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Antigua and Barbuda: 2004 Article IV Consultation—Staff Report; Public Information Notice on the Executive Board Discussion; and Statement by the Executive Director for Antigua and Barbuda

Under Article IV of the IMF's Articles of Agreement, the IMF holds bilateral discussions with members, usually every year. In the context of the 2004 Article IV consultation with Antigua and Barbuda, the following documents have been released and are included in this package:

- the staff report for the 2004 Article IV consultation, prepared by a staff team of the IMF, following discussions that ended on September 25, 2004, with the officials of Antigua and Barbuda on economic developments and policies. Based on information available at the time of these discussions, the staff report was completed on November 1, 2004. The views expressed in the staff report are those of the staff team and do not necessarily reflect the views of the Executive Board of the IMF.

- a Public Information Notice (PIN) summarizing the views of the Executive Board as expressed during its November 15, 2004 discussion of the staff report that concluded the Article IV consultation.

- a statement by the Executive Director for Antigua and Barbuda.

The document listed below have been or will be separately released.

Statistical Appendix

The policy of publication of staff reports and other documents allows for the deletion of market-sensitive information.

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INTERNATIONAL MONETARY FUND

ANTIGUA AND BARBUDA

Staff Report for the 2004 Article IV Consultation

Prepared by the Staff Representatives for the 2004 Consultation with Antigua and Barbuda

Approved by Ratna Sahay and Matthew Fisher

November 1, 2004

Economic Background: Antigua and Barbuda is a three-island economy in the eastern Caribbean, with a combined land area of 443 square kilometers, population of about 75,000, and per capita GDP of about US$10,100. It is one of eight members of the Eastern Caribbean Currency Union (ECCU), and its GDP accounts for 25 percent of the combined ECCU GDP. The ECCU has a common central bank, the Eastern Caribbean Central Bank (ECCB), and a common currency, the Eastern Caribbean (EC) dollar. The EC dollar has been pegged to the U.S. dollar at the rate of EC$2.70 per U.S. dollar since July 1976. Antigua and Barbuda has accepted the obligations of Article VIII, Sections 2, 3, and 4 of the Articles of Agreement and maintains an exchange system that is free of restrictions on the making of payments and transfers for current international transactions (see Appendix I).

Political Situation: Antigua and Barbuda has a bicameral parliament consisting of 17 appointees in the Senate and 17 members of the House of Representatives, who are elected to five-year terms. Prime Minister Baldwin Spencer's United Progressive Party (UPP) won the election in March 2004, unseating the Antigua and Barbuda Labor Party (ALP), which had been in power since 1976, prior to independence in 1981. Currently, the UPP has 12 seats, the ALP 4 seats, and the Barbuda People's Movement 1 seat in the House.

Previous Board Discussion: At the conclusion of the last Article IV Consultation on October 24, 2003, Executive Directors expressed concern at the authorities' continued expansionary fiscal stance in the face of growing public debt. They viewed the accumulation of arrears as an indication of a substantial budgetary financing gap, and were deeply concerned that this could lead to disorderly fiscal adjustment. They urged the authorities to pursue a path of fiscal consolidation, including by containing the public sector wage bill and strengthening the budgetary process, and supported the authorities' efforts to reschedule and refinance the public debt. They also stressed the importance of improving the business climate, particularly by addressing public concerns about longstanding governance issues.

Discussions: A staff team comprising D. O. Robinson (Head), J. Chai, R. Goyal (all WHD), P. Khandelwal (PDR), and R. Krelove (FAD) held discussions in St. John's during September 13–25. The mission met with the Minister of Finance, other senior government officials, the leader of the Opposition, the National Economic and Social Council (NESC), as well as representatives of a trade union, the private sector, and civil society. ECCB and Caribbean Development Bank (CDB) staff participated in the discussions. R. Sahay (WHD), C. O'Loghlin, and C. Gust (both OED) joined the mission for the final discussions.

Statistical Issues: Antigua and Barbuda is a participant in the Fund's General Data Dissemination System (GDDS). Major improvements in all areas are needed to facilitate effective surveillance (see Appendix II).

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Appendices

EXECUTIVE SUMMARY

- **Rapid private sector–led growth in the 1980s gave way to public sector led growth, albeit at a slower pace, accompanied by deteriorating institutions and fiscal mismanagement**. High growth in the 1980s was driven by the development of the tourism sector. Since then growth has slowed considerably, due to a combination of exogenous shocks—natural disasters, the September 11 shock, and the tightened regulation of offshore activities—and policy slippages, including governance issues. The public sector was used as employer of last resort and as fiscal pressures mounted deficits were financed by running arrears to all creditors and nontransparent loans.

- **Growth has strengthened since mid-2003, due to a rebound in tourism, but fiscal imbalances remain very large, the debt stock is high, and arrears continue to mount**. Tourism has rebounded strongly as the global economy strengthens and security concerns eased. Fiscal imbalances narrowed modestly, in large part due to expenditure compression as financing constraints tightened. Arrears accumulation is estimated at 10 percent of GDP in 2003, with a slightly lower level expected in 2004.

- **The new administration that took office in March 2004 has reiterated its campaign pledge to return normalcy to fiscal and debt relations, and improve governance and transparency**. After 27 years in opposition, the new administration is determined to undertake bold measures to address the economic imbalances. The government's strategy is to be announced with the submission of the draft 2005 budget, in late November. Townhall meetings are being held in order to build consensus for needed reforms, and a joint press conference between the Minister of Finance and the Fund mission was held at the conclusion of the Article IV mission.

- **An upfront fiscal adjustment of around 4 percent of GDP is needed as a first step in closing the fiscal imbalances**. Achieving this adjustment will require a major tax reform—including the introduction of a Personal Income Tax—and a comprehensive public sector reform to achieve fiscal savings and enhance the quality of service provision. A significant downsizing of the public sector is needed—there are currently 13,000 central government employees, close to 40 percent of the labor force—and an appropriate safety net, including severance payments and retraining options, should be put in place for displaced workers.

- **Institution building is needed to sustain the fiscal adjustment and enhance growth prospects.** Priorities for institution-building include the public sector reform, strengthening the budget process, and enhancing transparency. These steps will also improve the investment climate, raising growth prospects.

- **Even with a large fiscal adjustment and robust growth performance, the economy will remain vulnerable and public debt high for many years to come.** The combination of high debt, susceptibility to hurricanes, and a tourism-dependent economy, point to an unusually high level of risk and the need for a contingency plan.

I. Background

1. **Rapid private sector-led growth in the 1980s gave way to public sector-led growth, albeit at a slower pace, accompanied by deteriorating institutions and fiscal mismanagement**. The tourism sector emerged as the dominant sector following the closure of the traditional sugar and cotton industries during the 1970s. The development of tourism, supported by high foreign direct investment (FDI), produced growth rates of 6½ percent a year during the 1980s. Since then, growth has halved, with tourism receipts falling by more than 20 percent of GDP relative to their 1993 peak and FDI stagnating at a fairly low level (Figure 1). The retreat of the private sector can be traced to four factors:

- *Weak institutions and governance issues resulted in a deteriorating investment climate*. During the 1980s, a series of large public investments, surrounded by governance issues, failed. The granting of discretionary tax concessions was common, further distorting the investment climate. Public sector debt rose rapidly, the government started running arrears, and the integrity of the budgetary process was eroded as the government began meeting its obligations selectively. As regular financing sources dried up, deficits were financed by loans from special interest groups in a nontransparent manner.

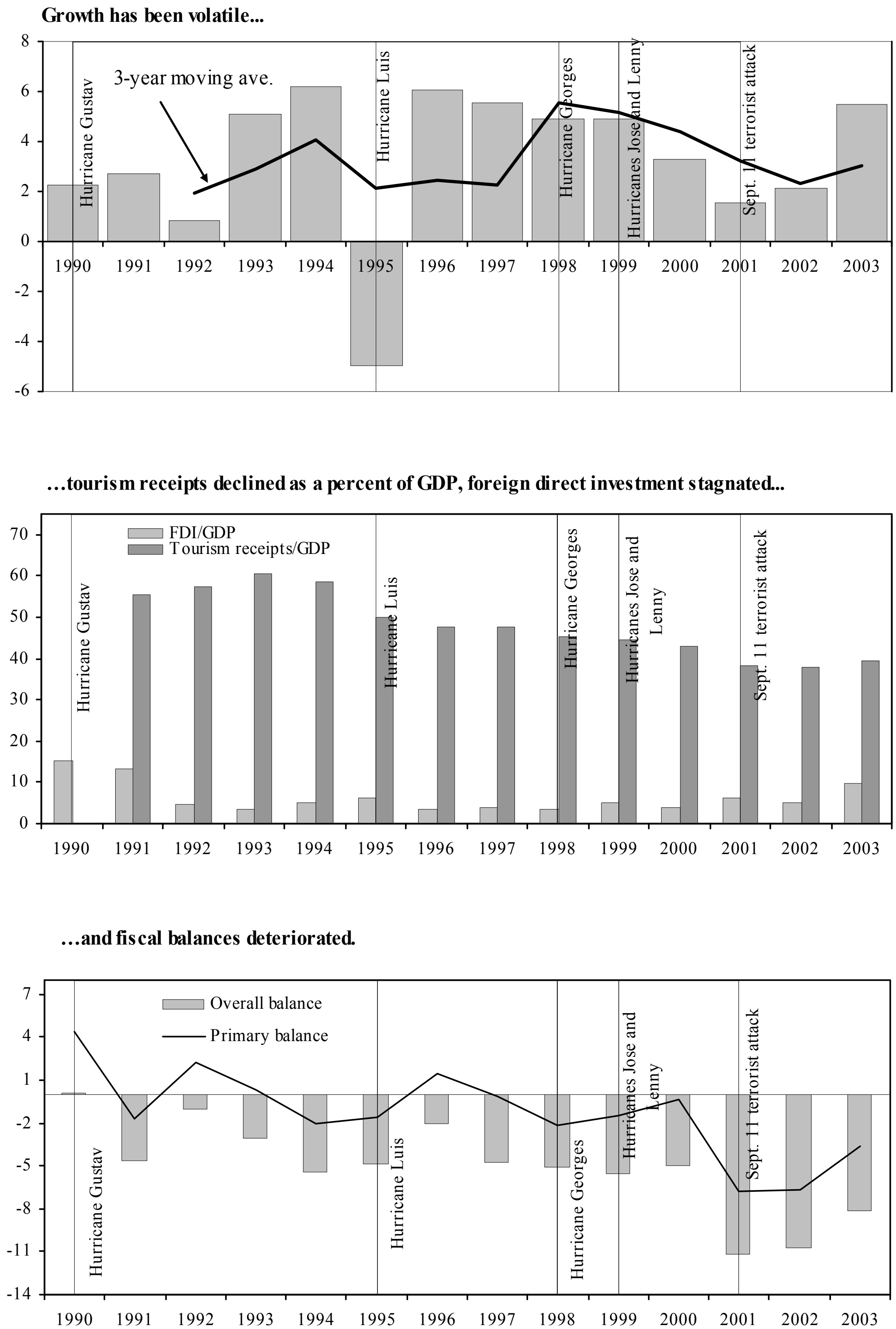
- *The incidence of natural disasters increased during the 1990s.* Four large hurricanes in the 1990s caused considerable damage to hotels, roads, and other infrastructure.

