



**GOVERNMENT OF  
ANTIGUA AND BARBUDA  
P R O S P E C T U S**

**FOR**  
91-day Treasury Bills  
(Septemebr 2006 – February 2007)

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## **PROGRAM SUMMARY - TERMS AND CONDITIONS**

**Issuer:** **THE GOVERNMENT OF ANTIGUA AND BARBUDA**

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**Contact Persons:** Mr. Whitfield Harris, Financial Secretary  
Mr. Dean Evanson, Deputy Financial Secretary  
Mrs. Ernestine Hodge, Accountant General (Ag.)

**Arranger:** ABI Bank Limited

**Trustee Agent:** ABI Trust (Antigua) Limited

**Fiscal and  
Paying Agent:** Eastern Caribbean Central Bank

**Use of Proceeds:** Refinancing maturing treasury bills

**Face Value:** EC \$ 17,000,000.00 Treasury Bills to be auctioned in each month during the period September 2006 to February 2007.

The treasury bills will be auctioned on the following dates:

- 20 September 2006 - trading symbol AGB211206
- 24 October 2006 - trading symbol AGB240107
- 21 November 2006 - trading symbol AGB210207
- 22 December 2006 - trading symbol AGB280307
- 25 January 2007 - trading symbol AGB270407
- 22 February 2007 - - trading symbol AGB250507

**Tenor:** The Treasury Bills will be issued with tenors of 91 (ninety one) days

**Settlement Dates/Issue Dates:**

- 21 September 2006 - trading symbol AGB211206
- 25 October 2006 - trading symbol AGB240107
- 22 November 2006 - trading symbol AGB210207
- 27 December 2006 - trading symbol AGB280307
- 26 January 2007 - trading symbol AGB270407
- 23 February 2007 - - trading symbol AGB250507

**Principal Repayment:** Bullet at maturity

**Issue Price:** Maximum bid price is 6.50%

**Discount Rate:** \$ 98.379

**Method of Issue:** Determined by a Competitive Uniform Open Price Auction

**Bidding Period:** 9:00 a.m. to 12:00 noon on auction days

**Security Identifications:** By trading symbols AGB211206, AGB240107, AGB210207, AGB280307, AGB270407 and AGB250507 respectively

**Placement of Bids:** Investors will participate in the auction through the services of any of the licensed intermediaries.

**Interest Payment:** Interest will be computed on the basis of a 365-day year (or such other basis as may be agreed between the Issuer and the Dealers as specified in the relevant Pricing Supplement and in the case of an incomplete month, the number of days elapsed)

**Listing:** Duly registered with the Eastern Caribbean Securities Exchange (ECSE). Treasury Bills will be traded on the Regional Government Securities Market (RGSM) using the platform of the ECSE

**Minimum Bid:** EC\$5,000.00

**Maximum Bid:** EC\$17,000,000.00

**Bid Multiplier:** EC\$1,000.00

**Bids per Investor:** Each investor will be allowed one bid with the option of improving their price (interest rate) and increasing the amount being tendered up until the close of the bidding period. Investors will participate in the auctions through the services of a licensed intermediary.

**Taxation:** All payments by the Issuer in respect of the Treasury Bills (as defined in “Terms and Conditions of the Treasury Bills”) will be made effectively free and clear of any present or future withholding taxes for or on account of any present or future taxes, duties, assessments or other

governmental charges of whatever nature imposed or levied by or on behalf of Antigua and Barbuda or within any political subdivision thereof or any authority therein having power to tax (“Taxes”)

**Status of the Securities:** The Treasury Bills will constitute direct, unsecured and unconditional obligations of the Issuer, respectively, and will at all times rank at least *pari passu* in priority of payment with all other present and future unsecured and unsubordinated obligations of the Issuer, save only for such obligations as may be preferred by mandatory provisions of applicable law.

**Governing Law:** The Treasury Bills will be governed by and constructed in accordance with the Antigua and Barbuda Treasury Bills Act (2005).

**Licensed Intermediaries:**

- ABI Bank Limited Antigua
- Commercial Bank Limited
- Bank of Nevis
- Bank of Saint Lucia Limited
- National Commercial Bank (SVG) Limited
- National Mortgage Finance Company of Dominica Limited
- National Bank of Anguilla Ltd.
- St. Kitts Nevis Anguilla National Bank Limited
- Republic Finance and Merchant Bank Ltd. (FINCOR) – Grenada
- Caribbean Money Market Brokers Ltd (CMMB) - St. Lucia
- Caribbean Money Market Brokers Ltd (CMMB) – Trinidad and Tobago

”

## **EXECUTIVE SUMMARY**

The Government of Antigua and Barbuda proposes to raise EC\$17m monthly during the period September 2006 to February 2007 through the issuance of 91-day Treasury Bills to be auctioned on the Regional Government Securities Market (under trading symbols AGB211206, AGB240107, AGB210207, AGB280307, AGB270407 and AGB250507 respectively). During the bidding periods, which will be open at 9:00 a.m. on the auction days and closed at 12:00 noon on the same days, bids of amounts not less than EC\$5,000 and in multiples of EC\$1,000 will be processed through intermediaries licensed by the Eastern Caribbean Securities Regulatory Commission. The proceeds of this issue will be used to refinance maturing treasury bills.

The United Progressive Party, which assumed office in 2004, has set about improving its relationship with its creditors, improving the credit worthiness of Antigua and Barbuda and implementing a comprehensive debt strategy that is expected to bring the debt to GDP ratio down from a high of 140 per cent at the end of 2003 to the ECCB benchmark of 60 per cent within ten years. All the indicators suggest that this target is achievable. Within the past twenty four month period, from the end of 2003 to the end of 2005, the Government of Antigua and Barbuda has already dramatically reduced its debt to GDP ratio from 140 per cent to about 110 per cent through negotiations. Moreover, as a means of intensifying its debt reduction effort, the Government of Antigua and Barbuda, with the assistance of the Canadian International Development Agency (CIDA) has engaged a reputable international firm to assist it in formulating an even more comprehensive debt strategy.

The Government has given the undertaking that the debt being contracted by these issues of Government treasury bills will not be affected in any way by the implementation of the Debt Strategy. In fact, these issues are considered to be an important component of the debt reduction initiatives of the Government in that it will

help to bring down the debt to GDP ratio by retiring expensive debt and by promoting economic growth.

The Government has demonstrated its determination to honour all of its commitments and undertakings in respect of the securities it issues. It has honoured all obligations in respect of the Treasury Bills security issued on the RGSM, including the timely payment of interest and repayment of principal. The Government treasures this record and intends to ensure that Antigua and Barbuda establishes a solid reputation as an excellent and meticulous debtor that is among the most respected sovereign issuers in the Caribbean region and beyond. The Government views such a reputation as a critical component of the friendly investment climate in Antigua and Barbuda.

While any debt issue entails some risk for creditors, there are a number of positive factors that would help to mitigate any risk associated with this issue. These are as follows:

- The economy of Antigua and Barbuda has, over the years, achieved growth rates that are higher than the average rates of the OECS and that have pushed the per capita income of Antigua and Barbuda to a level that is the highest in the OECS and among the highest in the entire Caribbean. In fact, over the past 25 years between 1980 and 2004 inclusive, the economy of Antigua and Barbuda expanded in real terms in every year with the exception of 1995. In keeping with this trend, the growth rate for 2004 and 2005 were 5.2 per cent and 5.3 per cent respectively, and it is projected that the economy will continue to grow at an average real growth rate of at least 4 per cent per annum over the medium-term.
- Over the medium-term, private sector projects totaling about US\$800 million and public sector projects totaling EC\$600 million will be implemented. These projects, which include airport expansion, road development and repairs, the upgrading and expansion of various educational facilities and infrastructure, and

the implementation of an impressive array of private sector hotel and housing development projects, will not only exert positive influences on the economic growth rate over the medium term, but will also significantly accelerate the transformation of the economy of Antigua and Barbuda and boost competitiveness.

- The progressive expansion of the economy of Antigua and Barbuda has taken place within the context of a relatively stable macroeconomic climate characterized by low inflation, a stable exchange rate that has been pegged against the US Dollar at EC\$2.70 per US Dollar since July 1976 and frequent overall balance of payment surpluses. For instance, over the six years from 1999 to 2004, Antigua and Barbuda recorded overall balance of payment surplus in every year with the exception of 2002, and inflation averaged well below 3 per cent per annum over that period.
  
- The key sectors of the economy, tourism (represented by the hotels and restaurants sector) and construction, have continued to perform quite well. For the period 1999 to 2005, total visitor arrivals increased by an average rate of 5.6 per cent per annum. In 2001 and 2002 total visitor arrivals declined as a result of September 11<sup>th</sup> and the ensuing world economic recession. However, by 2003, the sector rebounded significantly. With respect to construction, the sector grew at an annual average rate of 6.3 per cent between 1999 and 2005. In 2005 alone, the output of the construction sector expanded by 19.5 per cent and was a major contributor to overall economic growth in that year. The Government is continuing its efforts to diversify the economy and to promote financial services and internet gaming as key economic sectors. These sectors, which are captured under other services in the national accounts, have grown at a steady pace since 1999. In 2004 and 2005, the establishment of eleven new gaming companies generated \$2.4 million in revenues from license fees and created 497 jobs for the people of Antigua and Barbuda.

- The fiscal performance of Antigua and Barbuda has improved substantially in recent years. For instance in 2004, the growth in current revenue of 10.5 per cent significantly outstripped the growth of 1.5 per cent in current expenditure and this resulted in a narrowing of the current deficit by some 34.5 per cent. The overall deficit also narrowed significantly from 9.5 per cent of GDP in 2003 to 5.41 per cent of GDP in 2004. Moreover, in 2005, it is estimated that the current account deficit narrowed by a further 4.6 per cent while the overall deficit increased by 11.4 per cent to \$132.63 to accommodate the substantial increase in the capital expenditure necessary in preparation for the ICC Cricket World Cup 2007 and as a means of elevating future growth rates.
  
- The Government of Antigua and Barbuda has demonstrated considerable commitment to the change and reform process and has shown the political will required to take difficult decisions aimed at turning around the fiscal position of Antigua and Barbuda and honouring its financial obligations and commitments. In particular, the Government has re-introduced the personal income tax; will soon implement the Antigua and Barbuda Sales Tax along with an excise tax on certain items including petroleum products; has capped the overall level of duty free concessions; and is implementing a Public Sector Transformation Programme along with a number of fiscal reform measures that are expected to, among other things, reduce expenditure on wages and rents by 20 per cent. These initiatives will be supported by a number of institutional reform programmes, including a Customs Renewal Programme, that will not only improve the level of service offered to the public but will also enhance the capacity of the revenue collecting departments.
  
- The commitment of the Government to the change and reform processes has fostered significant support for Antigua and Barbuda from the international community. For instance, this support is manifested in the bilateral agreement between Antigua and Barbuda and the United States of America whereby

USAID has committed to provide assistance to Antigua and Barbuda to the tune of EC\$5.4 million per year over the next four years.

