

Government of Anguilla



2017

Budget Address



Anguilla at 50: “Celebration and Realignment”

by:

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

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1. INTRODUCTION

Mr. Speaker,

This is the second 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. It is however the seventeenth Budget Address that I will be delivering over the years that I have served as Minister of Finance in the past Governments of Anguilla. The extremely critical challenges that we were addressing over the past twenty months to restore a level of stability for the economic take-off of our island have been grueling --- and as is to be expected it has resulted in many casualties along the way. It has affected many persons directly, in terms of loss of jobs; business opportunities; property and other assets; family plans; and so on --- but Mr. Speaker we must never give up HOPE!

HOPE is the singular asset that has sustained our people over the years and I do not expect that we would depart from that pillar of our national character at this juncture in our history. I rebuke those purveyors of doom and gloom who seem to take both pleasure and sense of victory in telling us that our country cannot survive. We have done it before --- and we will do it again!

Mr. Speaker, last year we were focusing on bringing our island back on a strong path towards fiscal and economic stability. A key challenge was the resolution of the indigenous banks, while this is still a work in progress I would like to commend customers; management and staff; and other stakeholders for their understanding; support; and tolerance in many of the decisions that had to be made bearing in mind the greater good.

Another important private sector initiative was to resolve the Cap Juluca dispute. I am happy to report that even though there were a number of setbacks over the past eight months we are within striking distance of the sale and reunification of the property. It has been a very complex undertaking that required innovation and sacrifice --- we will speak more about this later.

As I continue to say on every practical occasion, all of these initiatives will only be sustainable when 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.

Mr. Speaker, once again let's get started.

It would be almost unpatriotic of me as I deliver the budget speech on the eve of the 50th Anniversary of the Anguilla Revolution and not make this an opportunity for reflection. We have therefore settled on the theme around which we will construct our presentation: *"Celebration and*

Realignment". The idea is to accentuate the positive aspects of the last 50 years and make adjustments to the path to the early vision.

Mr. Speaker, the 30th of May 2017 is fast approaching and on that day we will be celebrating the fiftieth anniversary of the birth of modern Anguilla. It is going to be a momentous occasion as we pay tribute to the Anguilla Revolution. The Anguilla Revolution does not rank as highly as the great revolutions that the world has seen but it is our revolution and we must always own and embrace it. The Time Magazine referred to it as "The Mouse that Roared" and if the media, social and otherwise in those days were as it is today, it certainly would have been a highly publicized international incident.

As I said Mr. Speaker, it was our revolution, it had its own goals and objectives and we must continue to honour and remember the efforts of our revolutionary leader, Hon. James Ronald Webster. His name is permanently etched in history because of his dedication to the cause of the Anguillian people. I also salute the other stalwarts of the revolution who are still with us. I can only imagine the pride that will be stirred in their hearts on 30th May 2017. In their honour, Mr. Speaker, I beg your indulgence to observe a moment of silence for all those stalwarts of the revolution who have moved on to the great beyond. If there is any truth to the saying then they will certainly be turning in their graves on 30th May 2017 (*.....Minute silence*)

Mr. Speaker those brave men and women, and some mere youth, did not have any grandiose revolutionary ideology. Their message was simple yet very powerful: "*We want a better life for the people of Anguilla and we are not going to get it if we become part of the state of St Christopher Nevis and Anguilla*". This modest mantra was captured in what I will call the revolutionary anthem: "*We are out to build a New Anguilla*".

They may not have had any grandiose revolutionary ideology but they were totally dedicated to their beliefs and I truly believe that they were willing to give their lives for the cause. The day when the members of the Royal St Christopher Nevis Anguilla Police Force were expelled marked the beginning of a 50-year journey and like most journeys there have been peaks and valleys. This is not a history lesson, Mr. Speaker but at this juncture there seems to be an appropriate place for this reminder in this address.

It is not unusual for activists to be vilified by those who are the targets of their activism. Modern Anguilla will be 50 years old next year and this is a good time to highlight some of the facts and even the perceptions of that valiant period in our national history.

Mr. Speaker, Anguillians may not have been totally clear on what path was to be followed but it was clear that the statehood route was not an option. Anguillians knew very clearly what they did not want. There was distrust in being governed from Basseterre and Anguilla's record in terms of economic and social progress was so dismal that it fuelled this distrust. Premier Robert Bradshaw

was viewed as a larger than life figure who had no positive intentions for Anguilla. Whether or not it is a myth or a definite fact, some unkind statements concerning Anguilla were attributed to Premier Bradshaw and this served to strengthen the resolve of the freedom fighters. Premier Bradshaw was credited as having said: "I will not rest until I have reduced that place (Anguilla) to a desert."

So Mr. Speaker, our 50 year journey began on 30th May 1967. After a period of self-administration and much interaction with London and its representatives, Anguilla was invaded by Britain on 19th March 1969. The objective of restoring law and order was overstated and history has recorded that Anguilla's revolution was a bloodless one --- even when law and order was in the hands of the "interim" police force in Anguilla. So not for the last time Britain would have made a mis-judgment on Anguilla. There was no need for such a show of force. The invasion was described as the Britain's Bay of Piglets, The Paper Blitzkreig and War in a Teacup by pundits critical and cynical of the show of force shown by the British. The invaders were welcomed with open arms so that there was no reason for the British to escalate the "War in a Teacup".

The Anguilla Revolution in the sense of a potential armed conflict was now over. Anguilla would not be a part of the state of St Kitts Nevis Anguilla but essentially a colony of Britain. The Anguilla Revolution re-established strong, essentially colonial ties with Britain. Now that Bradshaw was gone, there must be hope of economic and social progress for the Anguillian people. That was the HOPE Mr. Speaker and it is from that backdrop that we must examine whether we are celebrating longevity or tangible achievements and the extent to which there is need for realignment.

Reaching an important milestone in terms of longevity is always an achievement and that in itself is a reason to celebrate. Therefore Anguilla at 50 in of itself is the reason to recognize outstanding Anguillians and organize a number of cultural and education events. The round the island boat race is a staple among Anguilla day activities but next year there will be an extended focus on some educational aspects of the last 50 years and the extent to which the revolution has shaped and continue to shape our lives.