- *September 11, 2001, the global overhaul of offshore regulation, and the ban on internet gaming hurt the two main private sector growth industries*. Tourism receipts fell sharply in 2001 and 2002. The offshore sector (principally banking and gaming)—targeted by the authorities as an emerging growth sector and employing 8 percent of the labor force in 2000—declined dramatically.

- *Use of the public sector as employer of last resort produced an inefficient civil service, increased fiscal pressures, and prevented labor markets from adjusting.*

Figure 1. Antigua and Barbuda: Macroeconomic Developments, 1990–2003

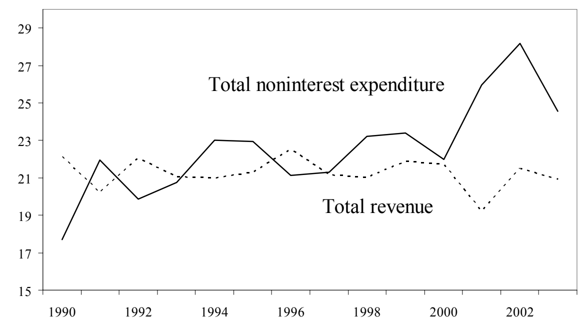
(In percent of GDP, unless otherwise denoted)



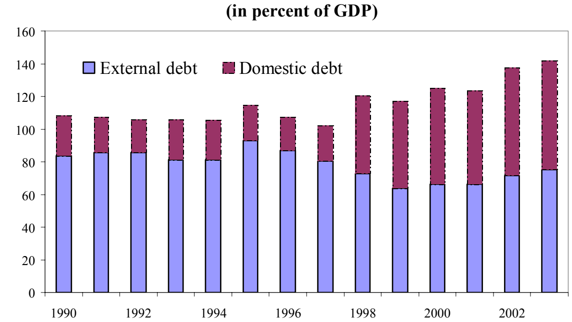
Sources: Antigua and Barbuda authorities; ECCB; and Fund staff estimates.

2. **Despite debt relief from official and some private creditors, fiscal imbalances have widened and the debt situation has worsened since the mid-1990s**. Major official creditors—Canada, Italy, and the U.K.—and some private creditors provided bilateral debt relief in 1996–2000. As the economy slowed, expenditures rose rapidly while revenues remained broadly unchanged. Deficits were financed in part through renewed accumulation of arrears to external creditors—including on restructured agreements—domestic banks, the Social Security Scheme, and domestic suppliers. To ensure the needed financing to meet priority payments—principally the wage bill—the government borrowed extensively from domestic and offshore banks, securing the loans by earmarking tax revenues. At end-2003, almost 35 percent of revenues were estimated to be earmarked for debt service, while the wage bill amounted to almost 60 percent of revenues, leaving little room for other expenditures.

Noninterest Expenditure and Revenue
(in percent of GDP)



Public Sector Debt (including arrears) 1/
(in percent of GDP)



1/ Domestic debt figures from 1998 include arrears to social security, medical benefits, and education board.

Social and political context

3. **Measures of social well-being are generally strong, but some are deteriorating with long-term consequences for human development**. Per capita GDP is the highest in the ECCU. However, the illiteracy rate is also the highest, having increased significantly since the 1960s. In part, this may be related to migration trends, particularly the large influx in recent years of workers and their families from other CARICOM nations where illiteracy rates are much higher.

Selected Social-Economic Indicators, 2003 1/

	Nom. GDP per capita 2/	Human Dev. index ranking	Illiteracy 3/
Antigua and Barbuda	**10,123**	**55**	**13**
Dominica	3,554	95	4
Grenada	4,103	93	6
St. Kitts and Nevis	7,641	39	2
St. Lucia	4,048	71	10
St. Vincent & the Grenadines	3,329	87	11

Sources: UNDP, World Bank WDI 2003, and national authorities.

1/ The illiteracy figures are for 2001.
2/ In U.S. dollar.
3/ Percentage of population aged 15 years and over.

4. **The United Progressive Party (UPP) was elected into office in March 2004, defeating the incumbent Antiguan Labor Party (ALP) for the first time in 27 years**. The ALP, headed throughout the period by a member of the Bird family, gave a high priority to maintaining popular support by using the public sector to pay high wages and provide jobs to the unemployed. Key issues in the elections were fiscal management—highlighted by the government incurring wage arrears in the run-up to the elections—and governance. The new UPP government has reiterated its campaign pledges to return normalcy to fiscal management, implement civil service reform, and enhance accountability and transparency, while preserving the high level of social conditions.

Statistical issues

5. **The statistical database is extremely weak, severely hindering analysis of economic developments**. While there are longstanding weaknesses in all areas of statistics, key shortcomings are:

- Data on government expenditures since mid-2003 are incomplete as expenditure control and recording broke down ahead of the elections.
- The public debt database is very weak—only limited information is available on domestic debt and the coverage, and documentation, of external loans is incomplete.
- Balance of payments data are subject to a wide margin of error—only partial trade data have been compiled since 1991 and the coverage of other balance of payments flows is incomplete.

II. Recent Developments and Near-term Prospects

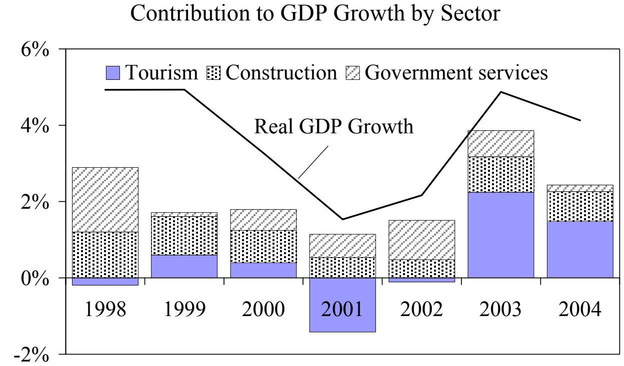
6. **Economic growth accelerated in mid-2003 and is anticipated to reach 4 percent for 2004, driven by a sharp recovery in the tourism sector.** A rapid increase in tourist arrivals since the second half of 2003, as the world economy strengthened and global security concerns eased, combined with continued growth in construction and government services resulted in growth reaching close to 5 percent in 2003. Growth is expected to slow slightly in 2004 as a continuing stagnation in credit to the private sector from the banking sector points to weak private sector investment. Inflation remains low under the ECCU regional currency board arrangement (CBA).

Antigua and Barbuda: Selected Indicators, 2000-2004

	2000	2001	2002	Prel. 2003	Proj. 2004
(Change in percent)					
Real GDP	3.3	1.5	2.2	4.9	4.1
CPI (period average)	-0.6	1.0	2.2	1.5	2.0
Real effective exchange rate (depreciation -) 1/	4.9	3.2	-4.8	-6.7	-4.9
Number of stayover tourists	-0.7	-6.6	1.7	7.3	7.2

Sources: Antigua and Barbuda authorities; and Fund staff estimates.
1/ Figure for 2004 is 12-month change to end-July.

Contribution to GDP Growth by Sector



Sources: Antigua and Barbuda authorities; and Fund staff calculations.

7. **Fiscal imbalances narrowed in 2003 as financing dried up, forcing expenditure compression**. The primary balance of the central government improved by 3 percent of GDP in 2003. While payments on wages and salaries plus transfers increased modestly, other expenditure items—particularly payments for goods and services—were cut sharply as suppliers started to demand payment in advance. Arrears are estimated to have increased by 10½ percent of GDP during 2003.

Antigua and Barbuda: Selected Fiscal Indicators, 2000-2004

	2000	2001	2002	Prel. 2003	Proj. 2004
(Central government, in percent of GDP)					
Revenues	21.7	19.2	21.5	21.0	21.0
Tax revenue	15.5	16.6	18.2	18.6	18.7
Expenditure	26.7	30.3	32.2	29.1	27.3
Current	24.6	25.6	27.1	25.1	24.6
Wages and salaries	11.8	11.7	12.1	12.2	12.7
Capital	2.1	4.7	5.1	4.0	2.7
Overall balance (after grants)	-5.0	-11.1	-10.7	-8.1	-6.3
Primary balance	-0.3	-6.8	-6.7	-3.6	-2.8
Arrears accumulation	8.2	8.6	9.4	10.6	9.5

Sources: Antigua and Barbuda authorities; and Fund staff projections.

8. **A modest improvement in fiscal outcomes is expected in 2004, but the government remains unable to meet its budgetary obligations**. Revenues in the first half of the year are significantly higher than the same period of last year, reflecting stronger growth, and a large increase in stamp duties reflecting a surge in real estate sales. Collections for the year as a whole are expected to improve only modestly as growth tapers off and revenues from petroleum products decline in the absence of full pass-through of recent world price increases. Initial expenditure policy adjustments have increased the wage bill in the near-term—wage increases were granted to nurses and the police, while the decision to retire public servants who exceed the retirement age led to an increase in severance payments. The primary deficit of the central government is expected to improve by ¾ percent of GDP over 2003, but the government remains unable to meet its obligations—the accumulation of new arrears is likely to fall modestly, but still reach 9½ percent of GDP.

9. **With the recovery in the tourism sector, the external current account deficit has narrowed, but arrears continue to mount.** The depreciation of the real effective exchange rate of the EC dollar had little impact on the trade balance. The current account deficit continues to be financed by FDI in the tourism sector, purchase of real estate by nonresidents, and a further increase in arrears. The external debt stock is projected to decline modestly as there were virtually no disbursements and amortization payments have continued on loan contracts with earmarked revenues.