Of course, like all developing countries, Antigua and Barbuda faces significant threats in the international environment. However, the fact that the Government took its internet gaming case to the World Trade Organization (WTO) demonstrates the resolve and capacity of the Government in coping with development challenges. Moreover, although trade liberalization poses a serious threat to developing countries, Antigua and Barbuda is better placed than most of these countries to face this threat. In particular, Antigua and Barbuda has made considerable strides in transforming its economy into a service economy, and does not depend on protection and preferences for primary goods as is the case with many developing countries, including a number of Caribbean countries. In addition, the introduction of the Antigua and Barbuda Sales Tax and the reintroduction of the personal income tax should help to protect the revenue base of Antigua and Barbuda from possible erosion arising from the reduction of duties and border taxes under various international trade agreements.

In summary then, it seems that the excellent prospects for the economy of Antigua and Barbuda, as well the Government's strong commitment to initiating change and honouring its financial obligations, would serve to significantly reduce any risks associated with investment in the securities being offered through this prospectus.

## History

The Nation of Antigua and Barbuda is located in the Eastern Caribbean. It is comprised of the islands of Antigua (108 sq. ml./280 sq. km), Barbuda (67 sq. ml./161 sq. km.) and Redonda (1/2 sq. ml./1.3 sq. km). The written history of the Country can be traced back to 1493 when Columbus first visited Antigua during his second voyage. History records that Columbus met Arawak Indians living on Antigua and that before Columbus' arrival the island was known as Wadadli. Columbus renamed the island Santa Maria de la Antigua after a church in Seville, Spain. Antigua was colonized by the British in 1632 and fast became a part of the chain of sugar colonies. Barbuda was colonized from Antigua in 1661 and was used mainly to raise livestock, provide wood, charcoal and other provisions.

Antigua was administered as a part of the British Leeward Islands Administration until 1967 when it gained associated status with internal self government. Barbuda was leased by the British Government to the Codrington Family from 1685 – 1870. On becoming a Crown Colony, Barbuda's affairs were administered from Antigua with the exception of land ownership. The British Government granted Antigua and Barbuda full independence within the Commonwealth on November 1, 1981.

After obtaining independence, Antigua and Barbuda adopted a modified Westminster parliamentary system based on the British model. A Governor General is appointed by and represents the British monarch (the country's head of state), and a Prime Minister is both leader of the majority party and the head of Government. The Right Hon. Sir Vere Cornwall Bird, now deceased, was the Nation's first Prime Minister and led the country until 1994, when he retired from active politics. His party, the Antigua Labour Party (ALP) remained in Government led by the Hon. Lester Bird until March 23, 2004 when the United Progressive Party, under the leadership of Hon. Baldwin Spencer, was elected.

## **Political Environment**

The Constitutional Order of 1981 prescribes Antigua and Barbuda's form of government and guarantees fundamental rights and individual freedoms. Enshrined in the Constitution is the establishment of the Barbuda Council which is vested with the authority to administer Barbuda Affairs. Constitutional amendments require the affirmative vote of a two-thirds majority of each house of Parliament and the approval of a majority of the voters in Antigua and Barbuda by referendum. Legislation requires passage by both Houses of Parliament and assent by the Governor General. The constitutional functions of the Governor General are largely of a formal or ceremonial nature.

The Parliament is a bicameral legislature, consisting of an elected House of Representatives and an appointed Senate. The House of Representatives has 17 members elected in accordance with the provisions of the Constitution. The Governor General appoints the Senate's 17 members, eleven on the advice of the Prime Minister, one on advice of the Barbuda Council, one from the business community, and four on the advice of the Leader of the Opposition. The Parliament, unless dissolved earlier, continues for five years from the date of the most recent general election. Shortly after the dissolution of Parliament, General Elections must be held to elect the members of the House of Representatives and to facilitate the appointment of a Government to administer the affairs of the Country for the next five years.

Antigua and Barbuda has a history of political stability. In March 2004, the country had its first change of political administration in twenty-eight years. Prime Minister, Honourable Baldwin Spencer, whose United Progressive Party came into office on March 23, 2004, currently leads the Government.

## Demographics

At the end of 2003, Antigua and Barbuda's population was estimated at seventy-nine thousand three hundred and ten (79,310). The country's last population census was in 2001. The country is characterized by a relatively large immigrant population estimated at eighteen per cent of current population estimates. Average household size experienced a decline from the 1991 Census to 3.1 persons per household. The number of households in Antigua and Barbuda increased 25.4 per cent from 1991 to 2001. Data from the 2001 Population and Housing Census reflects a de-urbanization trend in Antigua and Barbuda. The population in St. John's City increased by 1.3 per cent compared to between 29 and 38 per cent for districts outside the city limits.

Most of the residents are of African descent. Based on data on the number of children in school under age sixteen and the number of persons on pension, Antigua and Barbuda's dependency ratio is estimated at 684 per 1000. It is significant to note that old age dependency is 216 per 1000. The official language is English, and its principal religion is Christianity of which Anglicanism and Roman Catholicism are the primary denominations.

**Vital Statistics 1999-2004**

<b>PARTICULARS</b>	<b>1999</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>
No. of Live Births	1329	1528	1366	1201	1242	1272
No. of Deaths	509	447	457	434	437	527
Teen Births	190	196	229	170	209	184
Infant Deaths under 1 year	28	33	21	19	18	35
Crude Birth Rate	18.29	21.13	18.04	15.58	15.81	15.87
Crude Death Rate	7.00	6.18	5.88	5.66	5.56	6.57
Infant Mortality Rate	21.07	21.60	15.37	15.80	17.49	27.52
Life Expectancy at Birth (Males)	70.33	72.18	72.68	73.90	73.88	73.88
Life Expectancy at Birth (Females)	76.21	78.14	78.14	78.99	78.71	78.71

*Source: Antigua and Barbuda Statistics Division*

Antigua and Barbuda is characterized by a fairly high standard of living with birth rates and mortality rates comparable to developed countries. Life expectancy has been increasing steadily as a result of improvements in the social services provided and the overall quality of life. The 2004 United Nations Human Development Index ranks Antigua and Barbuda among the top fifty-five countries of the world.

The provision of a core of “free health care” services has been a major component of the Government’s health care policy. There is free post-natal care, child health care and vaccinations provided through a network of at least nine clinics across the twin-island State. The elderly are also provided for with free medical check-ups and pharmaceuticals, and the provision of a basic minimum pension.

The Government of Antigua and Barbuda’s education policy caters for free primary and secondary education. The Education Act makes school attendance compulsory for all persons between ages five to sixteen. Free textbooks are provided to all public and private schools through the Board of Education which is also responsible for the maintenance of all government schools. In 1999 the Government, through the Board of Education, embarked on a Basic Education Project to overhaul the physical educational plan. Tertiary education is provided locally at a subsidized rate for studies up to the second year of certain University of the West Indies Bachelors degree programmes, and grants are available for overseas studies.

## **Judicial and Legislative Environment**

Antigua and Barbuda’s judicial system is based on the English system, including the principles and practice of English common law. The member states of the Organization of Eastern Caribbean States (OECS) share a single supreme court, the Eastern Caribbean Supreme Court. The Supreme Court is headed by the Chief Justice, and administers the laws of each OECS member state. It has two divisions, the

High Court of Justice and the Court of Appeal. The High Court of Justice meets in Antigua bi-annually and the Court of Appeal is headquartered in St. Lucia. Appeals from the Court of Appeal go to the Judicial Committee of the Privy Council in London, England, which is currently the country's court of last resort.

Antigua and Barbuda is a signatory to the Caribbean Court of Justice which is currently the court of original jurisdiction in respect of matters pertaining to the interpretation and application of the CARICOM Treaty. Moreover, the Caribbean Court of Justice could replace the Privy Council as the court of last resort if the Government of Antigua and Barbuda decides to pursue this proposal by CARICOM and initiate the stipulated procedures for any necessary constitutional or legislative amendment.

## **Macroeconomic Performance**

### ***1. The Structure of the Economy***

Antigua and Barbuda may be classified as a service economy, with the tourism industry as the dominant service sector. The construction, communications, transport, and banking and insurance sectors also make significant contributions to Gross Domestic Product (GDP) in Antigua and Barbuda. During the late 1990's and early millennium period, activity in the internet gaming industry also made a significant contribution to growth and employment in Antigua and Barbuda but the ban on internet gaming imposed by the United States of America (USA) has constrained the growth of this sector. The 2004 ruling on internet gaming, which was made by the WTO Panel in favour of Antigua and Barbuda over the United States of America, should facilitate the further expansion and development of the internet gaming sector in Antigua and Barbuda. The USA has not yet complied with the WTO ruling, however, activity in this sector increased with an additional eleven companies established between 2004 and 2005.

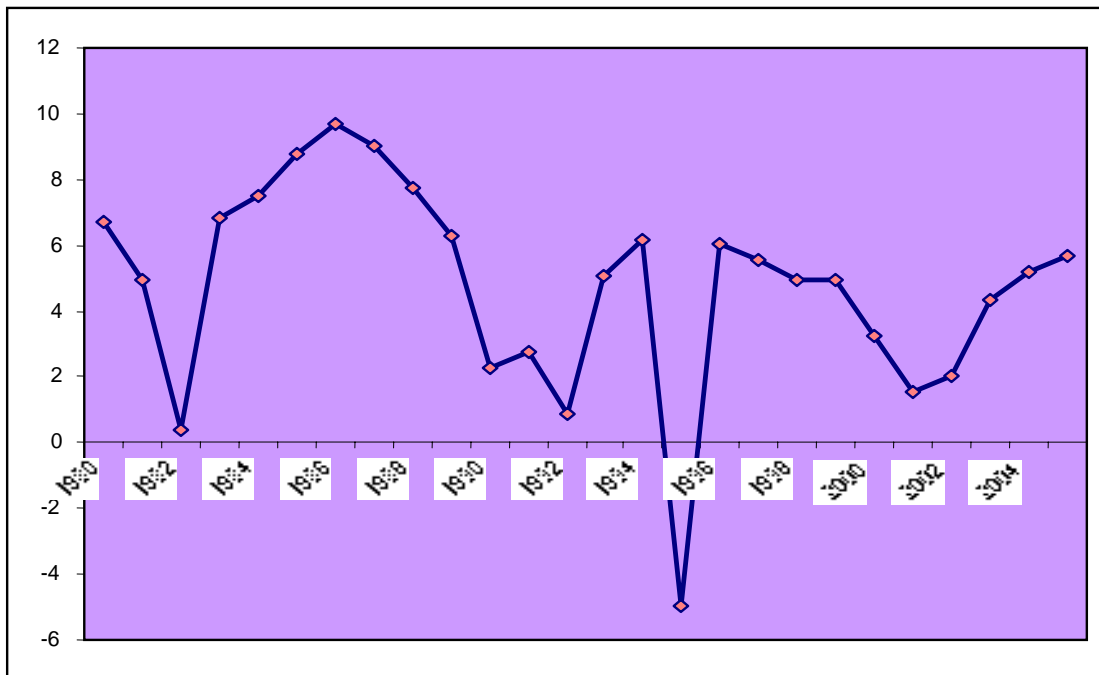
An analysis of the contribution of various sectors to the economy of Antigua and Barbuda over the period 1980 to 2005 reveals that the service sectors have grown significantly over the period. The contribution of banking and insurance to GDP has increased significantly from 5.4 per cent in 1980 to 10.6 per cent in 2005. Similarly, the communications sector moved from accounting for a mere 2.9 per cent of GDP in 1980 to approximately 10.7 per cent in 2005. Conversely, the agriculture sector has diminished in importance moving from a contribution of 8.2 per cent in 1980 to 3.2 per cent in 2005. Throughout the entire period, from 2000 onwards, the tourism sector has remained the dominant sector, but its contribution to economic activity as reflected in the Hotels and Restaurants component of the GDP statistics, has fluctuated somewhat. For instance, the contribution of the Hotel and Restaurant Sector has ranged from as high as 17.6 per cent in 1994 to as low as 11.57 per cent in 2001. In subsequent years, the tourism industry has accounted for an average of about 12 per cent of GDP. The full details of the contributions of the various sectors to the GDP of Antigua and Barbuda are provided in Schedules 1, 2 and 3.

