced a leakage of over \$ 113 million for the period 2005 – 2009. Government has therefore committed to the implementation of a new policy to address this practice.

Every effort will be made to cut out all wastage. In addition, the following areas have been identified and are being considered for review.

- Rental agreements for office accommodation
- Allowances
- Freeze on hiring of new Staff
- Redeployment of staff as oppose to hiring of new staff
- Reduction in Electricity usage
- Limiting the use of Governments vehicles after working hours
- Training
- Duty free concessions
- Overseas travel not funded
- Restructuring of Boards and Committees
- Contributions
- Roadside cleaning
- Temporary staff
- Contracts
- Restructuring Debt

At this time an immediate cost saving initiative has been implemented with the retrenchment of Special Assistants, Advisers and Consultants that will result in savings of over \$2m dollars. However, in the future consideration will only be given if absolutely necessary to persons with the technical expertise to contribute to the development of Anguilla in a meaningful way.

The new administration has committed to a consultative and an open approach in a spirit of cooperation with ministries and the general public. As a result the Ministry of Finance, welcomes any suggestions and ideas that the General Public can contribute that can positively impact the development of Anguilla.