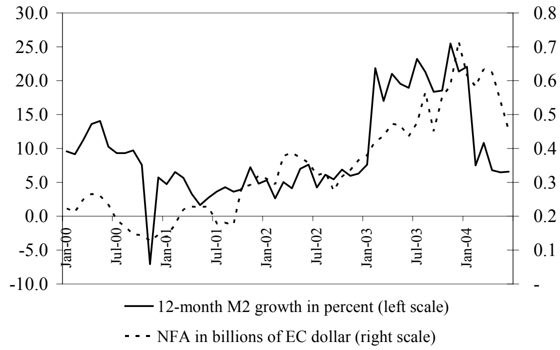
Antigua and Barbuda: Selected External Indicators, 2000-2004

	2000	2001	2002	Prel. 2003	Proj. 2004
(In percent of GDP)					
Current account	-9.7	-9.2	-15.2	-13.7	-13.2
Trade balance	-42.7	-39.5	-41.1	-41.0	-41.0
Imports	50.5	45.2	46.2	46.5	46.6
Gross tourism receipts	42.8	38.3	37.7	39.5	40.7
Foreign direct investment (net)	4.1	6.2	5.0	9.8	7.4
Memorandum items :					
External debt stock	66.2	66.3	71.7	75.0	71.9
Of which : external arrears	12.6	13.9	17.4	21.6	24.4

Sources: Antigua and Barbuda authorities; ECCB; and Fund staff estimates.

10. **Monetary aggregates have continued to grow in line with economic growth**. Net credit to the public sector increased modestly, as government deposits have been drawn down, but gross lending to government has declined. Credit to the private sector has stagnated and banks have used deposit growth to accumulate net foreign assets (NFA). A sharp increase in NFA in late 2003 was largely reversed by mid-2004, and NFA have reverted to trend.

Money Growth and Net Foreign Assets



Sources: ECCB; and Fund staff calculations.

11. **Financial soundness indicators for the banking sector are weak and deteriorating.** Nonperforming loans are particularly high for domestic banks, whose exposure to the public sector remains substantial. However, banks remain highly liquid and, mostly, profitable, although the average return on assets is low.

Banking sector: Selected Financial Soundness Indicators
(June 2004, in percent)

	Antigua & Barbuda	ECCU
Total capital/risk-weighted assets 1/	12.3	16.2
Nonperforming loans/total loans	13.3	12.0
Of which, held by domestically licensed banks	20.9	15.5
Loan loss provision/total nonperforming loans	17.6	31.2
Gross government exposure/total capital 1/	195.6	202.7
Return on average assets	0.1	0.5
Liquid assets/total assets	30.4	32.6

Sources: ECCB and Fund staff calculation.
1/ Domestically licensed banks only.

12. **The regulatory and supervisory framework for offshore banks has been strengthened significantly over the last few years**. A Basle Core Principles assessment of the offshore banks was conducted in February/March 2004 as part of the ECCU regional FSAP and is expected to be finalized shortly. The existing system was found to be fully or largely compliant with most principles, and the authorities have already responded to several of the identified weaknesses—for example, by strengthening bank examination procedures to address credit policies, loan loss provisioning, large exposure limits, and connected lending. However, some banks are not yet in compliance with the new standards.

13. **Some progress in other structural reforms continues**. After a long delay, the ASYCUDA customs systems has been introduced at two ports of entry, which both strengthens customs administration and significantly improves the flow of data on external transactions. The recent implementation of the fourth stage of CARICOM’s Common External Tariff also shows a commitment to fulfill regional obligations.

III. Policy Discussions

A. Overview

14. **The new administration reiterated its commitment to address the longstanding fiscal imbalances, normalize relations with creditors, and improve governance**. Since assuming office, the government has been working closely with the SATAP team (with the assistance of the CARTAC advisors) to identify the magnitude of the economic imbalances and develop their own view on policy options. The government’s strategy was outlined to donors in July and described in broad terms during the joint press conference held with the

Fund mission at the conclusion of the Article IV discussions. Key objectives are to return normalcy to the fiscal and debt situations—including through civil service and tax reform—and to support growth by strengthening the investment climate. The detailed strategy is to be announced in November, with the draft 2005 budget, with Townhall meetings initiated in early-October to build consensus for the key measures.

15. **Discussions focused on policy options for achieving the government's objectives**.[1] It was agreed that the depth of the imbalances is such, and inefficiencies so ingrained within the system, that marginal policy changes would not be sufficient to achieve a clear departure from the past. Thus, a bold upfront reform effort is needed to demonstrate the new era of fiscal responsibility. The discussions were organized around four interrelated areas:

- *Bringing normalcy to fiscal policy, planning, and management*: the budget should meet its obligations in a timely manner and relations with creditors should be regularized. This would require the implementation of a major tax reform and a downsizing of the public sector;
- *Enhancing growth prospects:* by creating an enabling environment for the private sector to flourish and to absorb labor shed from the public sector;
- *Institutional reform:* changing the incentive structure so that institutions deliver the intended service in a transparent and efficient manner; and,
- *Reducing vulnerabilities:* measures to reduce the potential impact of adverse global or regional shocks that could otherwise prevent an orderly adjustment.

16. **The new administration discussed the mission's findings with the public, demonstrating their willingness to become more transparent**. The previous government did not heed the Fund's advice, nor permit public dissemination of the Article IV conclusions. The new administration's desire to publish the Article IV staff report (for the first time) and the holding of a joint press conference with the Fund to present the mission's findings, constitute a significant increase in the effectiveness of the Fund's policy advice to Antigua and Barbuda.

B. Normalizing the Fiscal and Debt Situation

17. **The authorities noted their intent to undertake significant fiscal reforms to restore normalcy to fiscal relations, beginning with the 2005 budget**. They stressed that all policy options were currently on the table, including politically difficult measures such as public sector retrenchments and the introduction of a personal income tax (PIT).[2]

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[1] Discussions drew on the ECCU regional surveillance reports (IMF Country Report Nos. 04/299 and 04/335) discussed at the Executive Board on May 5, 2004 and the ECCU regional FSAP.

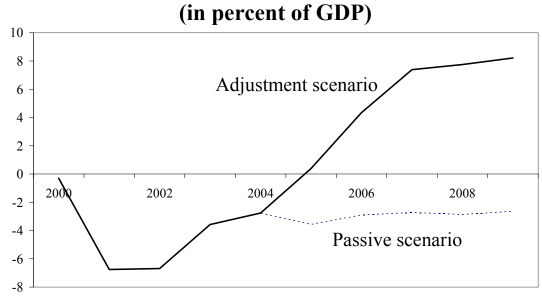
[2] The PIT was a critical factor in the 1976 elections in which the UPP (which supported the PIT) was defeated by the ALP.

18. **Addressing the outstanding stock of arrears to creditors accumulated over many years would be a clear sign of a change in the fiscal regime, but could have significant short-term fiscal costs**. The mission estimated that converting all existing arrears into a long-term bond would raise interest costs by 6 percent of GDP in 2005.[3] Given the weaknesses in the debt data, the mission strongly recommended that prior to embarking on such a scheme, a careful verification of claims—including those to external creditors as well as domestic suppliers—be undertaken. The authorities recognized the short-term costs from clearing arrears, but emphasized the desirability of such a step both for the credibility of the fiscal regime change and as a means of providing fiscal stimulus to domestic suppliers. Regarding the Social Security Scheme (SSS) the mission noted that while the SSS has so far been able to meet its obligations in a timely manner, problems could arise going forward since the SSS is already experiencing a cashflow deficit with current contributions below pension payments. Thus, it is important that the budget begin to meet at least the current contributions.

19. **The mission recommended a fiscal adjustment in 2005 of around 4 percent of GDP, though a financing gap—substantially lower than in recent years—would still remain.** While such an adjustment would reduce fiscal stimulus in the near-term, the overall impact on growth would be largely offset by a positive credibility effect on private sector investment. Given the magnitude of the fiscal imbalances—the budget has, for several years, been financed by the accumulation of around 10 percent of GDP a year in arrears—the proposed fiscal adjustment in 2005 would not eliminate the financing gap, but would provide a credible signal of the authorities' intent to address the fiscal problems. Absent the arrears clearance, the financing gap would be about 3 percent of GDP. The authorities agreed with the broad order of magnitude of the proposed fiscal adjustment and its feasibility.

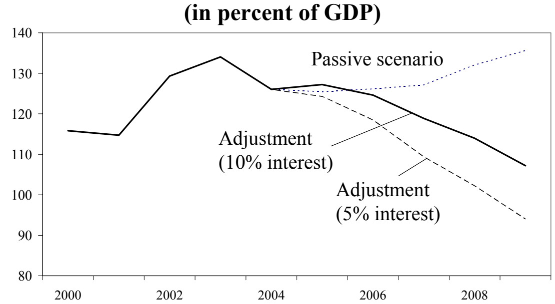
20. **With further adjustment over the medium term, the debt stock would decline gradually to a more manageable level** (see Annex I). Under unchanged policies and assuming that new financing can be obtained, the debt stock would simply continue to rise throughout the medium term. Under the fiscal adjustment scenario with the regularization of arrears in 2005, the debt stock would rise initially, but subsequently decline. The pace of the decline would be critically determined in large measure by the average cost of new borrowing and the terms on which arrears are cleared.

Central Government Primary Balance
(in percent of GDP)



Sources: Antigua and Barbuda authorities; and Fund staff estimates and projections.

Central Government Debt
(in percent of GDP)



Sources: Antigua and Barbuda authorities; and Fund staff estimates and projections.

[3] The interest rate on the bond is assumed to be 10 percent—slightly below the rates currently charged by domestic commercial banks, but above the average rate on external debt.

21. **Even with a strong and sustained adjustment effort, the debt level will remain high for many years and all available options—including asset sales—should be explored to reduce debt more rapidly.** The authorities noted that some asset sales were in progress—the Royal Antiguan Hotel, for example, had recently been sold and the PCS telephone component of the APUA would soon be put out to tender. They were also discussing options with a number of creditors for restructuring obligations. The mission welcomed these efforts and emphasized the importance of conducting any approach to creditors on a good faith basis and to preserve inter-creditor equity through a coordinated approach to creditors rather than through uncoordinated bilateral negotiations.

Fiscal reform

22. **The mission proposed that the initial brunt of the fiscal adjustment be borne by raising revenues, with noninterest expenditures likely to increase modestly in the near term**. Revenues have averaged 20 percent of GDP, well below the 25–35 percent of GDP collected in the other ECCU countries. On the expenditure side, the financing constraints of recent years have resulted in a sharp reduction in all budgetary items apart from wages and pensions, and the mission urged continued expenditure restraint—including delaying the implementation of new expenditure programs. While the needed civil service reform will generate savings over the medium term, the authorities emphasized that it would add to expenditures in the near term given the severance packages specified in the Labor Code and the need to provide training opportunities for labor that is released.