## ***II. Trends in Economic Growth***

As the largest economy in the OECS, Antigua and Barbuda has a strong history of growth in Gross Domestic Product (GDP). This is supported by an average real GDP growth rate of about 4.7 per cent over the period 1980 to 2005 (see chart I).

The fluctuations in economic growth in the 1990's in particular, are attributable in part to a series of natural disasters and external economic shocks over which the Government had no control. However, notwithstanding these shocks, Antigua and Barbuda recorded positive growth in each of the past twenty five years with the exception of 1995 – when the country was devastated by Hurricane Luis. The continued demonstration of such resilience by the economy of Antigua and Barbuda would greatly enhance the ability of the Government to meet its future debt obligations.

**Chart I**  
**Antigua: Real GDP Growth 1980-2004**



Real GDP growth in Antigua and Barbuda averaged about 7.0 per cent in the 1980's and 3.3 per cent in the 1990's and compared favourably with average real GDP growth for the OECS countries of 5.9 per cent in the 1980's and 3.3 per cent in the 1990's. Moreover, since 2000 the growth rate of Antigua and Barbuda has not only exceeded the average growth rate in the OECS but has been on an upward trajectory reaching as high as 4.3 per cent in 2003, 5.2 per cent in 2004 and 5.3 per cent in 2005; rates that exceed those recorded in the United States, one of the major trading partners of Antigua and Barbuda.

In 2005, the performance of the economy of Antigua and Barbuda was fuelled by activity in the construction sector. In particular, the output of the construction sector grew in real terms by 19.5 per cent in 2005. The banking and insurance sector and the communications sector which grew by 3.8 per cent and 8.01 per cent respectively, also contributed significantly to the real rate of economic growth in Antigua and Barbuda in 2005. On the other hand, the hotel and restaurant sector contracted by 1.09 per cent in real terms during 2005. This was due mainly to the closure of a major hotel for expansion and significant renovations. It is expected, however, that the substantial investment in the construction of tourism related facilities will help to enhance the capacity of the tourism plant, promote competitiveness in the tourism sector, and substantially raise the rate of growth of the tourism sector.

## ***II. Inflation***

Inflation, measured by the change in the consumer price index, is relatively low consistent with what obtains in the economy of Antigua and Barbuda's major trading partner. The average inflation rate for the period 2001 to 2005 amounted to 2.1 per cent with the rate amounting to 2.8, 2.1 and 2.0 percent in 2003, 2004 and 2005 respectively. For the year to date, prices have remained relatively stable with a 0.6 percent change in the Consumer Price Index at the end of August 2006.

## **Sectoral Developments**

### ***I. Tourism Sector***

The Tourism industry and its ancillary service sub-sectors, represent the most significant generator of foreign exchange for Antigua and Barbuda. While other sectors such as Communications, and Banking and Insurance have improved in terms of their contribution to GDP, the Tourism sector still remains the leading driver of economic growth in Antigua and Barbuda.

Over the period 1999 to 2005, tourism as represented by the hotels and restaurants sector, grew at an average rate of about 2 per cent per annum. Total visitor arrivals increased at an average rate of 5.6 per cent per annum while visitor expenditure grew at an average rate of 2.2 per cent per annum. This performance was influenced by an annual average increase of 2.2 per cent in stay over arrivals and an annual average increase of 8.7 per cent in cruise passenger arrivals. The sector contracted by nearly 8 per cent in 2001 due to the effects of September 11<sup>th</sup> and the ensuing world economic recession. By 2003, however, the sector rebounded by 10.25 per cent due to a 9.5 per cent increase in stay over arrivals and a 22.9 per cent increase in cruise passenger arrivals.

**Table I: Antigua and Barbuda Tourism Statistics for the Period 1999 to 2005**

<b>Indicator</b>	<b>1999</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>
<b>Total Visitor Arrivals</b>	574,267	676,641	641,435	548,833	640,381	808,148	744,803
<b>Stay over Visitors</b>	231,714	230,014	214,787	218,399	239,185	267,626	260,530
<b>Cruise Passengers</b>	325,195	428,791	408,812	312,241	383,834	522,744	466,851
<b>Cruise Ship Calls</b>	248	328	271	200	294	371	321
<b>Gross Visitor Expenditure (EC\$M)</b>	782.94	784.40	734.58	739.19	809.51	910.76	883.58

*Source: ECCB and CTO Estimates*

In 2004, activity in tourism expanded by approximately 12 per cent, reflecting increases among all categories of visitors. Total visitor arrivals increased by 26.2 per cent comprising of a 12 per cent increase in stay over arrivals and a 36.2 per cent increase in cruise passenger arrivals. Total visitor expenditure rose by 12.5 per cent to \$910.8 million in 2004. This performance is evidence of the continued strong recovery of the tourism industry, despite the challenges presented by global terrorism.

Activity in tourism slowed in 2005, as stay-over arrivals and cruise visitors declined by 2.7 per cent and 10.8 per cent respectively. The decline in cruise passenger arrivals may be attributed to a reduction in the number of cruise ship arrivals during the off-

season period in 2005. The slight decline in stay-over arrivals may be partly due to pressure from rising international petroleum prices on the cost of air travel along with the closure of major hotels for renovations.

## ***II. Internet Gaming***

The internet gaming sector has demonstrated significant potential for the Antigua and Barbuda economy. The presence of a strong incentives system together with the implementation of appropriate legislative and regulatory frameworks has produced a strong comparative advantage for Antigua and Barbuda in the internet gaming sector.

Licensing fees for internet gaming companies in Antigua and Barbuda range from US\$50,000 to US\$80,000. Revenues from the internet gaming industry over the period 1996 to 2000 approximated US\$25 million. Salaries in the sector range from US\$15 to US\$18 per hour and the number of gaming companies in Antigua has exceeded 100. This sector has been adversely affected by the ban imposed by the United States on internet gaming. However, the Government of Antigua and Barbuda challenged this restriction at the level of the WTO in August 2004, and won the case. The United States challenged the WTO 2004 panel ruling at the WTO Appellate Body in early 2005. In April 2005, the Appellate Body issued a report which essentially upheld the findings of the WTO Panel report, but on slightly different premises.

The report of the WTO Appellate Body lacked the definitive findings of the previous Panel report and therefore in some circles, the report was interpreted to suggest that the United States won the appeal. The report however, recommended that the WTO Dispute Settlement Body request that the United States conform to its obligations under the GATS. To date, the United States has not complied with the recommendations of the Dispute Settlement Body.

The failure of the United States to comply with the recommendations and rulings of the WTO dispute settlement body has placed further pressure on the development of the sector. This has now shifted the burden on Antigua and Barbuda to use further WTO procedures in an effort to ensure compliance on the part of the United States.

Increased competition in the telecommunications market in Antigua and Barbuda should help to reduce costs and thereby foster greater competitiveness and further expansion in internet gaming.

## **Public Sector Analysis**

### ***I. Fiscal Performance***

At the end of 2004, the fiscal operations of the Government recorded an improvement over the performance in 2003. Current revenue increased by 10.5 per cent and amounted to 21.4 per cent of GDP, while current expenditure grew by 1.5 per cent and amounted to 25.2 per cent of GDP. This performance resulted in a narrowing of the current account deficit to 3.7 per cent of GDP in 2004 compared to 5.8 per cent of GDP in 2003. Capital expenditure declined by nearly 40.0 per cent to 2.2 per cent of GDP.

Estimates on the fiscal out turn for 2005 indicate that, in general, Antigua and Barbuda managed to maintain the recovery achieved on the fiscal accounts in 2004. The current account deficit narrowed from \$81.39 million or 3.7 per cent of GDP in 2004 to \$77.62 million or 3.3 per cent of GDP in 2005. This performance was due mainly to a 4.5 per cent growth in current revenue to from \$472.08 million to \$493.45 million in 2005. Current expenditure grew at a slower pace of 3.2 per cent from \$555.54 million in 2004 to \$571.07 million in 2005. Capital expenditure increased significantly from \$55.22 million in 2004 to \$94.21 million in 2005 as the Government sought to upgrade public sector infrastructure to facilitate the hosting of ICC Cricket World Cup 2007. Consequently, the overall deficit as a per cent of

GDP widened from \$111.17 million or 5.4 per cent of GDP in 2004 to \$132.63 million or 5.6 per cent of GDP in 2005.

Total revenue and grants increased by 22.9 per cent from \$433.32 million in 2003 to \$532.65 million in 2005 while total expenditure grew at a slower rate of 6.1 per cent from \$626.81 million in 2003 to \$665.26 million.

**Table II: Antigua and Barbuda Summary of Fiscal Accounts 2003:2005 (EC\$M)<sup>1</sup>**

	2003	2004	2005P
<b>Current Account Balance</b>	(118.56)	(81.42)	(77.62)
<i>Current Revenue</i>	427.05	472.08	493.45
<i>Current Expenditure</i>	545.61	553.5	571.07
<b>Overall Balance</b>	(193.49)	(119.04)	(132.63)
<i>Total Revenue and Grants</i>	433.32	483.39	532.65
<i>Total Expenditure</i>	626.81	602.43	665.26
<b>Primary Balance</b>	(81.80)	(4.25)	(36.74)

Source: Ministry of Finance and the Economy.

## **II. Revenue and Expenditure Profile**

Indirect taxes account for the major portion of the revenue base of Antigua and Barbuda. These taxes include taxes on international trade and taxes on domestic production and consumption. Taxes on international trade amounted to \$199.81 and accounted for approximately 57.6 per cent of current revenue in 1999. In 2004 this amounted to \$274.1 million and represented about 58.1 per cent of current revenue. Taxes on domestic production and consumption include stamp duties, hotel and guest taxes and telecommunications tax. These taxes amounted to \$63.25 million and

<sup>1</sup> Totals may vary due to rounding.

accounted for 18.2 per cent of current revenue in 1999 and grew to \$96.5 million or 20.4 per cent of current revenue in 2004.

Direct taxes on income and profits represented 10.1 per cent of current revenue in 1999 and about 12 per cent in 2004. Further, non-tax revenue represented 12.9 per cent of current revenue in 1999 and approximately 9.6 per cent of current revenue in 2004.