Mr. Speaker we do not live our lives in the abstract. We need our senses of touch, smell, feel, taste, sight and the like to be stimulated by positive experiences and over the last 50 years Anguilla has afforded those opportunities. Our airport, seaports ,electricity, roads, homes, vehicles, planes, clothes, food, lights and many other things have been modernized and improved upon tremendously, so to the extent that they existed 50 years ago, there is no comparison to today. I know that does not exhaust our physical achievements but I am sure everyone gets the point Mr. Speaker.

On the human development side, no longer are top legal and health professions out of reach for Anguillians. 50 years ago there were few Anguillians who pursued studies in those areas but today Anguilla is turning out lawyers and doctors at a rate that belies its small population.

In general Mr. Speaker, tertiary education for Anguillians is no longer a novelty but an expectation for most high school graduates. We hold our own at the best universities and colleges worldwide and are respected by our peers at all levels of academia. We are small but we pack a heavy punch. We have set the bar high so we expect a lot from ourselves.

Mr. Speaker there is no greater sporting event than the Olympic games and we have had a two time participant albeit for Great Britain. No change of allegiance can truly change her Anguillian-ness because she was nurtured right here in Anguilla.

There is no level of cricket higher than test cricket and an Anguillian also made it to the pinnacle in that sport as well. Mr. Speaker when 50 years ago is the benchmark, Anguilla is indeed modern Anguilla.

Our economy Mr. Speaker has evolved from one strongly reliant on remittances, subsistent agriculture and fishing into one that is dominated by tourism and construction for the most part. Another notable fact is that the women of Anguilla are no longer marginalized in the workplace like fifty years ago. They are well represented professionally in Anguilla and after all, they did play an important role in the revolution.

Mr. Speaker over the last 50 years we learned how to use financial institutions to help to better our quality of life. In a budget address many years ago, I spoke of how we no longer placed our savings under the bed but we are now patronizing our financial institutions. Please resist the temptation to say that we should have left it under the bed. That would totally ignore the great contribution that our banks have made to the improvement of our lives; the creation of prosperity; and the empowerment of our people.

Mr. Speaker in an address such as this, it makes no sense to try and give minute details of activities that would underpin the realignment. We are who we are: an Overseas Territory of Britain --- at least for the time being. In speech I gave at the 3rd Biennial National Development Conference in 2007 I said: *“Our own Dr Aidan Harrigan, currently Permanent Secretary Finance, in the paper which he presented at the 2nd Biennial National Development Conference in 2005 reflected that “the fact that Anguilla was essentially a “nuisance colony” as he coined it, has influenced where we are today- in the sense that having been “neglected” by the colonial power for most of the period between 1650 and 1967. Anguillians had to survive by their wits --- which has engendered a strong individual streak in us as a people. But this can be a double-edged sword because there are times when individual interests are best pursued through cooperative means. This does not mean that individual interests are subjugated. Far from it, just the realization that they are better served by pooling resources.”*

Mr. Speaker, that piece was relevant then and may have even increased in relevance now and this must be an important part of the realignment. I know it sounds like a bit of a cliché, but we must

come together. But in coming together we must settle on our goals and objectives in terms of national development. I have always been an advocate for social transformation in our quest to understand the relationship between governance and development. I will again quote Clive Thomas of the University of Guyana who advocates a social capital oriented path to development and this is an ideology that must be part of our realignment and its characteristics are:

- It is humane ---- elevates social concerns over individual gains/losses;
- It is sustainable ---- Its time horizon is oriented to future generations;
- It is empowering ---- It is not based on exploitation;
- It is Synergistic ---- It affects and is affected by all areas of social life;
- It is catalytic — It is an agent of change;
- It is mobilizing ---- It helps to develop the energies of society;
- It is accountable and responsible ----It emphasizes sharing and trust;
- It is concerned with both development and distribution of the benefits of development;
- Its accumulation is driven from below --- because of its social character.

In our relationship with the Britain, governance is always high on the agenda as in the policy framework for fiscal responsibility. Good governance must be about generating optimal outcomes in terms of sustainable human development. We need to examine to what extent we have been a party to good governance in the wider socioeconomic developmental context.

2. ECONOMIC AND FISCAL REVIEW

2.1 REVIEW OF THE ECONOMY 2015

Mr. Speaker, let us place our discussions in context by first reviewing that state of our economy in 2015, as the state of the economy underpins everything that transpires in Anguilla. I am pleased to say we in Anguilla experienced another year of progress, another year of steady growth, another year of Anguilla rising, as we, like the rest of the world, continue on our road to recovery.

Last year Mr. Speaker, our economy grew in real terms by a modest **2.81 per cent**. This is a respectable and sustainable level of growth for our small nation. This **2.81 per cent** compounds growth of **5.6 per cent** of the previous year and **0.5 per cent** the year before that. Growth compounding growth, compounding growth for three years strong as we continue to cement our climb out of the global economic recession. Gross Domestic Product, as a measure of economic output was **EC\$863.32 million** in 2015. Although we are not yet back to our peak level of economic

output which was **EC\$959.25 million** in 2007 we are seeing the requisite growth in our critical sectors that will allow us to surpass that peak through controlled, sustained growth.

Mr. Speaker, allow me a moment to highlight—in brief—a few key economic developments in our sectors. 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, Transport, Storage & Communications; and Public Administration, Defence & Compulsory Social Security.

Notably Mr. Speaker, our economic mainstay—Tourism continues to drive growth and gainfully engage our labour force. The hotels and restaurant sector grew by **2.24 per cent** and contributed **EC\$145.52 million** to our economy in 2015. The expansion of tourism was as a result of a **5.25 per cent** increase in visitor arrivals over 2014. In 2015 we saw increases in both the stay over and day-tripper categories of visitors contributing **EC\$344.62 million** to our local economy.