23. **The authorities and staff agreed that there was a need to ensure that the tax reform was consistent with existing administrative capacity and that the tax burden did not fall too heavily on low income groups**. Staff noted that the proposed tax measures would yield significant revenues in the near-term, while not overstretching tax administration, and achieve a broader and more equitable tax burden (Box 1). The introduction of a progressive personal income tax would ameliorate the bias against low-income groups in the existing tax system, which depends heavily on indirect taxes.[4] The mission recommended that the PIT be introduced at mid-year and be designed, at least initially, in as simple a fashion as possible, to enable sufficient time for the needed administrative preparations. The tax base could also be broadened over the medium term through the introduction of a broad based consumption tax, or VAT.

[4] A large number of combinations of rates and thresholds to be used in the PIT are possible. The mission recommended that the threshold be set in such a way as to keep the number of taxpayers at a manageable level, with the rates reaching a maximum of 25–30 percent, below the corporate income tax rate of 35 percent.

BOX 1. A STRATEGY FOR TAX REFORM

The tax system suffers from a number of structural weaknesses. Personal income is not taxed, which, in addition to the lost revenue, severely complicates the administration of the corporate income tax. Administration of the property tax has been weak, resulting in a tax that is viewed as inequitable and raises relatively little revenue. An appropriate system of petroleum price taxation has been adopted but is not applied, resulting in a significant revenue loss. The system of hotel taxes is unnecessarily complicated by having a number of overlapping taxes with marginally different tax bases. At the same time, the tax system is compromised by an extensive array of tax concessions, with exemptions widely granted for taxes on business income and on imports, under statutory incentive schemes as well as the exercise of ministerial discretion.

Measures for 2005

Important policy changes that can be undertaken during 2005 include:

- Introduction of a personal income tax (PIT) to raise revenue equivalent to about 3 percent of GDP at an annual rate;
- Proceeding with the reforms of the property tax, to make it a fairer and more productive tax by extending coverage and moving valuations to a market basis (raising an additional ½ percent of GDP in 2005);
- Greater flexibility in petroleum pricing, raising ½–1 percent of GDP;
- Simplifying the system of hotel taxes; and
- Limiting tax concessions to a maximum of EC$120 million (which is at least 2 percent of GDP lower than concession levels in recent years).

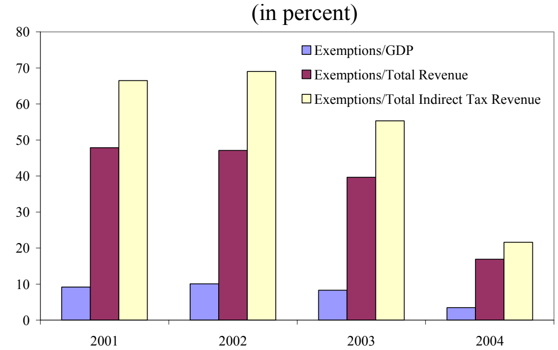
Continuing the reforms

Tax reform in the years beyond 2005 should focus on the following measures:

- Improving the efficiency and equity of the PIT while enhancing its revenue yield by moving toward a global tax on all incomes, based on self-assessment, and by continuing efforts to bring the self-employed into the system. PIT collections could reach 4–6 percent of GDP;
- Rationalizing the system of social benefit charges, and integrating their collection with that of the PIT;
- Addressing the structural weaknesses in the corporate tax base, lowering the tax rate, and normalizing the tax treatment of unincorporated businesses;
- Rationalizing the system of investment incentives, so that they are rule-based, transparent, and provide an effective encouragement to investment and growth. In this regard, adopting a broad-based system of accelerated depreciation under the corporate tax should be considered as an alternative to concessions;
- Increasing revenues from the property tax to about 2½ percent of GDP, by raising rates and further broadening coverage.
- Replacing the current system of indirect taxes with a broad-based tax on consumption, for example a VAT, complemented by a limited set of excise taxes including vehicles, petroleum products, alcoholic beverages, and tobacco.

24. **Reining in tax concessions will be important for raising revenues and strengthening the investment climate**. The revenue lost from concessions on customs taxes alone has been around 10 percent of GDP a year, the highest in the ECCU region. The authorities have already begun tightening the administration of concessions, helping stem the revenue loss thus far in 2004, but acknowledged that more needed to be done. The mission welcomed the efforts that are under way and suggested that the authorities make use of the provisions in the Fiscal Incentives Act to revoke existing concessions. In addition, the mission urged the elimination of discretionary concessions, and embedding in legislation the current practice of restricting concessions from consumption taxes to capital goods. Renewed efforts on a regional basis to agree on a concessions regime were also encouraged.

Exemptions of Custom Duties, 2001-2004 1/
(in percent)



1/ Figures for 2004 are up to end-August.

25. **Recent increases in world oil prices have not translated into higher retail prices, resulting in a significant loss of budget revenue**. While the retail price of gasoline is established through a formula that would in principle result in the pass-through of movements in world oil prices, an implicit ceiling of EC$8 per gallon has been maintained. The authorities argued that there are concerns that raising prices beyond this level could hit low-income groups that relied on public transportation. The mission stressed that the existing system generated a significant revenue loss as well as distorting economic signals. Thus, the mission recommended additional flexibility be permitted in the retail prices of petroleum, and that concerns for the impact on vulnerable groups be addressed through a strengthened social safety net.

26. **A formal social safety net should be introduced to provide well-targeted support to vulnerable groups rather than the broad based subsidies implicit in recent expenditure initiatives**. In line with campaign pledges, the authorities have introduced a school uniform program and are discussing the introduction of a free school meals program. The mission noted that providing such programs for all would be a very expensive means of supporting low-income households and did not seem warranted in light of the difficult fiscal situation. Thus the mission urged that the poverty assessment that is to be undertaken next year with the assistance of the CDB be used to identify the target groups.

27. **Public sector employment is very high—close to 40 percent of the labor force—and a comprehensive reform is urgently needed to both reduce employment levels and increase efficiency**. The authorities have publicly acknowledged that a fundamental reform of the public sector, involving retrenchments, is required. An initial step was taken through retiring public sector employees who were beyond the retirement age. However, before moving further they stressed the need to ensure that appropriate severance

Central Government Employment, 2002

	In	In percent of total	
	thousands	labor force	Population
Antigua & Barbuda	**13**	**37.1**	**17.3**
Dominica	5	19.2	7.0
Grenada	5	10.4	5.0
St. Kitts and Nevis	5	22.8	12.2
St. Lucia	9	20.1	5.7
St. Vincent & the Grenadine	5	10.7	4.4

Sources: Antigua and Barbuda authorities; and Fund staff estimates.

packages are in place and that opportunities are provided for retrenched public sector employees to acquire skills to facilitate a move into the private sector. The mission encouraged a comprehensive audit of positions and functions be undertaken in order to eliminate ghost workers, avoid duplication of functions, and enable the downsizing to occur in an orderly fashion.

28. **The fiscal adjustment envisaged over the medium term would in large part result from the measures introduced in 2005**. The PIT would produce significant revenue gains as it is fully implemented and the base is broadened, while expenditure savings from the public sector downsizing would begin to accrue in 2006 and beyond. The mission recommended that this point be emphasized in the budget documents by including three or five-year budget projections to illustrate the benefits in the years ahead.

C. Growth-Enhancing Reforms

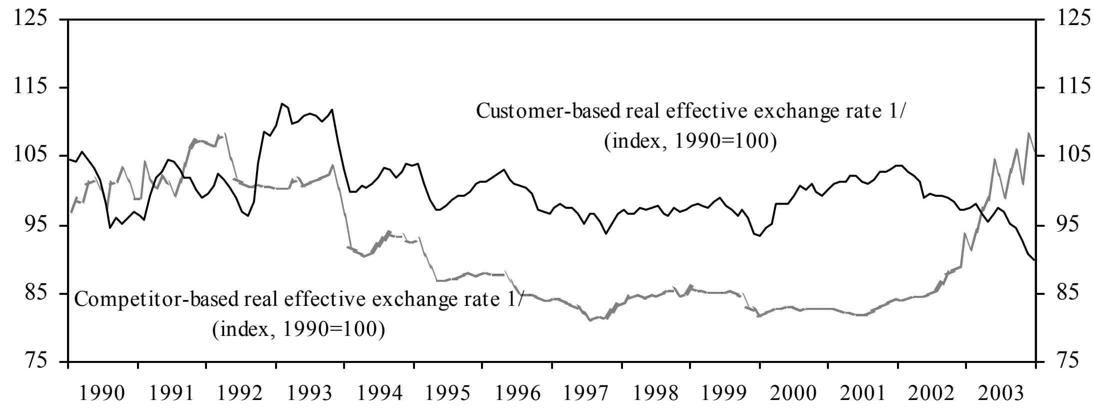
29. **Raising growth potential over the medium term will require reforms across a broad spectrum**. Absent such reforms, growth can be expected to slow to about 1½ percent a year due to the debt overhang and the uncertain policy environment hindering private sector activity. Growth could reach 5 percent a year and discussions focused on reforms that would enable the economy to attain its potential.[5]

30. **Available indicators suggest some loss of competitiveness, reinforcing the need for structural reforms to spur growth** (Figure 2). The REER measured relative to other tourism-based Caribbean economies indicates a sharp recent loss of competitiveness—principally relative to the Dominican Republic. Antigua and Barbuda's share in stay-over tourist arrivals relative to the Caribbean as well as the ECCU have demonstrated a gradual decline, as has the value of tourism receipts. Preliminary data suggest a sharp recovery in tourism volumes for 2003, though it is unclear as to whether this was due to extensive discounting by tour operators. Hotel operators were, however, not unduly concerned about the level of profitability in the sector. Wage restraint in the public sector, and a move to performance-based wage increases, would support competitiveness through its signaling effect on the private sector.

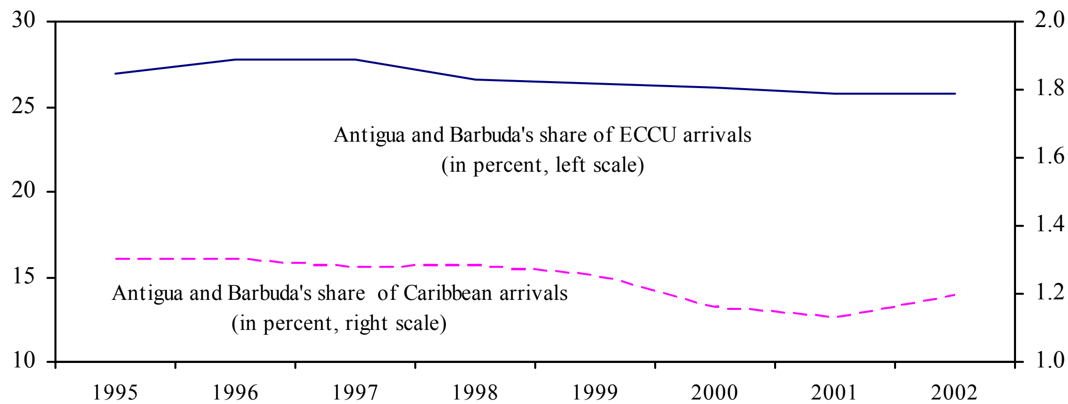
[5] Regressions of Antigua and Barbuda's growth rate against industrial country output—a proxy for tourism demand—suggest that growth could reach slightly over 5 percent a year over the medium term.