Wages and salaries amounted to approximately \$220 million or 52.3 per cent of current expenditure in 1999 and \$251.1 million or 45.2 per cent of current expenditure in 2004. Interest obligations amounted to \$46.5 million or 8.4 per cent of current expenditure in 1999 and \$106.9 million or 19.2 per cent in 2004. Capital expenditure amounted to \$37.7 million and represented 8.2 per cent of total expenditure in 1999. In 2004, capital expenditure amounted to \$55.22 million or 9.2 per cent of total expenditure of central government.

Antigua and Barbuda re-introduced the personal income tax in April 2005 in an effort to improve the revenue and general fiscal position of the country. This measure yielded \$23.4 million or about 5 per cent of current revenue and about 1 per cent of GDP for the nine months in 2005. The personal income tax which yielded \$2.6 million per month in 2005 yielded an average of about \$3.5 million per month in the first four months of 2006 and is projected to generate additional revenue equivalent to approximately 1 per cent of GDP in 2006.

It is expected that based on the fiscal strategies currently being pursued by the Government, by 2012 Antigua and Barbuda will achieve an overall surplus of 1.2 per cent of GDP, a primary surplus of 4.3 per cent of GDP and a current account surplus of 4.8 per cent of GDP. Schedules 4 and 5 provide full details of the actual and projected fiscal performance of the Government of Antigua and Barbuda.

The Government's reform efforts have had a positive impact on fiscal outcomes for the first half of 2006. For the first half of 2006, current revenue amounted to \$335.8 million which represents a 34.4 percent increase compared to the first half of 2005. Further, tax revenue was nearly 40 percent higher in the first half of 2006 and amounted to \$319.2 million. On the other hand, current expenditure was about 5.6 percent higher in the first half of 2006. This was driven mainly by higher pension payments due to an increase in the minimum pension to \$750 per month and a 14.2 percent decline in expenditure on goods and services. As a result of the enhancement in revenue generation and the curtailment of current expenditure, the current account balance improved from a deficit of \$22.02 million in the first half of 2005 to a surplus of \$48.7 million for the first half of 2006.

Capital expenditure, at \$109.7 million, was over 130 percent higher in the first half of 2006 compared to the first half of 2005 indicating a significant increase in the implementation of Government capital projects as Antigua and Barbuda prepares for Cricket World Cup 2007. Despite the significant increase in capital spending, the overall balance improved significantly in the first half of 2006. The overall deficit declined by over 60 percent from \$41.5 million in the first half of 2005 to \$16.4 million in 2006.

**Table II: Antigua and Barbuda Summary of Fiscal Accounts January to June 2005:2006 (EC\$M)<sup>2</sup>**

	Jan-June 2005	Jan-June 2006
<b>Current Account Balance</b>	(22.02)	48.66
<i>Current Revenue</i>	249.91	335.77
<i>Current Expenditure</i>	271.93	287.10
<b>Overall Balance</b>	(41.46)	(16.40)

<sup>2</sup> Totals may vary due to rounding.

<i>Total Revenue and Grants</i>	277.8	380.43
<i>Total Expenditure</i>	319.25	396.83
<b>Primary Balance</b>	0.00	25.02

### **III. Public Debt**

Total public sector debt for Antigua and Barbuda comprised of Central Government domestic and external debt and Government guaranteed domestic and external debt. At the end of 2005, total public sector debt stood at \$2.6 billion or about 111 per cent of GDP compared to \$2.9 billion or about 140 per cent of GDP in 2003. This decline in the debt stock is the result of the Government's success in renegotiating two external loans and receiving debt forgiveness in excess of EC\$500 million.

Central Government external debt declined from \$1.46 billion or 71.8 per cent off GDP in 2003 to \$1.02 billion or 43.4 per cent of GDP in 2005. On the other hand, domestic debt increased from \$1.21 billion or 59.3 per cent of GDP in 2003 to \$1.36 billion or 57.8 per cent of GDP in 2005. The debt service ratio amounted to 27.85 per cent of GDP in 2003 and 29.41 per cent of GDP in 2005.

The Government, with the assistance of an international investment firm, is currently developing a debt management strategy that is expected to facilitate further improvements in the debt profile. Once completed, the Government will implement the strategy in the third quarter of 2006 with the objective of, inter alia, reducing the debt to GDP ratio to a more manageable level.

### **Balance of Payments**

The Balance of Payments accounts essentially summarize the value of transactions between residents of Antigua and Barbuda and the rest of the world. Balance of

Payments estimates for the period 2003 to 2005 reveal that Antigua and Barbuda has maintained an overall surplus on the external accounts. The balance of payments surplus amounted to \$70.6 million in 2003, \$17.1 million in 2004 to \$26.4 million in 2005.

The current account of the Balance of Payments generally reflects transactions related to trade in goods and services. Between 2003 and 2004 the current account deficit declined from \$273.9 million to \$209.9 million and increased to \$338.4 million in 2005 (see Table III). This reflected deterioration in performance of the goods account, the income account and the transfers account. The deficit on the goods account widened by 7.8 per cent from \$830.6 million in 2003 to \$895.4 million in 2005, reflecting growth in imports and a decline in manufacturing exports over the period. In contrast, the surplus on the services account increased from \$624.5 million in 2003 to \$729.8 million in 2004 and declined to \$673.7 million in 2005.

On the income account, the deficit widened from \$104.2 million in 2003 to \$137.8 million in 2005 as a result of increased repatriation of profits. On the current transfers account, net transfers declined considerably from \$36.4 million in 2003 to 21.04 million in 2005. This can be associated with a recent trend in high outward transfers (including workers remittances) from Antigua and Barbuda.

The deficit on the current account was financed by surpluses on the capital and financial account. The capital and financial account tracks the monetary and financial flows between residents of Antigua and Barbuda and the rest of the world. The surplus on the capital and financial account expanded by 19.3 per cent from \$295.29 million in 2003 to \$352.23 million in 2005 reflecting substantial increases in capital transfers in the form of significant debt forgiveness and capital grants.

**Table III: Antigua and Barbuda Balance of Payments Summary 1999:2005**

	2003r	2004Pr	2005Pj
<b>Current Account Balance</b>	(273.9)	(209.9)	(338.4)

<i>Goods and Services</i>	(206.1)	(127.3)	(221.7)
<i>Current Transfers</i>	36.4	22.6	21.0
<b>Capital and Financial Account Balance</b>	295.3	235.6	352.2
<i>Direct Investment</i>	449.0	198.7	334.3
<b>Overall Balance</b>	70.6	17.1	26.4

## **Outlook for the Medium Term 2006: 2012**

### ***I. Regional and International Environment***

The outlook for the global economy during 2006 hinges largely on developments on the international petroleum market and the progress with mitigating international geopolitical risks. Estimates of economic activity for 2005 indicate that the global economy has bottomed out of the slowdown which started in 2001, despite higher oil prices and the occurrence of natural disasters. The IMF estimates real global output growth in 2005 at 4.8 per cent.

Petroleum prices have remained in the US\$70 per barrel range for much of 2006. Political instability in major oil producing nations and the availability of minimal excess petroleum refinery capacity are placing further pressure on the price oil. This has dampened growth expectations for businesses and economies, caused significant speculation in the forward markets, and great instability on capital markets. Uncertainty about the expected termination of the war in Iraq, and incidents of international terrorism are also impacting negatively on global economic prospects. Despite these factors, the global economy is projected to grow by about 4.75 per cent in 2006 and 2007. However, these projections can be eroded by downside risks such as high and volatile oil prices, tightening in financial market conditions and rising global imbalances.

Despite the rising cost of petroleum which has generally increased the cost of air and sea travel, performance in tourism is projected to remain strong over the medium term. In fact, total visitor arrivals for the first four months of 2006 increased 4 per cent compared to the same period in 2005. This expansion in tourist arrivals is being driven by increased marketing initiatives and increased airlift out of the United States and Europe. As the Government continues its efforts to re-brand the Antigua and Barbuda tourism product, the sector is projected to grow significantly in the medium term.

Real GDP growth for the main tourist market, United States, is expected to rebound during the first quarter of 2006 and average about 3.4 per cent. This growth will be driven by a positive business environment characterized by strong corporate profits and business investment. However, there is some uncertainty about the United States housing market, as there are indications that the market is cooling. Despite this factor, prospects for recovery of visitor arrivals out of the United States market remain strong.

The countries in the region face possible erosion of revenue base with the full implementation of the CARICOM single market and economy (CSME). In respect of the CSME, preliminary investigation suggests that manufacturers from the OECS countries may face difficulties due to competition from other CARICOM countries. However, given that manufacturing accounts for only a small proportion of GDP in Antigua and Barbuda, this adverse impact of the CSME is not likely to be felt as significantly in this country as in other OECS countries. Moreover, the Government is already taking steps to enhance revenue collections from direct revenue sources such as the personal income tax, and from other taxes such as the Antigua and Barbuda Sales Tax that are not as vulnerable to changes in trade agreements and treaties as import duties.

In terms of integration arrangements, the OECS countries could emerge as the group with the greatest degree of specialization in the area of services. Given that the OECS countries are not likely to benefit from economies of scale that are so critical to the attainment of a comparative advantage in agriculture or manufacturing, it will be

necessary for these countries to focus on the development of services. Antigua and Barbuda continues to implement measures to promote development of the financial services and internet gaming sectors.

The external environment seems fairly conducive to economic growth in Antigua and Barbuda. However, the ability of Antigua and Barbuda to effectively confront the challenges of trade liberalization and to capitalize on some of the opportunities provided in the global economy will influence the economic outturn for the country.

## ***II. Constraints and Opportunities for Economic Growth in the Medium Term***

### **Constraints**

As a small open economy, the economic prospects for Antigua and Barbuda are dependent on developments in the external economy. The country is highly dependent on trade in services for its economic survival. Thus, policy changes in the international policy environment and other economic shocks could exert much influence on the major sectors of the economy.

#### **i. Increasing World Fuel Prices and the Likely Impact on the Economy**

The gradual increase in international petroleum prices may have implications for developments in the national economy, particularly the tourism industry. The continued climb in petroleum prices has been caused mainly by the increasing incidents in global terrorism and demand pressure from developed Asian economies such as China and India. Fuel prices have reached a peak of over US\$75 per barrel in recent times, and the upsurge in fuel prices has caused many airlines to increase the fuel surcharge on airline tickets. This has increased the cost of air and sea transportation and by extension, vacations. Airline companies have also responded by cutting the number of scheduled flights and certain flight routes. Thus, the tourism industry in Antigua and Barbuda and the rest of the Caribbean may be adversely affected, if fuel prices continue on the upward trend.

The increase in international petroleum prices has also increased production costs, thus increasing the price of goods emanating from the main source market, the United States. Continued pressure on prices may have inflationary consequences in the domestic market. The risks presented by the increase in oil prices are also faced by other OECS countries and by all countries of the world that are net consumers of oil.