Mr. Speaker our construction sector—while only **36 per cent** of its size in 2008—still remains a significant driver of growth and employment. In 2015, the construction sector grew by a strong **7.6 per cent** following exceptionally high growth of **38.1 per cent** in the previous year. The slowing of growth relative to 2014 was expected however as many of the major tourism projects did their ‘heavy lifting’ in the previous year. Opportunely the continued construction at Zemi Beach, Manoah, the Reef at CuisinArt and Solaire as well as public sector investment projects kept the construction sector in Anguilla not merely afloat but expanding in 2015. This is significant as we recognize that in order for our recovery to continue, we must ensure that construction activity continues in our island.

Even beyond the growth in those pivotal sectors, it is heartening to report that our economy recorded an encouraging expansion in ALL of our other MAJOR economic sectors: Real Estate, Renting & Business Activities **2.25 per cent** growth, Transport, Storage & Communications **4.57 per cent growth**, Public Administration, Defence & Compulsory Social Security **4.18 per cent**, Financial Intermediation **4.79 per cent growth**. This explains the overall 2.81 per cent expansion experienced in our economy in 2015.

In 2016, we anticipate another year of compounding growth for Anguilla with real growth expected to be **4.30 per cent**. Real growth gives us a real reason to celebrate and realign as we take Anguilla forward.

2.2 FISCAL REVIEW

Mr. Speaker, having reviewed the state of our economy, we will now focus on Government’s 2016 fiscal position. This involves a review of recurrent revenue relative to recurrent expenditure, and

combining this with capital revenue and capital expenditure. To give a true picture of the Government's overall fiscal balance, debt payments are taken into consideration. Mr. Speaker, despite recording a third year of consecutive economic growth, Government continues to operate within tight fiscal constraints. This year was particularly challenging given the increase in debt obligations. However Mr. Speaker, I'm proud to say that in the true Anguillian fashion we have met all our debt obligations for 2016.

2.2.1 Recurrent Revenue

Mr. Speaker, it is anticipated that recurrent revenue in 2016 will total **EC\$198.48 million**. If realised, it would represent an increase of **EC\$7.44 million** or **3.89 per cent** over 2015 when **EC\$191.04 million** was collected. Mr. Speaker, the major contributors to recurrent revenue remain unchanged in 2016 from previous years. Import Duty other continues to be the largest revenue contributor, with collections projected to yield **EC\$45.81 million**. Mr. Speaker, Accommodation Tax, the second largest revenue item, is expected to total **EC\$19.28 million**. This represents a **5.18 per cent** increase over 2015 collections of **EC\$18.33 million**. Customs Surcharge continues to be a significant revenue earner. Projections indicate that collections will total **EC\$17.10 million**, compared to the budget estimate of **EC\$16.62 million**. Import Duty Fuel and Gas is projected to total **EC\$15.35 million** and the Interim Stabilisation Levy is projected to total **EC\$14.49 million**.

2.2.2 Recurrent Expenditure

Mr. Speaker, in 2016 recurrent expenditure is expected to total **EC\$188.32 million**. This is **EC\$14.04 million** less than the budget estimate of **EC\$202.36 million** and **EC\$580,000** more when compared to 2015. Mr. Speaker, I take no pleasure in reporting these expenditure figures as it is an indication that several planned activities had to be delayed for future implementation. And we all know there is greater uncertainty the further we move into the future. With that being said Mr. Speaker, this also signals that we are a fiscally responsible Government, making the tough decisions and only expending what can be afforded.

2.2.3 Recurrent Balance

The recurrent balance, the difference between recurrent revenue and recurrent expenditure, is projected to be a surplus of **EC\$10.16 million**.

2.2.4 Capital Expenditure

Mr. Speaker, capital expenditure for 2016 is expected to total **EC\$13.6 million**. This represents 51 per cent of the **EC\$26.5 million** that was budgeted.

Mr. Speaker, while the rate of capital expenditure indicates significant improvement relative to the performance of recent years, enthusiasm must be tempered by the fact that the majority of this expenditure has taken place across a few, albeit critical, project areas.

Many areas are left unaddressed as a result of on-going financial challenges. Unfortunately we have been unable to start the next phase of the Valley Primary School Development or to contribute significantly to the capital needs of the Health Authority or to pursue any new road developments – these are important projects, national projects, with nationwide impacts.

Mr. Speaker, to focus on the positive – key accomplishments during 2016 include the establishment of the Customs Department’s canine unit in support of inspections and as a deterrent for criminal activity; some minor education developments key to providing an environment conducive to our children’s learning and well-being; establishment of the DOVE II Centre to cater for our children with severe disabilities and completion of the PAHO-supported STEPS survey looking at the prevalence of chronic diseases in Anguilla.

Mr. Speaker, I take this moment to also acknowledge the contribution of the UK Government in three (3) areas of capital development that we have been able to advance. These are the Telecommunications Tower Replacement and the start of Fire Services Development Project that comprises the development of the Fire Hall and Air Traffic Control Tower. These were both financed by the balance of the UK Grant received in 2013. Additionally, the UK Government’s permission facilitated a private financing initiative by Anguilla Roads Windward Roads to undertake the necessary repairs and rehabilitation of Road Bay Jetty.

We applaud the support of the UK Government and we applaud the initiative taken by our homegrown entrepreneur, Anguilla Roads.

2.2.5 Capital Grants

Mr. Speaker, in 2016, capital grants totaled EC\$5.58m from the UK Government in support of closing out the implementation of the Adrian T Hazell School Development and other minor education projects. This also included the start of implementation on the Telecommunications Tower Replacement Project and Fire Services Development Project which is the construction of the new fire hall and air traffic control tower. Government also received EC\$120,000 from PAHO for the implementation of the STEPS Survey.

2.2.6 Capital Balance

Capital grants in cash and in kind totaled **EC\$5.7million** and capital expenditure is expected to total **EC\$13.60 million**. This translated into a deficit of **EC\$7.90 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, private financing in support of the repairs to Road Bay Jetty and recurrent surpluses.