Figure 2. Antigua and Barbuda: External Competitiveness, 1990–2003

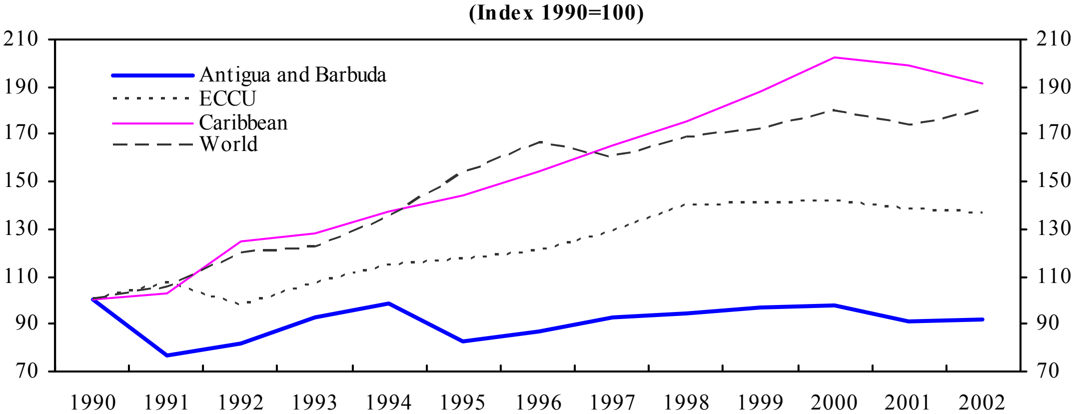
In the tourism sector, a competitor-based measure of the REER has appreciated considerably since 2002...



...while Antigua and Barbuda's share of stay-over arrivals in the ECCU has fallen since 1998.



Antigua and Barbuda: Tourism Receipts
(Index 1990=100)



Sources: Antigua and Barbuda authorities; ECCB, Caribbean Tourism Organization; and Fund staff calculations.

1/ An increase (decrease) indicates an appreciation (depreciation).

31. **Priority reform areas include:**

- *Strengthening the investment climate***.** The authorities noted their desire to create a one-stop investment shop, which would provide a clear contact point for potential investors—assistance from FIAS has been requested. The authorities acknowledged that, as in other countries in the region, the extensive concessions granted in an attempt to stimulate investment and employment creation had severely distorted competition between enterprises, created opportunities for corruption, and led to substantial revenue losses. They were in broad agreement with the mission's recommendations to rein in concessions (as described in paragraph 24), but noted that given the competition for investment between the islands, full elimination would not be possible.

- *Improving the efficiency and reliability of public utilities*. Regular disruptions to services have led much of the private sector to install their own utilities. Production costs at APUA (Antigua Power and Utility Association) substantially exceed the price at which power can be purchased from private suppliers, reflecting limited capital investments in recent years and overemployment. The mission encouraged a thorough review of the efficiency of production at APUA with a view to reducing operating costs and eventual privatization with appropriately regulated tariffs.

- *Further trade liberalization*. Progress has been made in reducing tariffs in the context of CARICOM agreements and some steps were taken to limit the widespread and ad hoc exemptions from customs duties.[6] The mission welcomed the authorities' actions in this regard and urged them to also eliminate quantitative restrictions and limit licensing requirements to strictly monitoring purposes rather than an attempt to influence the development of particular industries.

- *Deepening regional integration and cooperation.* Given the small size of local goods and factor markets, closer regional cooperation can provide new growth opportunities. The authorities noted that while progress in the region towards the Caribbean Single Market Economy had been slower than envisaged, several key aspects had already been de facto implemented in Antigua and Barbuda. In particular, while the formal legal basis for free labor mobility was not in place, work permits had been granted liberally.

- *Resolving the internet gaming dispute*. In March 2004, the WTO ruled in favor of Antigua and Barbuda in its complaint against the U.S. action to block internet gaming companies operating in Antigua and Barbuda. The authorities noted that bilateral negotiations are under way to find a solution so that a once booming industry can re-emerge.

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[6] Data are not available on the impact of these changes on the average tariff rate.

D. Institution-Building and Governance

32. **Staff fully agreed with the government's intentions to strengthen institutions to enhance the effectiveness of policy-making and its implementation**. The authorities recognize that overemployment, low morale, and inefficiency in the public sector has undermined the delivery of public goods and services. At the same time, the nontransparent business environment and ad hoc financial arrangements with creditors had discouraged new private initiatives. New legislation—a Freedom of Information Act, an Integrity in Public Life Act, and an Anti-Corruption Act—that is under preparation could provide a sound legal basis for efforts to enhance governance.

33. **Institution-building should focus on**:

- *Civil service reform.* The use of the government as the employer of the last resort has produced a massive public service that is inefficient and unmotivated. The overstaffing of the civil service, the absence of performance incentives, the two-tier system of employees with differing benefits and terms of employment, and apparent acceptance by managers of frequent absences and late arrivals, urgently need to be addressed. Apart from the fiscal burden, such a system was causing difficulties in hiring and retaining highly skilled staff. A comprehensive civil service reform was needed that would focus on streamlining the functions of government, ensure the right skill mix to deliver the needed government services, and provide the right incentives—including wage decompression and a performance-based system of rewards and penalties to recruit and retain strong performers. Retrenchment by enforcing retirement regulations, voluntary separations with packages, layoffs of those on the payroll but not performing their duties was recommended. A safety net to ease the pain of large scale retrenchment would also be needed.

- *Enhancing transparency and accountability of the public sector*. The existing constitutional requirement of auditing public accounts at least once every year should be enforced and the accounts, or at least a summary, published. The authorities noted that an audit of all government accounts was under way, but that the application of penalties was difficult.

- *Strengthening budgetary institutions*. The mission emphasized that achieving effective control over expenditures was a clear priority. As a first step, an effective and transparent quarterly cash and commitment management plan needed to be developed. This would require that the legal basis for accountability and reporting requirements be strengthened, and that the ministry of finance have the legal authority to penalize departments failing to comply with reporting or spending requirements. The authorities agreed with the need to strengthen cash and commitment control mechanisms and noted that progress was being made in introducing a new computerized system within the treasury.

34. **Staff commended the authorities for establishing a National Economic and Social Council with the objective of generating broad consensus for government policies**. Town hall meetings to discuss policy options, ahead of the announcement of the budget in November, had already begun taking place. Staff suggested that a greater understanding of public policies and economic issues by the public could be achieved through a broad

dissemination of relevant economic data in a timely manner, public discussion of the quarterly monitoring reports produced by the policy unit in the ministry of finance, regular government presentations to the public on economic developments, and publication of independent and external reports on the country.

35. **There is a need to strengthen the statistical database to ensure that it provides relevant, accurate, and timely information to policy-makers**. The mission encouraged the authorities to explore options for strengthening the coverage of the national accounts, especially the tourism sector and related services, improve labor market data, strengthen the debt database, and enhance the monitoring of public enterprises. The authorities fully agreed with the mission's assessment, and noted that they were requesting technical assistance in many of these areas.

E. Vulnerabilities, Crisis Prevention, and Management

36. **While Antigua and Barbuda has lived with a high debt stock and considerable arrears for many years, vulnerabilities have risen**. The government relies on a revolving credit facility provided by a group of domestic banks to meet its current obligations, and an unfavorable decision from one participating bank could trigger a liquidity crunch. Key to reducing such roll-over risk is the maintenance of confidence that the government is pursuing a credible strategy to address the fiscal and debt imbalances. Other risks include a natural disaster—Antigua and Barbuda is one of the most exposed countries in the world to hurricanes—a downturn in the tourism sector, or an adverse event in one of the neighboring countries that generates a general loss of confidence on prospects in the region.

37. **Measures have been taken to reduce the impact of natural disasters, but more can be done**. Following the rash of hurricanes in the mid-1990s, stricter building codes were adopted, utility cables were located underground, public awareness campaigns initiated, and the National Office of Disaster Services was strengthened. Stricter enforcement of building codes and land use guidelines, and higher insurance penetration, could further mitigate the costs of disasters. Insurance of government assets could also be improved, as only a small fraction of government assets—airport and port facilities—are insured.

Box 2. Natural Disasters

Antigua and Barbuda is one of the most highly exposed countries in the world to natural disasters. It ranks among the top four countries by land area and population affected by disasters from 1970 through 2002, according to the Center for Research on the Epidemiology of Disasters (EM-DAT).

The Incidence of Natural Disasters in the ECCU Compared to the Rest of the World, 1970–2002 1/

	All Recorded Disasters					With Estimates of Affected			With Estimates of Damage		
	Number of Events	Number Divided by Land Area		Number divided by population		Number of Events	Cumulative Affected in Percent of Population		Number of Events	Cumulative Damage in Percent of Annual GDP	
		Index	Rank	Index	Rank		Total	Rank		Total	Rank
All countries	6,480	100	76	100	76	4,511	62.1	76	2,037	22	76
Advanced economies	1,511	23	70	39	91	742	7	119	742	3	104
Caribbean	162	599	23	387	23	114	65	66	59	46	45
ECCU	44	1,212	5	770	6	31	85	58	19	89	19
Antigua and Barbuda	**7**	**1,198**	**3**	**883**	**4**	**6**	**248**	**7**	**2**	**22**	**34**
Dominica	8	803	8	890	3	6	125	27	4	118	7
Grenada	4	886	7	348	12	2	1	127	3	23	32
St. Kitts and Nevis	7	1,465	2	1,295	2	4	33	70	5	272	2
St. Lucia	8	988	6	451	8	5	64	52	2	67	13
St. Vincent and Grenadines	10	1,931	1	755	6	8	41	67	3	35	23
Other Caribbean	118	190	36	131	35	83	52	71	40	17	63
Other	4,807	49	84	75	79	3,655	74	67	1,236	23	73

Sources: Centre for Research on the Epidemiology of Disasters (EM-DAT) for data on natural disasters, including estimates of the number of people affected and the value of damage; World Development Indicators for data on land area; World Economic Outlook for data on GDP and population.