**ii. *United States Immigration Policy and Likely impact on the Tourism Industry***

The Government of the United States of America enunciated a new policy for nationals traveling out of the United States on vacation. The new policy requires all nationals traveling from the Caribbean and other areas outside of the USA to present a passport on return to the United States. This policy becomes effective on December 31, 2006. Previous policy had allowed for United States nationals to present any valid identification card. This policy may have an adverse impact on the number of US tourists visiting Caribbean and other destinations. However, the effect of the policy is likely to be short lived and it is not likely to have any adverse impact on the long term growth potential of the tourism industry because, in view of the risk of terrorism and money laundering, it is now becoming fairly standard to request persons in the US and around the world to comply with higher standards of personal identification for traveling and for virtually all transactions.

**Opportunities**

**i. *United States Policy on Online Betting and the Likely Impact on Internet Gaming***

The Government of the United States had imposed a restriction on the use of credit cards to facilitate online betting. This policy had an adverse impact on the internet gaming industry in Antigua, as growth in sales was restricted. In August 2004, the Government of Antigua and Barbuda won the case against the USA at the WTO level in the dispute over internet gaming. If the WTO is able to get the United States to comply with the ruling of its Panel within a reasonable time frame, there would be considerable potential for growth in this sector

## **ii. Debt Restructuring and Fiscal Reform and Consolidation**

The Government of Antigua and Barbuda has embarked on a programme of debt restructuring aimed at reducing the overall burden of the debt. To this end, the Government of Antigua and Barbuda in 2004, renegotiated the terms of its domestic debt with commercial banks. This process resulted in the generation of significant savings in terms of the cost of domestic debt servicing.

The Government of Antigua and Barbuda has so far confirmed that through negotiations with its creditors, it has secured a net reduction of central government debt by over EC\$500 million. Additionally, the Government has instituted the National Debt Co-coordinating Committee which will focus on issues related to effective debt management and guide the debt restructuring process. This debt restructuring process presents a unique opportunity for Antigua and Barbuda to reduce its overall debt burden.

In 2005, through a project funded by the Canadian International Development Agency (CIDA), the London-based firm, Houlihan Lokey Howard and Zukin (Europe) Ltd. started the process of developing a debt management programme for Antigua and Barbuda. The company has already conducted a diagnostic examination of the overall debt portfolio and conducted several training exercises for Debt Unit Staff along with other identified stakeholders. They are currently in the process of designing a strategy that will address the government's arrears and pay specific attention to the outstanding contributions to its statutory boards and corporations.

The second phase in the government's debt programme will be to implement the debt strategy developed by Houlihan Lokey Howard and Zukin. It is expected that the implementation process will commence in the third quarter of 2006 with the objectives of enhancing debt management and ensuring debt sustainability.

In the area of fiscal reform and consolidation, the Government of Antigua and Barbuda has implemented a number of measures aimed at streamlining expenditure and

broadening the revenue base. In particular, the Government has undertaken to reduce the expenditure on wages and salaries and on rents by 20 per cent in 2005. In respect of revenue, the Government has re-introduced the personal income tax and will introduce the ABST in January 2007. The ABST will replace several taxes including the consumption tax, hotel taxes, the travel tax and the telecommunications tax. The Government will also introduce a modernized property tax system in January 2007 which is expected to generate additional revenue equivalent to 1 per cent of GDP.

Other taxes such as the entertainment tax, radio license, TV license and dog license have been removed, as the return on such taxes was not sufficiently high to justify the cost of administration. This initiative should allow the Revenue Authorities to pay even greater attention to the collection of the potentially high-yielding taxes.

In addition to the tax reform initiatives, the Government has also embarked on a Public Sector Transformation Programme (PSTP). This Programme is being undertaken within a context where wages and salaries account for over 45 per cent of recurrent expenditure and over 50 per cent of recurrent revenue. The Government's efforts in this area commenced in 2004 where the correction of several employment anomalies resulted in the termination of over four hundred (400) public sector employees. A significant portion of these employees represented persons who had achieved the age of retirement but had not yet left the public service.

The PSTP continues in 2006 with the Voluntary Separation Package (VSEP) initiative whereby public servants were given the opportunity to leave the public service or opt for early retirement. The application period for the VSEP ended in February 2006 and a total of about 1078 public servants have applied. The necessary legislation to facilitate the VSEP was recently enacted and it is expected that the implementation of the VSEP will commence over the next few months. With acceptance of all the applicants, the VSEP initiative is expected to generate savings on the Government's wage bill of about \$20 million annually.

These measures reflect a high degree of political will and the strong commitment of the Government to raising the taxes necessary to enable public sector entities to meet their debt obligations and to carry out the functions of Government. The measures should assist in reducing the gap between revenue and expenditure and provide the Government of Antigua and Barbuda with greater degrees of freedom in implementing its agenda for growth and development. In addition, the policy of enhancing debt management and refinancing expensive commercial debt should also reduce the amount of resources allocated for debt servicing and release more funds to be used by the Government to finance its capital development programme.

### **iii. Incentives, Private-Public Sector Partnerships, and Facilitating Investment**

As part of the preparation for ICC Cricket World Cup 2007, all existing hotels and developers for new properties within the hotel sector will be entitled to duty free concessions to facilitate construction of new rooms to augment capacity for the event. To date, a total of 50 projects have received incentives under this legislation and have commenced work on new accommodations which will increase the room stock by over 800.

To provide support to small businesses, the Government collaborated with the Stanford Group of Companies to establish the *Empowerment for Ownership Initiative*, as a component of the Alliance for Development through Education and Empowerment. A \$10 million revolving fund is now in place and is providing loans to micro and small business ventures at low interest rates, and on concessionary terms.

*Empowerment for Ownership* was launched in August 2005 and is being administered by the Antigua and Barbuda Development Bank (ABDB). To date, the Antigua and Barbuda Development Bank (ABDB) has already approved fifty two (52) loans totalling about \$2.2 million. The sectors for which loans have been approved include the retail trade sector, services, manufacturing, agriculture, information technology, transportation, and tourism services. As part of the initiative, training has also been

provided to micro and small business owners and to persons wishing to start businesses.

In the Budget Statement for fiscal year 2005, the Government announced that it would create an Antigua Barbuda Investment Authority to help simplify the process of investing in Antigua and Barbuda and to level the playing field for existing and potential investors. To facilitate the establishment of the ABIA, Government has enacted the Antigua and Barbuda Investment Authority Act and the Antigua and Barbuda Investment Code. The ABIA is intended to provide a focused and coordinated mechanism for the promotion and facilitation of investment. The Investment Code will ensure greater transparency in the granting of concessions to investors, increased equity, and provide full protection and security to investors in accordance with international standards.

The ABIA will serve as a one-stop-shop for investors and will provide guidance to investors wishing to start-up business in Antigua and Barbuda; assist in explaining investment incentives; provide support services for local and foreign investors; and provide technical assistance to micro and small businesses. With the establishment of the ABIA, the granting of concessions to investors will no longer be discretionary. Instead, investors will be granted incentives based on the viability of their projects and the projects' compatibility with the economic and developmental objectives of Antigua and Barbuda.

In addition to the establishment of the Antigua and Barbuda Investment Authority, the Government has also secured Antigua and Barbuda's membership in the World Bank's Multilateral Investment Guarantee Agency (MIGA). MIGA provides guarantees to investors undertaking investment projects in developing countries and also offers technical assistance to improve the investment climate and promote investment opportunities in developing countries. The Government anticipates that its membership in MIGA should help improve investor confidence and improve the credibility of Antigua and Barbuda.

The Government views micro and small businesses as critical for the promotion of economic performance and the creation of employment. These types of businesses, however, require financial support and fiscal incentives, particularly during the early stages of operations. With this in mind, Government will articulate a formal policy for micro and small business development.

A draft Small Business Development Act has been developed and it is expected that this legislation will be enacted in 2006. The legislation will establish statutory definitions of micro and small businesses, formalize a system of fiscal incentives for micro and small businesses, establish programmes for the provision of technical assistance in areas such as marketing, financial management and use of best practices, and launch a government credit guarantee scheme.

To promote competitiveness in Antigua and Barbuda, the Government has strengthened its relationship with the Government of the United States of America by establishing a Memorandum of Understanding (MOU) in 2005. This MOU has established the framework for the Government of the United States of America to provide approximately EC\$5.4 million a year through the United States Agency for International Development (USAID) to the Government of Antigua and Barbuda. The assistance will support activities that contribute to sustainable economic growth and assist Antigua and Barbuda to succeed in an open trade environment.

The USAID consultants have already provided assistance to the public and private sectors on issues such as trade related legal and administrative reforms, improving the business climate and facilitating public and private sector interface. It is anticipated that the activities will intensify over the next year and the Government expects that the programmes and initiatives will result in greater competitiveness and increased efficiency in the private and public sectors and promote economic expansion in Antigua and Barbuda.

Finally, the Government of Antigua and Barbuda reduced the corporate income tax rate from 35 per cent to 30 per cent in an effort to encourage further private sector investment within the economy. Further, the Government indicated that the rate would be reduced further to 27.5 per cent for financial institutions that offer commercial lending rates of no more than 10 per cent and mortgage interest rates of no more than 8 per cent. This incentive has already borne fruit where the mortgage interest rate of most banks is 8 per cent while the prime lending rate has been reduced from 11.5 and 11 per cent to 10 per cent in many cases.

### **Medium Term Outlook and Forecasts**

The Government intends to facilitate private sector led development of Antigua and Barbuda over the medium term, through the implementation of a sound incentive framework and maintenance of sound macroeconomic fundamentals and investment environment. The Government of Antigua and Barbuda recognizes the importance of maintaining a sound macroeconomic environment and therefore will seek to provide a sound investment environment to facilitate private sector investment, with attempts being made to continue the recovery on the fiscal accounts.

In light of the above, a comprehensive set of measures aimed at restoring balance in the fiscal accounts have been announced in the 2005 annual budget. Additionally, the Government has announced the implementation of a number of incentive measures which seek to strengthen the investment environment in Antigua.

Growth prospects for the economy of Antigua and Barbuda remain high with the recovery within the tourism industry and the possible resolution of internet gaming dispute. In 2006, real GDP in Antigua and Barbuda is projected to grow by 12 per cent. This performance is largely due to significant activity in the construction sector and recovery in the tourism industry. In the construction sector, a number of hotel properties are currently under construction including, the Sandals Mediterranean Village, Pelican Island Resort, La Perla Living Antigua, and Verandah. These and

other hotel infrastructure projects are currently been implemented in an effort to increase the stock of hotel rooms and residential properties. Over 50 projects received incentives under the Cricket World Cup Incentive Act and are expected to increase the total room stock by 800 rooms at an estimated cost of EC\$175 million.

In the tourism sector, the number of stay-over visitors is expected to increase at least to 2004 levels after the marginal decline in 2005. Data for year to date indicate that the industry is currently experiencing a recovery from the slight downturn in 2005. Over the period January to June 2006 stay over visitor arrivals increased by 6.5 per cent over 2005. Tourist arrivals from the main United States market increased by 11.7 per cent signaling continued recovery in the industry. Further, ongoing marketing efforts have resulted in increases in visitor arrivals from Germany (23.5%), the Caribbean (21.5%) and South America (18.4%). For the period January to June 2006, the number of cruise ship calls has increased by 5.8 percent compared to the same period in 2005. Compared to the first half of 2005, visitor expenditure, at \$456 million, was 6.1 percent higher for the first half of 2006. Moreover, the Government of Antigua and Barbuda is currently preparing to implement a Sea Port Rehabilitation program aimed at improving standards and the overall quality of the port infrastructure.