2.2.7 Overall Balance

The 2016 overall balance takes into account the recurrent balance, the capital balance and financing. The recurrent balance is projected to be **EC\$10.16 million** and the capital account balance is projected to a deficit of **EC\$7.90million**. When financing of **EC\$4.15 million** is included, the overall balance of **EC\$6.41 million** is realised. Mr. Speaker, it does not end here. While we have recorded a surplus of **EC\$6.41 million** above the line, principal repayments of **EC\$18.97 million** were made. When these are taken in consideration, Government's true fiscal position is a deficit of **EC\$12.56 million**. To be able to meet the payments, **EC\$11.81 million** reserves were utilised.

2.28 Debt report

Mr. Speaker, prudent management of public debt aims to minimize borrowing costs, ensure timely debt service payments and keep risks at acceptable levels. This is in keeping with our debt management objectives. My Government aims to attain a sustainable debt profile over the medium to long term consistent with the Fiscal Responsibility Act, 2013. Anguilla has an unblemished record of never defaulting on its debt obligations and under my Government's watch we are determined to maintain this record. With that being said I will now provide a brief overview of the debt position.

Mr. Speaker, preliminary estimates show Anguilla's public sector debt stock at the end of 2016 stood at **419.24 million dollars** (45.45 per cent of GDP) which would represent a **97.09 per cent (EC\$206.53 million)** increase over the 2015 debt stock of **EC\$212.71million** (24.70 per cent of GDP). Of the outstanding debt for the period under review, Central Government debt accounted for **97.07 per cent** of the portfolio while the remaining **2.93 per cent** was accredited to government guarantees comprising of loans for the Anguilla Development Board, the Anguilla Tourist Board and the Anguilla Air and Sea Ports Authority. During the fiscal year 2016 the government proposed new borrowing totaling **EC\$325.0 million** in support of resolving the banking crisis. New borrowing and disbursements contracted for the fiscal year totaled **EC\$216.85 million**. Central Government accounted for **EC\$214.15 million**; which represented **the Anguilla Social Security Board (ASSB) Promisory Note** to aid a resolution of the banking crisis by safeguarding ASSB funds deposited with the former indigenous banks NBA and CCB. There was a disbursement of **EC\$0.15 million** on the Anguilla Community College Project Loan contracted in 2014 from the Caribbean Development Bank (CDB). To date, approximately **EC\$0.30 million** has been disbursed on this loan. Government Guaranteed debt accounted for the remaining **EC\$2.7 million** dollars incurred by the Anguilla Air and Sea Ports Authority (AASPA) to facilitate repairs to the Road Bay Jetty. The difference in the proposed borrowing and actual borrowing (**EC\$111.00**

million) was because of outstanding transactions to be finalized in relation to the approved **EC\$59.0 million** from CDB to assist with the banking resolution (Bridge Bank Capitalization loan) and the **EC\$52.0 million** Depositors' Protection Trust (DPT) Bond- both of which should materialize in 2017.

Over the last two years, debt servicing costs have risen due to the increase in new debt, the expiration of the moratorium on the CDB Policy Based Loan in the last quarter of 2015 and the use of the ECCB Cash Advance Facility and the Overdraft Facility with the National Commercial Bank of Anguilla (NCBA). This Government stands committed to managing this increasing cost through prudent debt management.

Mr. Speaker, in accordance with the Framework for Fiscal Sustainability and Development (FFSD) the Government of Anguilla was required to be in full compliance with the borrowing limits by the end of 2017. However, with the UKG approved borrowing in support of the banking resolution, the compliance date has been extended to 2025. The borrowing limits include the net debt and debt service ratios which should not exceed 80 per cent and 10 per cent of recurrent revenue respectively, and liquid assets which should be sufficient to cover 90 days or 25 per cent of recurrent expenditure. End of year projections show the net debt ratio at **199.35 per cent**, the debt service at **15.18 per cent** and liquid reserves at **8.20 per cent** or roughly **30 days**.

3. RECURRENT EXPENDITURE 2017

Mr. Speaker, the 2017 Estimates of Revenue and Expenditure estimate an overall expenditure (including principal repayments) of **two hundred and thirty-five million nine hundred and forty-three thousand five hundred and eighty dollars (\$235,943,580)**. Mr. Speaker, the Recurrent Expenditure for the fiscal year 2017 is estimated at **EC\$211.96 million**, without amortization. This is a **4.8 percent** increase over the 2016 fiscal year of **EC\$202.25 million**. This increase over the 2016 budget is attributable to a number of Government undertakings across the various budget economic classifications.

Personal Emoluments will increase from **EC\$87.31 million** to **EC\$88.63 million**. This slight **1.5 percent** increase is largely due to the filling of positions in vital areas such as Anguilla Fire Services, Customs, Inland Revenue and others. Retiring Benefits will increase from **EC\$10.34 million** to **EC\$10.76 million**, a **4.0 percent** increase to facilitate the additional retirees in 2017. Interest Payments increased from **EC\$15.59 million** to **EC\$17.44 million** which is the largest increase of **11.8 percent**. This increase in interest payments is primarily to deal with new debt contracted in relation to the banking resolution and the projected disbursements on the Anguilla Community College loan. Goods and Services increased from **EC\$45.16 million** to **EC\$49.33 million**, a **9.2**

percent increase over 2016. This increase is chiefly due to training, insurance, maintenance services, and supplies and materials. Lastly, Current Transfers which consists of disbursements to our Statutory Bodies increased from **EC\$43.93 million** to **EC\$45.80 million**. This **4.0 percent** increase is largely due to public assistance, health services, community and youth initiatives and sports.

Mr. Speaker I will now outline in some detail the expenditure allotment by ministry and department as well as the on-going and new initiatives of our ministries for the 2017 year.

3.1 H.E. THE GOVERNOR & DEPARTMENTS

The 2017 recurrent estimate for the Governor's Office & Departments is **EC\$30.52 million**. Mr. Speaker this is a **5.8 percent** increase over the 2016 approved estimate of **EC\$28.84 million**. This overall increase is mainly as a result of training in Public Administration and increases in Personal Emoluments.