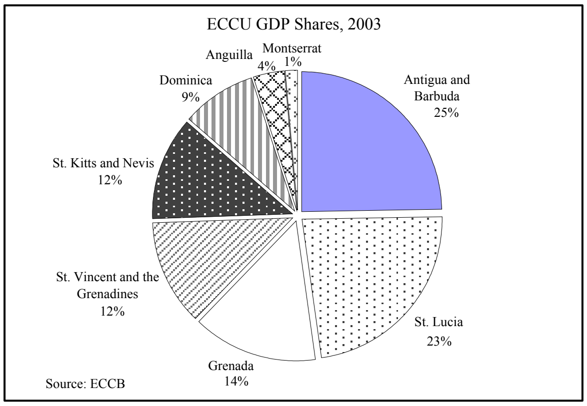
1/ The sample contains 150 countries after omitting countries without at least one natural disaster associated with a cost estimate and/or missing information on GDP (24 advanced economies, 15 Caribbean countries, and 111 other developing countries). Simple unweighted averages are used for country groupings. Rankings are in descending order, with "1" indicating the most exposed to natural disaster.

Several hurricanes have hit Antigua and Barbuda since 1995 causing extensive damage to infrastructure and property. The damage caused by Hurricane Luis in 1995 was particularly severe. Electricity outages lasted for six months, tourism facilities were closed for several months (and in some cases simply closed), and real GDP declined by 5 percentage points.

38. **Further strengthening the prudential and regulatory framework would reduce financial sector vulnerabilities**. Approval of the proposed Amendments to the Uniform Banking Act that are currently under discussion could significantly enhance the effectiveness of banking supervision and address many of the weaknesses identified in the ECCU regional FSAP. Efforts underway to further strengthen the supervision of the offshore banking sector—including the introduction of a risk-based prudential guideline for capital adequacy and formal arrangements for information-sharing with the ECCB on systemically important offshore banks with domestic affiliates—would also reduce risks.

39. **The high near-term risks call for a contingency plan**. Given the economy's large vulnerabilities to exogenous shocks, the mission recommended that the authorities develop, in consultation with the ECCB, a contingency plan with detailed responses and responsibilities in the event that an adverse shock occurs.

40. **The ability of adverse developments in Antigua and Barbuda to directly affect the rest of the region is low**. While Antigua and Barbuda is the largest economy in the ECCU, the debt and arrears problems are well known and creditors have discriminated among islands. Cross-border linkages—both financial and trade—are low. The principal risks, however, stem from a general confidence effect in the region, for example a deposit run in the region that caused a reevaluation of the health of financial systems throughout the region.



ECCU: Cross Border Linkages

	Financial 1/		Trade 2/
	Gross Claims on Other ECCU Public Sectors	Net Claims on Other ECCU Banks	Exports of Goods to ECCU
	(In percent of bank assets)		(Percent of GDP)
Antigua and Barbuda	**1.1**	**0.7**	**0.4**
Dominica	1.2	6.0	3.3
Grenada	1.0	2.0	2.1
St Kitts and Nevis	1.8	-10.1	0.4
St Lucia	1.7	4.2	1.0
St. Vincent and the Grenadines	2.9	-1.1	4.1

Sources: ECCB; and Fund staff calculations.
1/ April, 2004.
2/ Average, 1998-2002.

IV. Staff Appraisal

41. **Fiscal mismanagement and the deterioration of institutions over the past two decades led to a large build up of public debt and a proliferation of a culture of nonpayment**. As financing sources dried up, increasing recourse was made to earmarking of revenues to creditors and the government simply ran arrears to domestic and external creditors, private suppliers, and social agencies—the Social Security Scheme, the Board of Education, and the Medical Benefits Scheme. Matters came to a head in late 2003, when the government began to run arrears on wage payments.

42. **The new administration's resolve to address Antigua and Barbuda's deep-rooted problems head on and their openness in discussing these difficult issues is welcome**. However, bold and swift actions are needed to break from past practices and establish the government's credibility. The depth of the imbalances is such, and inefficiencies so ingrained within the system, that marginal changes will not be sufficient to achieve a departure from the past.

43. **A new economic strategy that would mark a distinct change in regime has three distinct components**. First, fiscal consolidation and transparency that aims for a manageable public debt stock. Second, raising economic growth rates by creating an enabling environment for the private sector to flourish. And third, rebuilding institutions that would support both the fiscal and growth objectives.

44. **In view of the large financing constraints and the high public debt, a large upfront fiscal adjustment is urgently needed**. Fiscal consolidation would necessarily involve a close look at tax policy and administration, abolishing discretionary tax exemptions that cost the budget nearly 10 percent of GDP annually, a review of public expenditures, and public sector reform. It may also be necessary to delay the implementation of new expenditure initiatives unless these can be better targeted.

45. **Public sector employment as a share of the labor force is among the highest in the world and should be re-evaluated as a matter of priority.** Retrenchment by enforcing retirement regulations, voluntary separations with packages, layoffs of those on the payroll but not performing their duties is strongly recommended. A safety net to ease the pain of large-scale retrenchment will also be needed.

46. **Growth potential in Antigua and Barbuda is high and should be exploited with vigor**. To raise economic growth rates, it is critical that the playing field is leveled for foreign as well as local private sector participants. A one-stop shop should be established and bureaucratic procedures streamlined for new business initiatives. The role of the public sector should be reduced to providing basic public goods and services that are complementary to private sector activities. Enhancing efficiency in public utilities should be prioritized. Given the large share of Antigua and Barbuda in the ECCU region's GDP, staff encourages the government to take a lead role in supporting and actively engaging in regional initiatives such as the Caribbean Single Market Economy that could provide new opportunities for growth.

47. **Rebuilding public institutions is necessary to both implement and sustain reform efforts, and to facilitate meeting the growth and fiscal objectives**. In the budgetary area, an effective and transparent system for cash and commitment management should be put in place. Incentives should be introduced in the civil services that rewards good performers and penalizes the poor ones. To raise the morale in the public sector, the two-tier system of employees should be abolished and replaced by one. Sufficient salary differentiation is needed to reflect the significance of the job content. Public accountability and transparency can be enhanced by closer monitoring of public enterprises, routine auditing of all government accounts, improving customs and tax administration, and the introduction of a system of effective penalties for those not complying with these requirements.

48. **To facilitate policy-making, there is an urgent need to strengthen the quality and coverage of the statistical database**. Improvements are needed in the coverage of the national accounts, especially the tourism sector and related services, monitoring labor market developments, public debt accounting and customs, and recording public sector performance.

49. **Even with the implementation of bold reforms, Antigua and Barbuda will remain vulnerable to external shocks given the frequency of natural disasters, the high debt, and the openness of the economy**. The country is highly dependent on economic conditions in the industrial countries and, by extension, is highly vulnerable to shocks that impact industrial country growth, such as global interest rates, world oil prices, and global security conditions. Staff recommends that the authorities formulate a contingency plan to avert short-term crises and to continue with efforts to strengthen financial sector supervision and to mitigate the impact of natural disasters.

50. **Staff are strongly encouraged by the new government's resolve and initiatives to implement the much needed but difficult reforms**. Several steps have already been taken to improve transparency and governance and increase public awareness. An overhaul of the tax and expenditure policies and administration is ongoing. Discretionary tax concessions have already been reduced and are expected to fall further. Welcome steps are being taken to strengthen supervision of offshore banks. The openness of the new government to engage in policy dialogue with the opposition, academics, civil society, and international institutions is welcome.

51. **It is recommended that Antigua and Barbuda remain on the standard 12-month Article IV cycle**.

Table 1. Antigua and Barbuda: Basic Data

I. Social and Demographic Indicators

Area (sq. km)	443	Health (most recent year)	
Arable land (percent of land area)	27.3	Population per physician	274
		Population per hospital bed	164
Population (2001)			
Total (thousand)	75	Education (2001; in percent)	
Annual rate of growth, 1991–2001		Adult literacy rate	87
(percent a year)	1.0		
Density (per sq. km.)	171	Energy (2003; in millions of US$)	
GDP per capita (US$), 2003	10,123	Imports of petroleum products	57.8
		Exports of petroleum products	0
Population characteristics (1999)			
Life expectancy at birth (years)	75	GDP (2003)	
Crude birth rate (per thousand)	19	(in millions of EC$)	2,050
Crude death rate (per thousand)	8	(in millions of US$)	759

II. Selected Economic and Financial Indicators, 1999–2004

	1999	2000	2001	2002	Prel. 2003	Proj. 2004
(Annual percentage changes, unless otherwise specified)						
National income and prices						
GDP at constant factor cost	4.9	3.3	1.5	2.2	4.9	4.1
Nominal GDP at market prices	5.0	4.1	4.7	2.3	4.5	5.7
GDP deflator at factor cost	1.0	0.6	2.6	-0.1	-0.4	1.5
Consumer prices (period average)	1.1	-0.6	-0.4	1.8	2.8	1.5
External sector						
Exports, f.o.b.	0.1	39.9	-22.4	-9.1	13.7	7.2
Imports, f.o.b.	9.9	-2.9	-6.2	4.5	5.2	6.0
Travel receipts (gross)	3.0	0.2	-6.4	0.6	9.5	9.0
Nominal effective exchange rate (depreciation -) 1/	3.7	5.8	1.5	-5.4	-7.4	-4.7
Real effective exchange rate (depreciation -) 1/	1.4	4.9	3.2	-4.8	-6.7	-4.6
(Contribution to broad money growth)						
Money and credit						
Net foreign assets	19.1	-9.6	12.6	0.6	21.9	-10.2
Net domestic assets	-8.7	15.3	-7.8	5.7	-0.8	15.9
Net credit to the public sector	-11.3	2.0	-1.8	0.3	3.0	-3.0
Credit to the private sector	7.8	8.5	2.9	7.5	2.2	1.6
Broad money	10.5	5.7	4.8	6.3	21.1	5.7
Average deposit rate (in percent per annum)	3.9	5.0	4.4	4.3	5.0	…
Average lending rate (in percent per annum)	11.5	12.2	11.5	11.3	13.5	…
(In percent of GDP)						
Central government						
Total revenue and grants	21.9	21.7	19.2	21.5	21.0	21.0
Total expenditure and net lending	27.4	26.7	30.3	32.2	29.1	27.3
Overall balance (after grants)	-5.5	-5.0	-11.1	-10.7	-8.1	-6.3
Identified financing	10.1	10.5	10.6	11.1	9.4	6.3
External	3.3	2.0	5.2	4.4	3.1	3.0
Domestic	6.8	8.5	5.4	6.6	6.3	3.3
Total debt stock in percent of GDP	107.6	115.8	114.7	129.3	134.1	126.0
External sector						
Current account balance	-8.9	-9.7	-9.2	-15.2	-13.7	-13.2
Trade balance	-48.4	-42.7	-39.5	-41.1	-41.0	-41.0
Service balance	40.1	38.3	32.5	30.7	31.1	31.7
Of which: gross tourism receipts	44.5	42.8	38.3	37.7	39.5	40.7
Overall balance	-1.5	-7.8	-0.9	-1.6	0.5	-5.3
External public debt (end of year)	63.8	66.2	66.3	71.7	75.0	71.9
Of which: arrears	15.3	12.6	13.9	17.4	21.6	24.4
Scheduled external debt service						
(in percent of exports of goods and services)	5.6	8.6	8.5	8.5	8.9	8.5
Scheduled debt service/total revenue and grants	18.7	27.4	27.5	23.2	25.7	24.3
Gross international reserves of the ECCB						
(in millions of U.S. dollars)	365	384	446	505	540	564
(in percent of ECCU broad money)	18.1	17.1	18.9	20.1	19.6	19.2

Sources: Antigua and Barbuda authorities, ECCB; and Fund staff estimates and projections.