Over the medium term, 2006 to 2012, the tourism, represented by hotels and restaurants, is expected to grow at an average rate of 7 per cent per annum with the sector growing at a rate of 25 per cent in 2005. The strong performance in 2007 will be driven by a significant increase in visitor arrivals for Cricket World Cup 2007.

With the greater adjustment on the fiscal accounts, significant improvements are expected on the fiscal accounts of central government. The overall deficit is expected to widen initially in 2006 due to implementation of major public projects and narrow over the period 2007 to 2012. Thus, the overall deficit will move to 7.74 per cent of GDP in 2006 and improve to a surplus of 1.2 per cent of GDP in 2012. Similarly, the current account is projected to move from a deficit position of 3.13 per cent of GDP in 2006, to a surplus position of 4.8 per cent of GDP in 2012.

In 2006, developments on the current account of the Balance of Payments will be influenced by significant importation to facilitate implementation of major private and public sector construction projects. Thus, the current account balance is expected to widen, as inflows on the service account will be outweighed by outflows on the goods account. By 2012, the current account deficit is expected to narrow substantially to 8.0 per cent of GDP. Surpluses on the capital and financial account, emanating primarily from foreign direct investment, are expected to fully finance the projected current account deficits.

## **Current Issues of Government Securities on Regional and International Markets**

### ***a. Treasury Bills***

There are currently three (3) 91 day Treasury Bills listed on the Eastern Caribbean Securities Exchange (ECSE).

- The total outstanding issue amount XD\$51.0 million.
- They are each XCD17 million 91 day Treasury Bills.
- The T-bill AGB180906 was listed on June 19, 2006, AGB231006 was listed on July 24, 2006 and AGB201106 was listed on August 21, 2006.

### ***b. Treasury Note***

There is currently one treasury note listed on the Eastern Caribbean Securities Exchange (ECSE).

- The total outstanding issue amount XD\$30 million.
- Tenor is a 5-year Treasury Note.
- The Treasury Note, AGN280711, was listed on 28 July 2006.
- The Treasury Note, AGN280711, will be redeemed on July 28, 2011

**c. Bonds**

- The total outstanding issue amount USD26.0m (XD\$70.20) million.
- Tenor is a 7-year Bond.
- The Bond, FAG070713, was listed on 26 July 2006.
- The Bond, FAG070713, will be redeemed on July 26, 2013

**d. Private Placement Bond**

Within the last 18 months the Government of Antigua & Barbuda issued a US\$14.295 Million (EC\$38.597 Million) Amortised Guaranteed Long-term Bond via private placement.

- The issue date was November 19<sup>th</sup>, 2004
- The interest rate was 9.0 per cent.
- The total number of investors was fourteen (14) with no single investor holding more than 20 per cent.
- The interest payment is paid in arrears on the basis of a 360-day year and is paid quarterly.
- The principal payment is paid quarterly in arrears.
- The proceeds were used for refinancing current borrowings.
- The bond's tenure is 10 years.
- The security offered was a direct, general and unconditional charge upon the Consolidated Fund of Antigua and Barbuda for the payment of all principal and interest. A bond repayment reserve account was established as an escrow account for the tenor of the bonds at ABI Bank Ltd and the conditions were as follows:
  - All bond payments must be paid into this account, which will be used to meet quarterly payments to the investors.
  - There must be a minimum balance of at least two (2) quarterly instalments held in this account throughout the tenor of the bonds.

The Government of Antigua and Barbuda has ensured that the escrow account has been funded in accordance with its agreement with the ABI Bank Ltd. thereby ensuring that all investors in the treasury note and bonds receive principal and interest payment as stipulated in the amortisation schedule. Further, the Government has established a debt service account with the ABI Bank Ltd. to facilitate payment of interest and principal on all securities issued on the RGSM. This debt service account is funded on a monthly basis and the balance in this account is in accordance with the debt servicing requirements for the treasury bills and bonds.

## **Security Issuance Procedures and Settlement**

The Bond will be issued on the Regional Government Securities Market (RGSM). This will operate on the Eastern Caribbean Securities Exchange trading platform for both primary issuance and secondary trading. The pricing methodology to be used for selling the securities will be that of fixed price auction. The ECSE and its subsidiaries are responsible for processing clearance and settlement of securities and providing the intermediaries with access to their settlement projections report, which indicates the obligations of the intermediary.

Intermediaries are responsible for interfacing with prospective creditors collecting applications for subscription and processing bids on the ECSE platform. A list of licensed intermediaries is provided in **Appendix II**. Successful investors will be informed of their payment obligations and funds deducted from their respective accounts with the intermediaries. As an issuer on the RGSM, the Government of Antigua and Barbuda will be subject to the rules and procedures established by the Regional Debt Coordinating Committee (RDCC) for the operation of the market including on going reporting and disclosure requirement.

## **Calendar of Events - Upcoming Issues**

- The Government of Antigua and Barbuda will continue to issue its Treasury Bills on the RGSM on a monthly basis to assist with short term financing requirements.

## APPENDIX I: SUMMARY OF ECONOMIC DATA

This summary highlights some key economic data contained in this prospectus. You should read this summary together with the more detailed information elsewhere in the Prospectus.

### *Appendix I. Selected Economic Information for the Years ended 2003-2005*

	2003	2004	2005
<i>Real Sector</i>			
<b>Real GDP Growth Rate</b>	4.31	5.22	5.31
<b>Inflation Rate</b>	2.8	1.74	2.1
<b>Visitor Expenditure (EC\$M)</b>	809.51	910.76	883.58
<i>External Sector</i>			
	<i>In Per cent of GDP</i>		
<b>Current Account Balance (BOP)</b>	(13.45)	(9.5)	(14.3)
<b>Services Balance</b>	30.7	33.03	28.5
<i>Central Government</i>			
	<i>In Per cent of GDP</i>		
<b>Total Revenue and Grants</b>	21.28	22.70	22.57
<b>Total Expenditure and Net lending</b>	30.78	27.75	28.19
<b>Overall balance</b>	(9.5)	(5.41)	(5.62)
<b>Current Account Balance</b>	(5.82)	(3.79)	(3.29)
<b>Total public sector debt</b>	140.3	141.6	111.03

**APPENDIX II: LIST OF LICENSED INTERMEDIARIES**

INSTITUTION	CONTACT INFORMATION	ASSOCIATED PERSONS
Anguilla		
National Bank of Anguilla Ltd	P O Box 44 The Valley  Tel: 264-497-2101 Fax: 264-497-3310 Email: nbabank1@anguillanet.com	Principal Selwyn Horsford  <i>Representative</i> Idona Reid
Antigua and Barbuda		
ABI Bank Ltd.	ABI Financial Centre Redcliffe Street St John's  Tel: 268 480 2824 Fax: 268 480 2765 Email: <a href="mailto:abibsec@candw.ag">abibsec@candw.ag</a>	Principal Casroy James  Representative Laura Abraham
Antigua Commercial Bank Ltd.	ACB Financial Centre P O Box 3089 St John's  Tel: 268 481 4200 Fax: 268 481 4158 Email: acb@candw.ag	Principals Peter N Ashe Sharon Nathaniel  <i>Representatives</i> Sharon Nathaniel Barbara Martin
Dominica		
National Mortgage Finance Company of Dominica Ltd.	64 Hillsborough Street Roseau  Tel: 767 448 4401/4405 Fax: 767 448 3982 Email: ncbdom@cwdom.dm	Principal Caryl Phillip-Williams  Representatives Dawn Yankey Marilyn Edwards
Grenada		
Republic Finance	NCB House	Principals

INSTITUTION	CONTACT INFORMATION	ASSOCIATED PERSONS
and Merchant Bank Ltd. (FINCOR)	Grand Anse St George's  Tel: 473 444 1875 Fax: 473 444 1879 Email: fincorec@caribsurf.com	Heather Titus Wilma Williams  Representatives Tarlle Francis Heather Titus Wilma Williams
St Kitts and Nevis		
St Kitts Nevis Anguilla National Bank Ltd.	P O Box 343 Central Street Basseterre  Tel: 869 465 2204 Fax: 869 465 1050 Email: national_bank@sknanb.com	Principals Winston Hutchinson Anthony Galloway  Representatives Marlene Nisbett Desilu Smithen Petronella Edmeade-Crooke
The Bank of Nevis Ltd.	P O Box 450 Charlestown Nevis  Tel: 869 469 5564 Fax: 869 469 5798 E mail: bon@caribsurf.com	Principals Hanzel Manners  Representatives Lisa Jones Vernesia Walters
St Lucia		
Bank of St Lucia Ltd.	P O Box 1862 Bridge Street Castries  Tel: 758 456 6000 Fax: 758 456 6190 Email: bankofsaintlucia@candw.lc	Principals Donna Matthew Beverley Henry  Representatives Trevor Lamontagne Lawrence Jean
Caribbean Money Market Brokers Ltd. (CMMB St Lucia)	9 Brazil Street Castries  Tel: 758 450 2662 Fax: 758 451 7984 Email: info@mycmmb.com	Principals Leslie St Louis Brent Salvary Sharmaine Rosemond  <i>Representatives</i> Sharmaine Rosemond Leslie St Louis Vishwatee Jagroop
St Vincent and The Grenadines		

INSTITUTION	CONTACT INFORMATION	ASSOCIATED PERSONS
National Commercial Bank (SVG) Ltd.	P O Box 880 Cnr. Bedford and Grenville Streets Kingstown  Tel: 784 457 1844 Fax: 784 456 2612 Email: natbank@caribsurf.com	Principal Keith Inniss Jeffrey Ledger  Representative Patricia John La Fleur Dublin
Trinidad and Tobago		
Caribbean Money Market Brokers Ltd. (CMMB)	No. 1 Richmond Street, Ground Floor Furness Court, Independence Square Port of Spain  Tel: 868 623 7815/5153 Fax: 868 624 4544/9833 ; 627 2930 Email: info@mycmmmb.com	Principals Brent Salvary Leslie St Louis Sharmaine Rosemond  Representatives Leslie St Louis Vishwatee Jagroop Sharmaine Rosemond

Appendix III. GDP by Economic Activity At Basic Prices In Constant (1990) Prices (EC\$M)