Public Administration

Public Administration, in collaboration with the Department of Information Technology and e-Governmenance Services (DITES), successfully implemented the first phase of Common Office (an automated online HR system). To date, a number of HR processes have been digitized. The next phase in the process is the recruitment module which should be implemented by January 2017.

Public Administration also collaborated with the Governor's Office to conduct the second service-wide formal Employee Recognition Awards Ceremony. Six (6) awards were presented across categories including Outstanding Customer Service; Above and Beyond the Call of Duty and Public Servant of the Year.

Acting on the results of the Civil Service People Survey 2015, Public Administration focused on training to address the skill gaps, to allow leaders to reflect on their practice and to build leadership capability in the APS. A total of 31 training sessions across thirty-two (32) ministries/departments was conducted from September 2016 to November 2016. Five remaining departments including Teachers will receive this training in 2017

3.2 MINISTRY OF HOME AFFAIRS & DEPARTMENTS

The Ministry of Home Affairs has a 2017 recurrent expenditure budget of **EC\$7.32 million** a very miniscule increase over the 2016 approved estimate of **EC\$7.31 million**.

The main focus of the Ministry of Home Affairs in 2017 will be the development of a new constitution and reform of the electoral process.

Department of Labour

The implementation of a modern Labour Code will continue to be the main priority for the Department in 2017. This, it is hoped, will adequately address employment issues in Anguilla and also enhance the services offered by reviewing current practices and ensuring use of best practice.

Department of Information and Broadcasting

Radio Anguilla will continue to provide a critical voice in the national interest; ever mindful of the need to provide fair, accurate and balanced coverage to the people of Anguilla at home and abroad. Radio Anguilla intends to play a lead role in the dissemination of information on next year's 50th anniversary of the Anguilla Revolution.

Department of Environment

Their key national programmes will continue in 2017 focused on enabling sustainable national development. These will include but are not limited to: The CDB funded programme titled; "Building Effective Governance for Land Use Planning and Environmental Management in Anguilla". Timely and responsive legislative amendments that aid development are critical to ensure the sustainable economic advancement of our island. Likewise, the finalization of the Anguilla National Ecosystem Assessment (ANEA) Project: Towards a Green Economy which has provided a framework for our national development plan.

Department of Immigration

In keeping with the Immigration Department's mandate, management intends to continue improving the human resources within the department by ensuring that officers receive the relevant training as it relates to their job; upgrade the computerized systems so as to provide more efficiency in the processing of passengers at the ports of entry. Improving public awareness by creating a Facebook page is another initiative for the Department in 2017. Additionally, the department will continue its effectiveness of illegal immigrant monitoring, detection and interception through increased use of technology, increased patrolling and operations within the Task Force Section - this will ensure that the security of the island remains paramount. Officers at the ports of entry will continue to provide excellent customer service and remain true ambassadors for Anguilla as a tourist destination.

3.3 MINISTRY OF FINANCE, ECONOMIC DEVELOPMENT AND DEPARTMENTS

The 2017 recurrent expenditure estimate for the Ministry of Finance is **ES\$76.79 million**, a **6.0 percent** increase over 2016 approved budget of **EC\$72.47 million**. Mr. Speaker, the major increases are due to Retiring Benefits which has an increase of **\$1.65 million** to facilitate retiring police officers in 2017. Also, there is an increase of **\$684 thousand** in insurance and **\$575 thousand** increase in domestic debt service payments. Additionally there will be increases in personal emoluments at the Inland Revenue and Customs departments, which are necessary for capacity building and the furtherance of the government's top revenue earning departments.

Economic development, Investment, Commerce & Tourism

Mr. Speaker, Foreign Direct Investment is imperative for economic development in Anguilla and the Government will continue to pursue appropriate FDI in the 2017 national development agenda, using policies carefully designed to ensure that the benefits are distributed throughout our island. The Government has recently negotiated an amended MOU with Altamer to expand the project to include a Marina and luxury real estate component. The Government continues to earnestly negotiate for the renovation and expansion of the Cap Juluca property and has recently finalised a new MOU with the intended developers. These projects are scheduled to commence in the first quarter of 2017 and are anticipated to significantly boost activity in the economy, particularly in the construction industry.

For the 2017 Budget period the Government will pursue the following economic stimulus measures which are designed to support economic growth and revitalise the real estate and construction sectors.

1. Reduced Stamp Duty under the Stamp Duty Act – Effective 1 January 2017, for Belongers only, the Government will reduce the applicable stamp duty on transfers from 5% to 2.5%. This reduction will remain in effect for three years.

2. Reduced Stamp Duty under the ALHLRA - Effective 1 January 2017, the Government will reduce the applicable stamp duty from 12.5% to 5% for built developments and 6 ¼ % for vacant land. This reduction will remain in effect for two years. Non-Belongers who purchase property will be granted an eleven (11) month visitor's stamp at the time of payment of the ALHL fees, to be renewed for the same term on an annual basis.

3. Reduced Import Duty on Construction Materials – The Ministry is currently designing a scheme to increase the affordability of home ownership in Anguilla and to generate activity in the construction sector. This scheme is being designed to ensure that our local businesses continue to be patronised and can benefit from such an initiative. The scheme is expected to be finalised by the first quarter 2017.

Mr. Speaker, whilst trying to attract and facilitate investment in Anguilla we have to be mindful of the “race to the bottom” when concessions are used as tools to incentivise investment. As such, the Ministry is currently reviewing and implementing other means of attracting inward investment into our jurisdiction including a concession and incentives policy; streamlining our investment process and the development and implementation of a national investment promotion strategy.

The Government continues to consider and design an economic residency programme that is appropriate for Anguilla. Regionally, such schemes have generated significant economic activity and similar is envisioned for Anguilla.

Anguilla Commercial Registry

Mr. Speaker, as the global community continues to be less accommodating of international Financial Centres, Anguilla must position and maintain itself as a place to do cross border business. Anguilla remains committed to being a well regulated and transparent financial services sector so as to maintain its appeal to the participants.