1/ End of period. Figures for 2004 are 12-month changes to end-July.

Table 2. Antigua and Barbuda: Central Government Operations (Passive)

	1999	2000	2001	2002	Prel. 2003	Proj. 2004	Proj. Passive 2005	2006	2007	2008	2009
					(In millions of Eastern Caribbean dollars)						
Total revenue and grants	**384.7**	**397.4**	**368.5**	**421.0**	**430.3**	**455.4**	**506.1**	**506.3**	**515.1**	**522.7**	**538.7**
Current revenue	347.1	325.6	358.3	396.5	425.9	444.8	462.2	480.9	501.3	508.7	524.3
Of which: Tax revenue	302.4	283.7	319.0	356.8	381.5	406.3	422.1	439.4	458.3	465.2	479.6
Capital revenue	0.0	0.2	0.0	0.0	1.1	9.6	10.0	10.4	10.8	11.0	11.3
Capital grants	37.5	71.6	10.2	24.5	3.2	1.0	34.0	15.0	3.0	3.0	3.0
Total expenditure	**481.2**	**489.2**	**581.8**	**631.5**	**596.0**	**591.8**	**657.3**	**643.1**	**675.2**	**695.3**	**735.4**
Current expenditure	443.6	450.6	491.0	531.8	514.8	533.7	564.3	575.7	614.4	633.6	671.8
Wages and salaries	219.9	216.8	225.2	236.8	250.1	274.5	269.0	274.4	279.9	285.5	291.2
Employment contributions 1/	28.0	30.5	30.6	29.3	32.5	33.7	34.3	35.0	35.7	36.4	37.2
Goods and services, including utilities	103.3	94.6	130.0	153.0	89.1	97.7	100.8	104.9	109.5	111.1	114.5
Interest payments 2/	69.7	86.2	83.7	79.2	92.3	76.6	71.1	68.9	93.6	101.4	129.2
External	35.7	46.0	36.9	36.6	41.0	35.9	32.0	47.1	63.9	82.9	103.2
Domestic	34.0	40.2	46.8	42.6	51.3	40.7	39.1	21.9	29.7	18.6	26.0
Pensions and other transfers	22.7	22.5	21.5	33.5	50.8	51.2	89.1	92.4	95.8	99.1	99.7
Capital expenditure and net lending	37.7	38.6	90.8	99.7	81.2	58.1	93.0	67.4	60.8	61.7	63.6
Current account balance	**-96.5**	**-124.9**	**-132.7**	**-135.3**	**-88.9**	**-88.8**	**-102.2**	**-94.8**	**-113.1**	**-124.8**	**-147.5**
Primary balance	**-26.8**	**-5.6**	**-129.6**	**-131.2**	**-73.5**	**-59.8**	**-80.1**	**-67.9**	**-66.5**	**-71.1**	**-67.5**
Overall balance	**-96.6**	**-91.8**	**-213.3**	**-210.4**	**-165.7**	**-136.4**	**-151.2**	**-136.8**	**-160.1**	**-172.5**	**-196.8**
Identified financing	**177.2**	**192.3**	**203.3**	**217.0**	**191.9**	**136.4**	**-2.5**	**-53.4**	**-52.1**	**-54.2**	**-52.9**
External (net)	58.0	37.3	100.4	86.8	62.7	64.1	-60.6	-57.5	-56.2	-58.3	-57.0
Increase in arrears	35.2	38.0	46.8	51.2	60.1	77.2	0.0	0.0	0.0	0.0	0.0
External borrowing	22.9	-0.7	53.2	35.1	2.9	-13.1	-60.6	-57.5	-56.2	-58.3	-57.0
Disbursement	41.8	49.3	90.2	64.9	36.3	0.3	0.0	0.0	0.0	0.0	0.0
Amortization	-18.9	-50.0	-37.0	-29.8	-33.5	-13.3	-60.6	-57.5	-56.2	-58.3	-57.0
Increase in foreign assets	-0.1	0.0	0.5	0.5	-0.2	0.0	0.0	0.0	0.0	0.0	0.0
Domestic (net)	119.2	155.1	102.8	130.2	129.2	72.3	58.1	4.1	4.1	4.1	4.1
Increase in arrears 3/	78.0	111.7	117.3	133.1	156.2	129.1	0.0	0.0	0.0	0.0	0.0
ECCB	-1.7	11.1	-1.6	-8.4	0.2	-4.2	0.0	0.0	0.0	0.0	0.0
Banks and others	39.0	26.1	-14.2	2.3	-30.3	-105.3	0.0	0.0	0.0	0.0	0.0
Land sales and privatization proceeds	4.0	6.2	1.4	3.3	3.0	52.7	58.1	4.1	4.1	4.1	4.1
Statistical discrepancy	-80.6	-100.5	10.0	-6.5	-26.2	0.0	0.0	0.0	0.0	0.0	0.0
Financing gap	…	…	…	…	…	0.0	153.6	190.3	212.2	226.7	249.6
					(In percent of GDP)						
Total revenue and grants	**21.9**	**21.7**	**19.2**	**21.5**	**21.0**	**21.0**	**22.5**	**21.6**	**21.0**	**21.0**	**21.0**
Current revenue	19.7	17.8	18.7	20.2	20.8	20.5	20.5	20.5	20.5	20.5	20.5
Of which: Tax revenue	17.2	15.5	16.6	18.2	18.6	18.7	18.8	18.8	18.7	18.7	18.7
Capital revenue	0.0	0.0	0.0	0.0	0.1	0.4	0.4	0.4	0.4	0.4	0.4
Capital grants	2.1	3.9	0.5	1.2	0.2	0.0	1.5	0.6	0.1	0.1	0.1
Total expenditure and net lending	**27.4**	**26.7**	**30.3**	**32.2**	**29.1**	**27.3**	**29.2**	**27.4**	**27.6**	**28.0**	**28.7**
Current expenditure	25.2	24.6	25.6	27.1	25.1	24.6	25.1	24.6	25.1	25.5	26.2
Wages and salaries	12.5	11.8	11.7	12.1	12.2	12.7	11.9	11.7	11.4	11.5	11.4
Employment contributions	1.6	1.7	1.6	1.5	1.6	1.6	1.5	1.5	1.5	1.5	1.5
Other goods and services	5.9	5.2	6.8	7.8	4.3	4.5	4.5	4.5	4.5	4.5	4.5
Interest payments	4.0	4.7	4.4	4.0	4.5	3.5	3.2	2.9	3.8	4.1	5.0
Pensions and other transfers	1.3	1.2	1.1	1.7	2.5	2.4	4.0	3.9	3.9	4.0	3.9
Capital expenditure and net lending	2.1	2.1	4.7	5.1	4.0	2.7	4.1	2.9	2.5	2.5	2.5
Current account balance	**-5.5**	**-6.8**	**-6.9**	**-6.9**	**-4.3**	**-4.1**	**-4.5**	**-4.0**	**-4.6**	**-5.0**	**-5.8**
Primary balance	**-1.5**	**-0.3**	**-6.8**	**-6.7**	**-3.6**	**-2.8**	**-3.6**	**-2.9**	**-2.7**	**-2.9**	**-2.6**
Overall balance	**-5.5**	**-5.0**	**-11.1**	**-10.7**	**-8.1**	**-6.3**	**-6.7**	**-5.8**	**-6.5**	**-6.9**	**-7.7**
Identified financing	**10.1**	**10.5**	**10.6**	**11.1**	**9.4**	**6.3**	**-0.1**	**-2.3**	**-2.1**	**-2.2**	**-2.1**
External (net)	3.3	2.0	5.2	4.4	3.1	3.0	-2.7	-2.5	-2.3	-2.3	-2.2
Increase in arrears	2.0	2.1	2.4	2.6	2.9	3.6	0.0	0.0	0.0	0.0	0.0
External borrowing (net)	1.3	0.0	2.8	1.8	0.1	-0.6	-2.7	-2.5	-2.3	-2.3	-2.2
Disbursement	2.4	2.7	4.7	3.3	1.8	0.0	0.0	0.0	0.0	0.0	0.0
Amortization	-1.1	-2.7	-1.9	-1.5	-1.6	-0.6	-2.7	-2.5	-2.3	-2.3	-2.2
Domestic (net)	6.8	8.5	5.4	6.6	6.3	3.3	2.6	0.2	0.2	0.2	0.2
Increase in arrears	4.4	6.1	6.1	6.8	7.6	6.0	0.0	0.0	0.0	0.0	0.0
ECCB (net)	-0.1	0.6	-0.1	-0.4	0.0	-0.2	0.0	0.0	0.0	0.0	0.0
Banks and others (net)	2.2	1.4	-0.7	0.1	-1.5	-4.9	0.0	0.0	0.0	0.0	0.0
Land sales and privatization proceeds	0.2	0.3	0.1	0.2	0.1	2.4	2.6	0.2	0.2	0.2	0.2
Statistical discrepancy	-4.6	-5.5	0.5	-0.3	-1.3	0.0	0.0	0.0	0.0	0.0	0.0
Financing gap	...	...	...	...	...	0.0	6.8	8.1	8.7	9.1	9.7
Memorandum item:											
Total debt stock (in percent of GDP)	107.6	115.8	114.7	129.3	134.1	126.0	125.5	126.2	127.2	132.1	135.6

Sources: Antigua and Barbuda authorities; and Fund staff estimates and projections.

1/ Contributions to social security, medical benefit, and education levy.
2/ Includes a projected 10% interest payment on new borrowing to fill the financing gap.
3/ Includes interest and amortization arrears, unpaid vouchers, personnel payables, and unpaid employment contributions.