SECTOR	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Agriculture	44.82	46.01	47.38	50.45	51.68	52.94	54.24	55.57	57.27	58.68
Crops	12.92	13.31	13.74	14.01	14.30	14.58	14.87	15.17	15.47	15.78
Livestock	10.92	11.21	11.43	11.66	11.89	12.12	12.36	12.61	12.92	13.18
Forestry	0.79	0.79	0.79	0.79	0.79	0.79	0.79	0.79	0.79	0.79
Fishing	20.19	20.70	21.42	23.99	24.71	25.45	26.21	27.00	28.08	28.92
Mining & Quarrying	25.86	22.63	28.70	41.62	37.45	38.20	38.97	39.75	40.54	41.35
Manufacturing	35.33	33.91	34.21	35.24	37.00	38.48	39.63	41.22	42.87	44.15
Electricity & Water	49.69	52.88	56.28	60.72	65.04	68.06	70.94	73.78	76.16	78.44
Electricity	40.86	42.23	44.00	47.52	50.85	52.88	55.00	57.20	58.91	60.68
Water	8.83	10.65	12.28	13.20	14.19	15.18	15.94	16.58	17.24	17.76
Construction	192.27	197.08	235.51	317.94	270.25	243.22	250.52	260.54	268.36	279.09
Wholesale & Retail Trade	118.39	121.86	125.81	144.68	156.26	148.44	152.90	157.48	163.00	169.52
Hotels & Restaurants	165.27	176.43	174.50	183.23	229.03	217.58	230.63	244.47	259.14	274.69
Transport	153.08	175.37	172.72	197.37	230.17	219.11	227.53	237.57	248.07	259.07
Road Transport	74.35	85.25	86.92	103.29	119.81	123.41	127.11	132.83	138.14	143.67
Sea Transport	27.23	33.23	30.68	36.20	38.01	34.21	35.24	36.29	37.38	38.51
Air Transport	51.50	56.89	55.12	57.88	72.35	61.49	65.18	68.44	72.55	76.90
Communications	144.16	148.60	160.50	170.13	180.34	176.73	183.80	192.99	202.64	212.77
Banks & Insurance	137.71	152.58	158.34	170.21	179.20	186.98	194.26	202.70	210.60	218.81
Banks	120.85	135.16	140.57	151.82	160.17	167.37	174.07	181.90	189.18	196.74
Insurance	16.86	17.42	17.77	18.39	19.04	19.61	20.19	20.80	21.42	22.07
Real Estate & Housing	99.02	102.49	106.08	109.26	112.54	115.92	119.39	122.98	126.67	130.47
Government Services	227.01	237.38	244.50	249.39	234.43	220.36	225.87	231.52	236.15	240.87
Other Services	87.20	89.83	93.42	97.16	102.01	107.12	109.79	112.54	117.04	121.72
Less Imputed Service Charge	129.45	136.17	141.62	151.53	159.87	167.06	171.24	175.52	180.78	186.21
TOTAL	1350.37	1420.88	1496.33	1675.85	1725.53	1666.09	1727.24	1797.58	1867.71	1943.42
GROWTH RATE	4.31	5.22	5.31	12.00	2.96	-3.44	3.67	4.07	3.90	4.05

Source: Statistics Division-Government of Antigua and Barbuda and Eastern Caribbean Central

**Appendix IV. Per centage Contribution of GDP By Economic Activity, At Basic Prices In Constant Prices**

SECTOR	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Agriculture	3.32	3.24	3.17	3.01	3.00	3.18	3.14	3.09	3.07	3.02
Crops	0.96	0.94	0.92	0.84	0.83	0.88	0.86	0.84	0.83	0.81
Livestock	0.81	0.79	0.76	0.70	0.69	0.73	0.72	0.70	0.69	0.68
Forestry	0.06	0.06	0.05	0.05	0.05	0.05	0.05	0.04	0.04	0.04
Fishing	1.50	1.46	1.43	1.43	1.43	1.53	1.52	1.50	1.50	1.49
Mining & Quarrying	1.92	1.59	1.92	2.48	2.17	2.29	2.26	2.21	2.17	2.13
Manufacturing	2.62	2.39	2.29	2.10	2.14	2.31	2.29	2.29	2.30	2.27
Electricity & Water	3.68	3.72	3.76	3.62	3.77	4.09	4.11	4.10	4.08	4.04
Electricity	3.03	2.97	2.94	2.84	2.95	3.17	3.18	3.18	3.15	3.12
Water	0.65	0.75	0.82	0.79	0.82	0.91	0.92	0.92	0.92	0.91
Construction	14.24	13.87	15.74	18.97	15.66	14.60	14.50	14.49	14.37	14.36
Wholesale & Retail Trade	8.77	8.58	8.41	8.63	9.06	8.91	8.85	8.76	8.73	8.72
Hotels & Restaurants	12.24	12.42	11.66	10.93	13.27	13.06	13.35	13.60	13.87	14.13
Transport	11.34	12.34	11.54	11.78	13.34	13.15	13.17	13.22	13.28	13.33
Road Transport	5.51	6.00	5.81	6.16	6.94	7.41	7.36	7.39	7.40	7.39
Sea Transport	2.02	2.34	2.05	2.16	2.20	2.05	2.04	2.02	2.00	1.98
Air Transport	3.81	4.00	3.68	3.45	4.19	3.69	3.77	3.81	3.88	3.96
Communications	10.68	10.46	10.73	10.15	10.45	10.61	10.64	10.74	10.85	10.95
Banks & Insurance	10.20	10.74	10.58	10.16	10.39	11.22	11.25	11.28	11.28	11.26
Banks	8.95	9.51	9.39	9.06	9.28	10.05	10.08	10.12	10.13	10.12
Insurance	1.25	1.23	1.19	1.10	1.10	1.18	1.17	1.16	1.15	1.14
Real Estate & Housing	7.33	7.21	7.09	6.52	6.52	6.96	6.91	6.84	6.78	6.71
Government Services	16.81	16.71	16.34	14.88	13.59	13.23	13.08	12.88	12.64	12.39
Other Services	6.46	6.32	6.24	5.80	5.91	6.43	6.36	6.26	6.27	6.26
Less Imputed Service Charge	9.59	9.58	9.46	9.04	9.26	10.03	9.91	9.76	9.68	9.58
TOTAL	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00

Source: Statistics Division-Government of Antigua and Barbuda and Eastern Caribbean Central

**Appendix V. - Rate of Growth of GDP By Economic Activity, At Basic Prices  
In Constant Prices**

SECTOR	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Agriculture	2.52	2.65	2.98	6.48	2.44	2.44	2.45	2.45	3.06	2.46
Crops	1.50	3.01	3.23	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Livestock	4.00	2.66	1.96	1.98	1.98	1.98	1.98	1.98	2.50	1.98
Forestry	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Fishing	2.50	2.51	3.48	12.00	3.00	3.00	3.00	3.00	4.00	3.00
Mining & Quarrying	5.46	-12.49	26.82	45.00	-10.00	2.00	2.00	2.00	2.00	2.00
Manufacturing	7.94	-4.02	0.88	3.00	5.00	4.00	3.00	4.00	4.00	3.00
Electricity & Water	-2.68	6.42	6.43	7.89	7.11	4.65	4.22	4.00	3.22	3.00
Electricity	-0.75	3.35	4.19	8.00	7.00	4.00	4.00	4.00	3.00	3.00
Water	-10.72	20.61	15.31	7.50	7.50	7.00	5.00	4.00	4.00	3.00
Construction	6.69	2.50	19.50	35.00	-15.00	-10.00	3.00	4.00	3.00	4.00
Wholesale & Retail Trade	3.57	2.93	3.24	15.00	8.00	-5.00	3.00	3.00	3.50	4.00
Hotels & Restaurants	10.25	6.75	-1.09	5.00	25.00	-5.00	6.00	6.00	6.00	6.00
Transport	14.66	14.56	-1.51	14.27	16.62	-4.80	3.84	4.41	4.42	4.43
Road Transport	13.15	14.66	1.96	18.83	16.00	-6.20	3.00	4.50	4.00	4.00
Sea Transport	42.42	22.03	-7.67	18.00	5.00	-10.00	3.00	3.00	3.00	3.00
Air Transport	5.79	10.47	-3.11	5.00	25.00	-15.00	6.00	5.00	6.00	6.00
Communications	1.36	3.08	8.01	6.00	6.00	-2.00	4.00	5.00	5.00	5.00
Banks & Insurance	-2.28	10.80	3.78	7.49	5.28	4.34	3.90	4.34	3.90	3.90
Banks	-2.87	11.84	4.00	8.00	5.50	4.50	4.00	4.50	4.00	4.00
Insurance	2.18	3.32	2.01	3.50	3.50	3.00	3.00	3.00	3.00	3.00
Real Estate & Housing	3.00	3.50	3.50	3.00	3.00	3.00	3.00	3.00	3.00	3.00
Government Services	2.94	4.57	3.00	2.00	-6.00	-6.00	2.50	2.50	2.00	2.00
Other Services	2.16	3.02	4.00	4.00	5.00	5.00	2.50	2.50	4.00	4.00
Less Imputed Service Charge	7.35	5.19	4.00	7.00	5.50	4.50	2.50	2.50	3.00	3.00
TOTAL	4.31	5.22	5.31	12.00	2.96	-3.44	3.67	4.07	3.90	4.05

Source: Statistics Division-Government of Antigua and Barbuda and Eastern Caribbean Central

## Appendix VI.- Government of Antigua and Barbuda Fiscal Performance – 2003-2012

In Millions of \$EC

	Actual 2003	Actual 2004	Provisional 2005	Projections 2006	Projections 2007	Projections 2008	Projections 2009	Projections 2010	Projections 2011	Projections 2012
Total revenue and Grants	433,320,331.00	499,589,522.00	532,654,233.00	705,671,761.82	679,945,484.58	679,046,230.53	705,715,335.18	767,197,244.63	805,421,541.66	847,025,267.25
Current revenue	427,051,043.00	472,083,766.00	493,497,877.00	622,428,743.82	636,510,924.38	664,204,620.53	690,920,790.18	752,879,137.13	790,865,215.41	832,598,050.38
Of which: tax revenue	382,608,069.00	426,965,492.00	454,814,460.00	581,645,331.28	613,160,481.52	621,621,702.87	646,280,144.51	705,855,039.09	741,388,108.32	780,946,478.05
Capital revenue	3,043,448.00	22,105,756.00	17,779,606.00	7,623,000.00	11,494,500.00	9,528,730.00	10,481,625.00	10,005,187.50	10,243,406.25	10,124,296.88
Capital Grants	3,225,840.00	5,400,000.00	21,426,800.00	75,620,018.00	12,000,000.00	5,312,920.00	4,312,920.00	4,312,920.00	4,312,920.00	4,312,920.00
Total expenditure	626,810,656.00	610,760,626.00	665,287,849.69	913,314,421.506	751,118,637.93	719,156,600.90	752,467,310.00	770,289,812.12	788,680,202.12	805,463,191.83
Current expenditure	545,609,129.00	533,338,765.00	571,073,170.31	706,494,263.06	625,027,437.93	606,085,400.90	634,980,510.00	646,530,212.12	658,961,102.12	670,524,791.83
Wages and salaries <sup>1/</sup>	250,148,246.00	251,118,181.00	252,118,833.87	254,682,131.39	221,541,785.88	228,222,388.27	249,744,701.39	257,276,629.46	265,035,814.52	273,029,115.38
of which: transfers for p	-	-	-	-	-	-	-	-	-	-
Contrib to soc security, <sup>2/</sup>	28,446,291.00	27,652,678.00	28,386,978.02	28,716,813.48	27,388,786.67	28,421,968.03	31,329,933.27	32,276,097.25	33,290,835.39	34,255,010.62
Purchase of G&S	100,521,769.00	109,894,365.00	109,386,980.57	124,660,226.18	121,133,225.24	123,333,889.74	126,027,097.54	128,547,547.69	131,118,498.64	133,740,868.62
Interest payments	111,685,514.00	106,913,341.00	96,890,496.40	145,235,341.71	135,894,018.80	118,078,639.51	117,879,074.92	116,457,019.04	115,369,185.08	113,457,602.11
Pensions, other transfers <sup>3/</sup>	54,807,309.00	39,960,000.00	84,089,839.45	153,170,250.09	118,889,621.34	107,886,495.35	109,999,792.89	111,972,918.68	113,988,768.49	116,042,194.90
Capital expenditure & net len	81,201,527.00	55,223,861.00	94,214,679.38	206,839,282.00	126,091,200.00	113,071,200.00	117,486,800.00	123,759,600.00	129,689,200.00	136,938,400.00
Fixed capital expenditure	43,261,537.00	25,378,794.00	45,770,345.22	206,839,282.00	126,091,200.00	113,071,200.00	117,486,800.00	123,759,600.00	129,689,200.00	136,938,400.00
Purchase of land	-	-	-	-	-	-	-	-	-	-
Net lending	-	-	-	-	-	-	-	-	-	-
Of which Capital transfers	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
Unpaid vouchers	37,940,000.00	29,843,067.00	48,444,334.16	-	-	-	-	-	-	-
Current account balance <sup>3/</sup>	(118,538,086.00)	(83,454,999.00)	(77,625,293.31)	(84,046,119.24)	31,483,486.64	58,119,219.63	53,940,280.18	106,348,925.02	131,904,113.29	162,073,258.55
Primary Balance	(81,804,821.00)	(4,257,763.00)	(35,743,070.29)	(62,407,111.33)	64,720,805.44	77,988,349.14	71,127,100.10	113,364,451.56	132,340,424.62	154,029,677.33
Overall balance	(193,480,335.00)	(111,171,104.00)	(132,633,566.69)	(207,642,453.24)	(71,173,213.36)	(40,110,310.37)	(46,251,974.82)	(3,092,567.48)	16,771,239.54	40,572,075.42