Mr. Speaker the development of the ACORN system, some eighteen years ago, which provides for online registration and management of companies 24hrs a day, every day, has given Anguilla the ability to reduce many of the costs associated with international finance. ACORN is the gateway for Anguilla to remain a vibrant player in the financial services industry and we are committed to the improvements and upgrades of the ACORN platform and the rollout of a new beneficial ownership register. I expect that these initiatives will help us, Mr. Speaker, to improve our offerings in the Financial Services Industry and secure Anguilla’s future.

Department of Lands and Surveys

The Department of Lands and Surveys in the coming year will be launching its official website as it aims to continue to review and improve its land policies. The Department is also pursuing the establishment of the island’s first Global Positioning System (GPS) Continuously Operating Reference Station (CORS) into a more accurate and user-friendly system.

3.4 MINISTRY OF SOCIAL DEVELOPMENT

The Ministry of Social Development has a 2017 recurrent budget of **EC\$79.28 million**, a **3.0 percent** increase over the 2016 approved budget of **EC\$76.93 million**. This increase is due to **\$500 thousand** increase in the Health Authority’s subvention, an increase of **\$543 thousand** in Public

Assistance and increases in social undertakings that the Ministry plans to continue in 2017. Some highlights under this ministry are as follows:

Education

The Ministry and Department of Education remain committed to the mission for education and endeavours to provide quality education services through highly motivated and competent educators. With the completion of the new Sector Strategy for 2015 to 2020, "***Education and Training for a better Future – Vision 2020***", the path is set for focused initiatives over the next five years.

This year has seen the laying of the foundation for initiatives in all of the sub-sectors of the education system. At Early Childhood, this is being done through initiatives such as the institutionalizing of the Standards for the Regulations of Early Childhood Services.

At Primary and Secondary, one area of focus is the improvement in Numeracy Competencies. One initiative to address this aspect is the continuous professional development of our teachers in numeracy skills. Technical and Vocational Education & Training is also a critical area of focus for human capital development. The necessary infrastructure is being put in place to ensure that appropriate provision is made to competently address the relevant curriculum needs.

Sports

The Department of Sports held its first ever Sports Expo with the theme "a renewed focus on Sports development". As part of the week of activities three of Anguilla's sports pioneers were inducted in the first sports "Hall of Fame".

The first ever International Tennis Foundation tournament was held at the Anguilla Tennis Academy attracting participants from over twenty countries. This initiative has the potential to generate significant benefits for the island in terms of sport tourism. Along these lines we also look forward to hosting the Leeward Islands Basketball Association (LIBA) Tournament later this month.

In 2017, the community sports programs will be intensified in an effort to enhance social cohesion and improve health benefits throughout the island. The organization of village festivals and traditional games are priority in 2017.

Youth and Culture

The Department of Youth and Culture continues to promote and strengthen efforts geared at improving and advancing the general well-being and empowerment of our young people in Anguilla and the preservation and promotion of the island's cultural heritage.

2017 marks the 10th Anniversary since the department was established. A comprehensive list of activities and events are planned to highlight and celebrate the work of the Department over the years.

Youth employment remains a primary focus of the department in 2017. The department's three principal youth employment programmes - the Job Link-Up Programme, the Anguilla GET SET Entrepreneurial Programme and the Youth Exposure Programme continue to effectively transition young people to sustained full-time employment.

The Department will pursue the establishment of the **Anguilla Youth Business Trust** in 2017, a public – private, not-for-profit entity to house the Anguilla GET SET Entrepreneurial Programme and provide on-going services to young entrepreneurs.

Work continues in the area of culture and arts preservation, development and promotion. Two major on-going projects are scheduled to be completed in 2017: the revision of **Anguilla Our Island** textbook and the establishment of an artist registry.

Partners Advocating for Violence Eradication (PAVE)

In 2016, PAVE made significant strides in addressing crime and violence through a UNDP supported programme. The Ministry's efforts to tackle crime and violence will be intensified in 2017 with the implementation of key activities including:

- The development of a database for crime statistics;
- Launch of a literacy/numeracy/ICT programme to support vulnerable members of our adult population who exhibit low literacy/numeracy/ICT levels; and
- Implementation of reintegration programmes to support residents of Zenaida Haven and Her Majesty's Prison post release.

The Anguilla Community College

The ACC introduced a number of new programmes during this Academic Year to strengthen the human resource and technical skills capacity of Anguilla. Despite many challenges we continue to push for increased programming that caters to community needs. Beginning September 2017, the college will be adding the BTEC Level 3 qualifications in Operations and Maintenance Engineering, Project Management in Construction sector, Hospitality Studies and level 2 qualifications in Applied Information Technology and Business Studies for the technical 6th form.

The Technical Vocational Sixth Form programme previously offered at ALHCS has been transferred to the ACC. There are two streams: Hospitality and Construction Studies.

National Chronic Disease Unit

The Ministry of Social Development made considerable strides in the fight against the Non-Communicable Diseases (NCD) in 2016 beginning with the finalization and approval of the National NCD Action Plan. Major initiatives in the NCD surveillance included the completion of field work for the STEPs and Global School Health surveys which assess NCD risk factors in adult and school-age children respectively. 2016 also saw the launch of the Fit Teen Programme. Originally conceived by Results Driven Fitness Center, this collaborative initiative seeks to increase healthy lifestyles in teens in the areas of diet, physical activity and psychosocial well-being.

Health Authority of Anguilla

In 2016 the Health Authority of Anguilla moved closer to ensuring compliance with the Health Authority of Anguilla Act with Financial Statements signed off by the Chief Auditor for the years 2009 to 2013. The 2014 year statements are in final draft and the 2015 audit has commenced. A Primary Health Care Initiative was launched during 2016 aimed at improving access to primary care. The objective is to focus on preventative care while reducing healthcare costs associated with curative care. Pharmacy services were reintroduced at the Welches Polyclinic along with enhanced dental services. 2017 will bring a continued focus on improving the quality of services with major efforts already underway to increase the efficiency and effectiveness of healthcare delivery mechanisms.

Department of Probation

Staff of the Department of Probation and related agencies benefited from two major training opportunities in 2016 funded by UNICEF: the OECS Draft Model Child Justice Bill, and a Risk Assessment and Mental Health Screening Tool.

Department of Social Development

Mr. Speaker the Department of Social Development remained true to its goal of working in partnership. Existing bonds were strengthened and others forged in meeting the needs of the vulnerable, especially the children. Financial and other contributions from corporate citizens continue to supplement the department's limited budgetary allocation for services. Ongoing programmes to combat child abuse and other forms of violence continue. The Follow up to the 'Break The Silence Campaign' funded by UNICEF/DFID/UKAID continued in 2016 with the execution of a national Stakeholder Roundtable Discussion, a presentation of research findings on bullying in the primary schools, and the publication of a research paper memorializing the outputs of the National Anti-bullying Campaign Initiative to date. Much progress has been made with the

OECS Family Law Reform Legislation in the area of Child Maintenance and Parentage and Testing Bills. The enactment of the Social Protection Act which authorizes assistance to vulnerable and needy families has proven effective. Mr. Speaker the spiraling demand for assistance with medical services reveals that the health of the nation's people remains critical. In 2016 Government's contribution to date for local medical treatment is almost \$4 million. The challenge is for all individuals to adopt a lifestyle of personal responsibility and a commitment to self-empowerment.

3.4 MINISTRY OF INFRASTRUCTURE AND DEPARTMENTS

The 2017 recurrent budget for the Ministry of Infrastructure is **EC\$18.03 million**, an **8.3 percent** increase over the 2016 approved budget of **EC\$16.66 million**. This increase is attributable mainly to an increase in Personal Emoluments in the Ministry and its Departments.

The Ministry of Infrastructure, Communications, Utilities, Housing, Agriculture, Fisheries and Information Technology has continued its work despite the challenge of scarce financial resources to address critical infrastructure needs and other issues. A priority for the Ministry is to address its transportation mandate in 2017 through the strengthening of the aviation, maritime and road portfolios.

Department of Agriculture

In 2016 the Department of Agriculture conducted public consultations and completed the national agriculture strategic plan. The Department of Agriculture will commence implementation of the plan in 2017 with the use of farm land in the Valley Bottom to encourage food production by local farmers and provide support to egg producers by reducing their costs of production.

Department of Fisheries & Marine Resources

The Department of Fisheries and Marine Resources completed its sectoral strategic plan and conducted public consultations on the marine parks and fisheries development plan. The Department also completed a desk study on Anguilla's exclusive fishing zone. But the work of the Department of Fisheries is significantly impacted by the lack of a vessel.

The Department was successful in securing funding for four projects from DARWIN and BEST programmes over the period 2016-2019. The projects will bring about working collaborations between the Department of Fisheries, local, regional and international environmental agencies.

In 2017, the focus will be on investments in the fishing industry, through the implementation of special partnership agreements for foreign industrial fishing. Such a development could lead to the doubling of the contribution of fishing to the island's GDP.

Department of Information Technology and e-Governance Services (DITES)

The modernization and digitization of public services through the DITES have continued through the system upgrades. The DITES has also embarked on migrating GoA services to the cloud and has already completed the migration of the email system and intends to roll out Microsoft Office-365 solutions to all departments. The goal is to make public services smarter and more accessible

The Department has also engaged in a desktop replacement programme through virtualization of desktop service technology. This endeavour has the potential to save the Government of Anguilla scarce resources both through more cost effective IT equipment and energy efficiency.

Department of Infrastructure

The Department of Infrastructure played a critical role in the securing of funds for the repairs to the jetty and for the proposed new jetty. The lack of aggressive maintenance of public infrastructure over the last 8 years means that a significant portion of the infrastructure including roads has to be rebuilt or replaced. The Department of Infrastructure continues to work with scarce resources to undertake the basic maintenance of public infrastructure of roads and building, and hopefully with the engagement of the Infrastructure Adviser, will be able to really modernise Anguilla's infrastructure.

Anguilla Fire and Rescue Service

The Anguilla Fire and Rescue Service continues to operate under the most difficult of situations and with donated equipment that is older than most of the younger officers. They have shown the true spirit of what it means to be Anguillian, to be proud and committed to ensure that the aerodrome remains open. Without the aerodrome, Anguilla will be deeply impacted and that is why this Government is committed to ensuring that the Fire Station is completed and the fire service is provided with the necessary equipment and training to meet the aviation requirements.

4. RECURRENT REVENUE 2017

Mr. Speaker, the revenue estimate for 2017 is **EC\$214.89 million**, which represents an **8.27 per cent** increase over the 2016 projected outturn of **EC\$198.48 million**. This projection is based on economic growth expectations of **4.3 per cent** and improvements in tax administration and compliance. Mr. Speaker, there will be no new taxes implemented in 2017.

Mr. Speaker, I will now provide the 2017 recurrent revenue composition.

32.3 per cent of total recurrent revenue is projected to come from Duties and is estimated to total **EC\$69.51 million**. Taxes on domestic goods and services that account for **23.2 per cent** of revenue is estimated to be **EC\$49.77 million**. Of that total, Accommodation Tax accounts for **EC\$19.85 million**, and Stamp Duty, **EC\$11.00 million**. The Interim Stabilization Levy will remain and is expected to generate **EC\$15.14 million**. Tax on property is estimated at **EC\$7.00 million**. Taxes on International Trade and Transactions continue to be a major source of revenue and in 2017, anticipated collections are **EC\$20.62 million** or **9.6 per cent** of recurrent revenues. Non-tax revenues account for some **EC\$32.67 million** or **15.2 per cent** of revenue of which fees, fines, and permits account for **EC\$22.81 million**.

Mr. Speaker, let me take this opportunity to thank all taxpayers who honored their tax obligations for 2016. We are mindful of the financial challenges business entities and individuals are currently facing. However, we are encouraging all taxpayers to visit the Inland Revenue Department to make arrangements to settle outstanding tax obligations.

Mr. Speaker, the government is committed to fulfilling its promise to implement a comprehensive fiscal reform programme. One initiative this administration intends to aggressively pursue is the permanent residency for investment regime in an effort to diversify our means of generating income and stimulating our economy.