Source: Ministry of Finance and the Economy

## Appendix VII. - Government of Antigua and Barbuda Fiscal Performance – 2003-2012

In Per cent of GDP

	Actual 2003	Actual 2004	Provisional 2005	Projections 2006	Projections 2007	Projections 2008	Projections 2009	Projections 2010	Projections 2011	Projections 2012
Total revenue and grants	21.28	22.70	22.57	26.30	23.84	24.24	24.03	24.80	24.84	24.92
Current revenue	20.97	21.45	20.91	23.20	23.02	23.71	23.52	24.33	24.39	24.30
Of which: tax revenue	18.79	19.40	19.27	21.68	21.50	22.19	22.00	22.81	22.87	22.98
Capital revenue	0.15	1.00	0.75	0.28	0.40	0.34	0.36	0.32	0.32	0.30
Capital grants	0.16	0.25	0.91	2.82	0.42	0.19	0.15	0.14	0.13	0.13
Total expenditure	30.78	27.75	28.19	34.04	26.33	25.67	25.62	24.90	24.32	23.73
Current expenditure	26.79	25.24	24.20	26.33	21.91	21.63	21.62	20.90	20.32	19.73
Wages and salaries	12.28	11.41	10.68	9.49	7.77	8.15	8.30	8.32	8.17	8.03
of which: transfers for job training										
Contrib to soc security, NRES	1.40	1.26	1.21	1.07	0.97	1.01	1.07	1.04	1.03	1.01
Goods and services	4.94	4.99	4.63	4.65	4.25	4.41	4.29	4.15	4.04	3.94
Interest payments	5.48	4.86	4.11	5.41	4.76	4.21	4.01	3.76	3.56	3.34
Pensions, other transfers	2.69	2.72	3.36	5.71	4.17	3.85	3.75	3.62	3.52	3.41
Capital expenditure & net lending	3.99	2.51	3.99	7.71	4.42	4.04	4.00	4.00	4.00	4.00
Fixed capital expenditure	2.12	1.15	1.94	7.71	4.42	4.04	4.00	4.00	4.00	4.00
Purchase of land	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Net lending	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Of which Capital transfers to state enterp.	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Unpaid vouchers	1.86	1.36	2.05	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Current account balance	-5.82	-3.79	-3.29	-3.13	1.10	2.07	1.90	3.44	4.07	4.77
Primary Balance	-4.02	-0.19	-1.51	-2.33	2.27	2.78	2.42	3.66	4.08	4.33
Overall balance	-9.30	-5.05	-5.62	-7.74	-2.50	-1.43	-1.39	-0.10	0.32	1.19

Source: Ministry of Finance and the Economy

**Appendix VII. - Government of Antigua and Barbuda Public Sector Debt – 2003-2012**

	Actual 2003	Actual 2004	Actual 2005	Proj 2006	Proj 2007	Proj 2008	Proj 2009	Proj 2010	Proj 2011	Proj 2012
<b>Central Government Total Debt (including arrears)</b> (% of GDP at market prices)	<b>2658.82</b> 130.55%	<b>2904.37</b> 131.96%	<b>2405.58</b> 101.92%	<b>2799.71</b> 104.34%	<b>2880.06</b> 100.97%	<b>2912.80</b> 103.96%	<b>2954.42</b> 100.59%	<b>2966.52</b> 95.88%	<b>2942.75</b> 90.76%	<b>2894.73</b> 85.18%
<b>Total Public Sector Debt</b> (% of GDP at market prices)	<b>2856.74</b> 140.26%	<b>3131.17</b> 142.26%	<b>2620.53</b> 111.03%	<b>3011.88</b> 112.24%	<b>3081.13</b> 108.02%	<b>3103.55</b> 110.77%	<b>3134.79</b> 106.73%	<b>3137.59</b> 101.41%	<b>3113.82</b> 96.04%	<b>3065.79</b> 90.21%
<b>Total Public Sector External Debt</b> (% of GDP at market prices)	<b>1538.02</b> 76.50%	<b>1693.00</b> 76.92%	<b>1104.70</b> 46.80%	<b>1398.72</b> 52.13%	<b>1517.44</b> 53.20%	<b>1576.10</b> 56.25%	<b>1641.08</b> 55.87%	<b>1664.63</b> 53.80%	<b>1667.40</b> 51.43%	<b>1646.92</b> 48.43%
<b>Total Public Sector Domestic Debt</b> (% of GDP at market prices)	<b>1298.72</b> 63.77%	<b>1438.18</b> 65.34%	<b>1515.83</b> 64.22%	<b>1613.17</b> 60.12%	<b>1563.69</b> 54.82%	<b>1527.45</b> 54.52%	<b>1493.71</b> 50.86%	<b>1472.96</b> 47.61%	<b>1446.41</b> 44.61%	<b>1419.87</b> 41.78%
<b>Central Government Total Debt Service</b>										
<b>Payments</b> (% of GDP at market prices)	<b>118.92</b> 5.84%	<b>136.23</b> 6.19%	<b>145.13</b> 6.15%	<b>119.04</b> 4.44%	<b>191.68</b> 6.72%	<b>176.97</b> 6.32%	<b>169.21</b> 5.76%	<b>167.31</b> 5.41%	<b>159.42</b> 4.92%	<b>149.86</b> 4.41%
Principal (% of GDP at market prices)	<b>79.54</b> 3.91%	<b>92.09</b> 4.18%	<b>107.98</b> 4.57%	<b>77.33</b> 2.88%	<b>55.78</b> 1.96%	<b>58.89</b> 2.10%	<b>51.33</b> 1.75%	<b>50.85</b> 1.64%	<b>43.85</b> 1.35%	<b>36.40</b> 1.07%
Interest (% of GDP at market prices)	<b>39.39</b> 1.93%	<b>44.14</b> 2.01%	<b>37.15</b> 1.57%	<b>79.86</b> 2.98%	<b>135.89</b> 4.76%	<b>118.08</b> 4.21%	<b>117.88</b> 4.01%	<b>116.46</b> 3.76%	<b>115.57</b> 3.56%	<b>113.46</b> 3.34%
<b>Central Government External Debt</b>										
<b>Service Payments</b> (% of GDP at market prices)	<b>53.26</b> 2.61%	<b>55.90</b> 2.54%	<b>80.86</b> 3.43%	<b>49.58</b> 1.85%	<b>147.16</b> 5.16%	<b>155.66</b> 5.56%	<b>151.21</b> 5.15%	<b>152.31</b> 4.92%	<b>144.42</b> 4.45%	<b>134.86</b> 3.97%
Principal (% of GDP at market prices)	<b>46.56</b> 2.29%	<b>46.49</b> 2.07%	<b>69.83</b> 2.96%	<b>39.18</b> 1.46%	<b>55.78</b> 1.96%	<b>58.89</b> 2.10%	<b>51.33</b> 1.75%	<b>50.85</b> 1.64%	<b>43.85</b> 1.35%	<b>36.40</b> 1.07%
Interest (% of GDP at market prices)	<b>6.70</b> 0.33%	<b>10.41</b> 0.47%	<b>11.04</b> 0.47%	<b>10.40</b> 0.39%	<b>91.38</b> 3.20%	<b>96.77</b> 3.45%	<b>99.88</b> 3.40%	<b>101.46</b> 3.25%	<b>100.57</b> 3.10%	<b>98.46</b> 2.90%
<b>Central Government Domestic Debt</b>										
<b>Service Payments</b> (% of GDP at market prices)	<b>65.66</b> 3.22%	<b>80.33</b> 3.65%	<b>64.26</b> 2.72%	<b>200.31</b> 7.59%	<b>116.57</b> 4.16%	<b>47.85</b> 1.62%	<b>44.54</b> 1.56%	<b>41.54</b> 1.42%	<b>41.54</b> 1.42%	<b>41.54</b> 1.42%
Principal (% of GDP at market prices)	<b>32.98</b> 1.62%	<b>46.60</b> 2.12%	<b>38.15</b> 1.62%	<b>130.85</b> 4.88%	<b>72.05</b> 2.53%	<b>26.54</b> 0.95%	<b>26.54</b> 0.90%	<b>26.54</b> 0.86%	<b>26.54</b> 0.82%	<b>26.54</b> 0.78%
Interest (% of GDP at market prices)	<b>32.69</b> 1.60%	<b>33.73</b> 1.53%	<b>26.11</b> 1.11%	<b>69.46</b> 2.59%	<b>44.52</b> 1.56%	<b>21.31</b> 0.76%	<b>18.00</b> 0.61%	<b>15.00</b> 0.46%	<b>15.00</b> 0.46%	<b>15.00</b> 0.44%
<b>Central Government External debt service payments/export</b>	3.93%	4.22%	5.82%	3.37%	9.17%	10.00%	9.43%	9.22%	8.45%	7.69%
<b>Central gov. debt service/burr. Revenue</b>	27.85%	28.86%	29.41%	19.13%	29.20%	26.64%	24.45%	22.22%	20.16%	18.00%
<b>Central gov. interest payment/burr. Revenue</b>	9.22%	9.35%	7.53%	12.83%	20.70%	17.78%	17.06%	15.47%	14.61%	13.63%

Source: Ministry of Finance and the Economy

Assumes no accumulation of arrears as of end December 2006

Interest payments does not include interest on arrears