5. CAPITAL REVENUE 2017

Capital Revenue for 2017 is estimated at **EC\$47.7m** and comprises the following: approximately EC\$10.5m of EDF funds, \$21m from the UK Government and the sale of Anglec shares are expected to net EC\$16.2m.

6. CAPITAL BUDGET

The proposed Capital Budget for 2017 is **EC\$44.3m**

Mr. Speaker, the UK Government is once again at the forefront of providing support for specific areas of Capital development.

EC\$17m of these funds include confirmed UK grant allocations that will finance Phase II of the development of the Road Bay Jetty and also preparation of a long sought after and much-needed, National Development Plan – our vision for the next 20 years and beyond. Their support also extends to the provision of an Infrastructure Adviser that will, for a period of 2 years in the first instance, focus on the new Road Bay Jetty, and redevelopment projects at the Clayton J Lloyd International Airport and the Blowing Point Ferry Terminal. The Infrastructure Adviser will also coordinate the development of a National Infrastructure Plan which upon completion will attract additional UK funds for critical infrastructure projects.

Mr. Speaker, we are also advancing requests for further assistance from the UK Government to fully complete the Fire Services Development Project and also in the development of the Beneficial Ownership System. This system facilitates the UK's law enforcement and tax authorities information requirements for the purposes of enforcing money laundering regulations.

It must be noted that all of these individual requests are part of a wider request that was made to former UK Prime Minister Cameron and OTs Ministers Dudridge and Simmonds for a substantial envelope of multi-year support for various areas of capital development.

Mr. Speaker, the long-awaited start of construction of the Anguilla Community College is imminent so it will be full steam ahead in the development of what will no doubt emerge as a centre of learning excellence on our education landscape.

Overall Mr. Speaker, the 2017 Capital Budget features a limited, scaled back set of projects reflective of our financing constraints. The focus is on the existing commitments of on-going projects and critical issues such as meeting the requirements of the Caribbean Examination Council's implementation of online administration of examinations from 2017. The newest project featured is the School Cafeteria Pilot Project. We will pilot the establishment of cafeterias at schools in order to provide hot nutritious meals, not only to those in need, but accessible to all students who are willing and able to pay.

Mr. Speaker, it is clear that advancement of the Education sector continues to be given a high priority with programming of the EDF 11 Programme scheduled to support the implementation of Anguilla's Education Development Plan. As previously communicated, approximately EC\$41m has been allocated to Anguilla for the 11th EDF period, 2015 – 2020. The first tranche of \$10.5m is

scheduled for disbursement in 2017 and the areas for support include the masterplanning and redevelopment of the Albena Lake Hodge Comprehensive School and development of TVET programmes.

Mr. Speaker, these continue to be trying financial times and when I speak of our plans for capital development, I always close with an admonishment and a reminder. A reminder, Mr. Speaker, that we cannot be content to restrict our development as a nation for the sake of saving a few dollars, balancing a budget and building reserves - no matter how necessary these goals appear to be.

When it comes to capital development Mr. Speaker, there is another side to the coin of fiscal prudence. It has the potential to be ugly and tragic and it looks a lot like crumbling schools, a hospital with failing equipment, inadequate roads and other economic infrastructure all of which hampers our progress as a nation and the impetus to truly recover and help ourselves in a sustainable manner.

7. CONCLUSION

Mr. Speaker,

The Staff in the Ministry of Finance; Permanent Secretaries; Heads of Departments and other technical officers work extremely hard during the preparation of the Annual Budgetary Estimates. This is a process that begins in late July and August and they work through up until moments before I arrive here in this Honourable House. I will take this opportunity to thank them for the brilliant job they have been doing across administrations --- but I am personally grateful for the special attention I feel from their service. Despite their dedicated participation, however, whatever criticisms regarding the Budget that become the subject of public debate --- our Government takes full responsibility for its content. As I said last year we will never “*throw anyone under the bus*” simply to divert blame for the assumptions and decisions that go into this process.

As I said earlier in this presentation the airwaves continue to be inundated with purveyors of gloom and doom. And there are persons who relish in these messages simply to remain relevant. In fact they have absolutely no problem using gossip; fear-mongering; and their own fabrications to perpetrate their particular agendas. We know that in taking on the tough decisions necessary to achieve what is in the best interest of Anguilla --- there will be hardships. But we are also convinced that to do nothing will be exponentially worse. There is seldom gain without pain. Such pain is why we are celebrating 50 years of modern Anguilla today. The Anguillians of that period

were prepared to endure such sacrifice to achieve the vision of a New Anguilla: Proud; Strong and Free!

Mr. Speaker our strength of character is not necessarily manifested when life is on the upstroke. Our true character comes out when there are challenges --- and we are down. At that juncture we must not cower and lie down but stand up courageously so that we again can reach for stars. That is the place where we are now, we are standing up. We are standing up Mr. Speaker --- but as Anguillans we must also fight back. We fought back after the recession in 2001 and the fight back is on once again during these tough economic times. Mr. Speaker I refuse to be a part of the conversation that spells doom and gloom for Anguilla because that is not what winners do. Winners seek to refocus, to reset—and as the theme suggests— realignment is a positive move.

The wheels may have become wobbly but we have the competence to get them right again. But Mr. Speaker, we are not starting from scratch because we have many successes to build on. Of course certain outcomes have not been as we anticipated but such is God’s plan and with a solid faith in the end we will understand. Life is not an exact science and we must never fool ourselves into pretending that it is. And let us also refrain from becoming experts after the fact --- that shines absolutely no reflection of our competence.

The task before us is to realign the path to the vision --- even as we celebrate our achievements over the past 50 years. Yes Mr. Speaker, “Celebration and Realignment” is the theme!

So let me conclude, Mr. Speaker 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. I also express similar sentiments to those persons who may be in the comfort of their homes or other convenient places. May you all be blessed with a Wonderful Christmas and a bright healthy and prosperous 2017 when it comes.

Mr. Speaker, I beg to move!