Table 3. Antigua and Barbuda: Central Government Operations (Strong Adjustment) 1/

					Prel.	Proj.	Proj. Strong Adjustment				
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
	(In millions of Eastern Caribbean dollars)										
Total revenue and grants	**384.7**	**397.4**	**368.5**	**421.0**	**430.3**	**455.4**	**562.0**	**627.4**	**690.4**	**724.2**	**769.7**
Current revenue	347.1	325.6	358.3	396.5	425.9	444.8	518.0	593.1	653.9	686.0	729.0
Of which: Tax revenue	302.4	283.7	319.0	356.8	381.5	406.3	477.9	550.7	608.9	638.9	678.9
Capital revenue	0.0	0.2	0.0	0.0	1.1	9.6	10.0	10.5	11.2	11.7	12.5
Capital grants	37.5	71.6	10.2	24.5	3.2	1.0	34.0	23.8	25.3	26.5	28.2
Total expenditure	**481.2**	**489.2**	**581.8**	**631.5**	**596.0**	**591.8**	**757.3**	**730.5**	**731.2**	**742.4**	**775.5**
Current expenditure	443.6	450.6	491.0	531.8	514.8	533.7	664.3	649.6	645.3	652.4	679.7
Wages and salaries	219.9	216.8	225.2	236.8	250.1	274.5	228.4	205.9	210.0	214.2	218.5
Employment contributions 2/	28.0	30.5	30.6	29.3	32.5	33.7	28.5	25.7	26.3	26.8	27.3
Other goods and services	103.3	94.6	130.0	153.0	89.1	97.7	100.9	106.6	113.2	118.6	126.2
Interest payments 3/	69.7	86.2	83.7	79.2	92.3	76.6	204.0	206.3	227.5	223.5	237.3
External	35.7	46.0	36.9	36.6	41.0	35.9	84.9	104.4	117.8	124.9	131.3
Domestic	34.0	40.2	46.8	42.6	51.3	40.7	119.1	101.9	109.7	98.6	106.0
Pensions and other transfers	22.7	22.5	21.5	33.5	50.8	51.2	102.5	105.0	68.3	69.3	70.3
Capital expenditure and net lending	37.7	38.6	90.8	99.7	81.2	58.1	93.0	81.0	85.9	90.0	95.8
Current account balance	**-96.5**	**-124.9**	**-132.7**	**-135.3**	**-88.9**	**-88.8**	**-146.3**	**-56.5**	**8.6**	**33.6**	**49.4**
Primary balance	**-26.8**	**-5.6**	**-129.6**	**-131.2**	**-73.5**	**-59.8**	**8.7**	**103.2**	**186.6**	**205.3**	**231.5**
Overall balance	**-96.6**	**-91.8**	**-213.3**	**-210.4**	**-165.7**	**-136.4**	**-195.2**	**-103.1**	**-40.9**	**-18.2**	**-5.8**
Identified financing	**177.2**	**192.3**	**203.3**	**217.0**	**191.9**	**136.4**	**-2.5**	**-53.4**	**-52.1**	**-54.2**	**-54.2**
External (net)	58.0	37.3	100.4	86.8	62.7	64.1	-60.6	-57.5	-56.2	-58.3	-58.3
Increase in arrears	35.2	38.0	46.8	51.2	60.1	77.2	-529.1	0.0	0.0	0.0	0.0
External borrowing (net)	22.9	-0.7	53.2	35.1	2.9	-13.1	468.5	-57.5	-56.2	-58.3	-58.3
Disbursement	41.8	49.3	90.2	64.9	36.3	0.3	529.1	0.0	0.0	0.0	0.0
Amortization	-18.9	-50.0	-37.0	-29.8	-33.5	-13.3	-60.6	-57.5	-56.2	-58.3	-58.3
Increase in foreign assets	-0.1	0.0	0.5	0.5	-0.2	0.0	0.0	0.0	0.0	0.0	0.0
Domestic (net)	119.2	155.1	102.8	130.2	129.2	72.3	58.1	4.1	4.1	4.1	4.1
Increase in arrears 4/	78.0	111.7	117.3	133.1	156.2	129.1	-800.1	0.0	0.0	0.0	0.0
ECCB (net)	-1.7	11.1	-1.6	-8.4	0.2	-4.2	0.0	0.0	0.0	0.0	0.0
Banks and others (net)	39.0	26.1	-14.2	2.3	-30.3	-105.3	800.1	0.0	0.0	0.0	0.0
Land sales and privatization proceeds	4.0	6.2	1.4	3.3	3.0	52.7	58.1	4.1	4.1	4.1	4.1
Statistical discrepancy	-80.6	-100.5	10.0	-6.5	-26.2	0.0	0.0	0.0	0.0	0.0	0.0
Financing gap	…	…	…	…	…	0.0	197.7	156.5	93.0	72.4	60.0
	(In percent of GDP)										
Total revenue and grants	**21.9**	**21.7**	**19.2**	**21.5**	**21.0**	**21.0**	**24.9**	**26.4**	**27.3**	**27.3**	**27.3**
Current revenue	19.7	17.8	18.7	20.2	20.8	20.5	23.0	24.9	25.9	25.9	25.9
Of which: Tax revenue	17.2	15.5	16.6	18.2	18.6	18.7	21.2	23.1	24.1	24.1	24.1
Capital revenue	0.0	0.0	0.0	0.0	0.1	0.4	0.4	0.4	0.4	0.4	0.4
Capital grants	2.1	3.9	0.5	1.2	0.2	0.0	1.5	1.0	1.0	1.0	1.0
Total expenditure and net lending	**27.4**	**26.7**	**30.3**	**32.2**	**29.1**	**27.3**	**33.6**	**30.7**	**28.9**	**28.0**	**27.5**
Current expenditure	25.2	24.6	25.6	27.1	25.1	24.6	29.5	27.3	25.5	24.6	24.1
Wages and salaries	12.5	11.8	11.7	12.1	12.2	12.7	10.1	8.6	8.3	8.1	7.8
Employment contributions	1.6	1.7	1.6	1.5	1.6	1.6	1.3	1.1	1.0	1.0	1.0
Other goods and services	5.9	5.2	6.8	7.8	4.3	4.5	4.5	4.5	4.5	4.5	4.5
Interest payments	4.0	4.7	4.4	4.0	4.5	3.5	9.0	8.7	9.0	8.4	8.4
Pensions and other transfers	1.3	1.2	1.1	1.7	2.5	2.4	4.5	4.4	2.7	2.6	2.5
Capital expenditure and net lending	2.1	2.1	4.7	5.1	4.0	2.7	4.1	3.4	3.4	3.4	3.4
Current account balance	**-5.5**	**-6.8**	**-6.9**	**-6.9**	**-4.3**	**-4.1**	**-6.5**	**-2.4**	**0.3**	**1.3**	**1.8**
Primary balance	**-1.5**	**-0.3**	**-6.8**	**-6.7**	**-3.6**	**-2.8**	**0.4**	**4.3**	**7.4**	**7.8**	**8.2**
Overall balance	**-5.5**	**-5.0**	**-11.1**	**-10.7**	**-8.1**	**-6.3**	**-8.7**	**-4.3**	**-1.6**	**-0.7**	**-0.2**
Identified financing	**10.1**	**10.5**	**10.6**	**11.1**	**9.4**	**6.3**	**-0.1**	**-2.2**	**-2.1**	**-2.0**	**-1.9**
External (net)	3.3	2.0	5.2	4.4	3.1	3.0	-2.7	-2.4	-2.2	-2.2	-2.1
Increase in arrears	2.0	2.1	2.4	2.6	2.9	3.6	-23.5	0.0	0.0	0.0	0.0
External borrowing (net)	1.3	0.0	2.8	1.8	0.1	-0.6	20.8	-2.4	-2.2	-2.2	-2.1
Disbursement	2.4	2.7	4.7	3.3	1.8	0.0	23.5	0.0	0.0	0.0	0.0
Amortization	-1.1	-2.7	-1.9	-1.5	-1.6	-0.6	-2.7	-2.4	-2.2	-2.2	-2.1
Domestic (net)	6.8	8.5	5.4	6.6	6.3	3.3	2.6	0.2	0.2	0.2	0.1
Increase in arrears	4.4	6.1	6.1	6.8	7.6	6.0	-35.5	0.0	0.0	0.0	0.0
ECCB (net)	-0.1	0.6	-0.1	-0.4	0.0	-0.2	0.0	0.0	0.0	0.0	0.0
Banks and others (net)	2.2	1.4	-0.7	0.1	-1.5	-4.9	35.5	0.0	0.0	0.0	0.0
Land sales and privatization proceeds	0.2	0.3	0.1	0.2	0.1	2.4	2.6	0.2	0.2	0.2	0.1
Statistical discrepancy	-4.6	-5.5	0.5	-0.3	-1.3	0.0	0.0	0.0	0.0	0.0	0.0
Financing gap	…	…	…	…	…	0.0	8.8	6.6	3.7	2.7	2.1
Memorandum items:											
Total debt stock (in percent of GDP)	107.6	115.8	114.7	129.3	134.1	126.0	127.3	124.6	118.9	114.0	107.2

Sources: Antigua and Barbuda authorities; and Fund staff estimates and projections.

1/ This scenario includes regularizing the stock of total arrears in 2005 through issuing long-term bonds with a 10% coupon rate.
2/ Contributions to social security, medical benefit, and education levy.
3/ Includes a projected 10% interest payment on new borrowing to regularize arrear stock and fill financing gap.
4/ Includes interest and amortization arrears, unpaid vouchers, personnel payables, and unpaid employment contributions.

Table 4. Antigua and Barbuda: Structure of Public Sector Debt, 2003–2004
(Year end, in millions of US$, unless noted otherwise)

	2003			End-June 2004		
	Stock	Percent of		Stock	Percent of	
		Total Debt	GDP		Total Debt	GDP
Total public sector debt	**1076.8**	**100.0**	**141.8**	**1071.2**	**100.0**	**133.5**
External debt	**569.6**	**52.9**	**75.0**	**574.8**	**53.7**	**71.6**
A. Central Government	**520.9**	**48.4**	**68.6**	**525.9**	**49.1**	**65.5**
1. Multilateral, total	**8.5**	**0.8**	**1.1**	**9.1**	**0.9**	**1.1**
CDB	1.6	0.1	0.2	1.4	0.1	0.2
European Development Fund/EIB	6.1	0.6	0.8	6.1	0.6	0.8
OPEC	0.8	0.1	0.1	1.6	0.2	0.2
2. Official bilateral, total	**280.6**	**26.1**	**37.0**	**284.2**	**26.5**	**35.4**
Italy	196.0	18.2	25.8	199.2	18.6	24.8
Kuwait	15.4	1.4	2.0	15.6	1.5	1.9
China	7.6	0.7	1.0	7.6	0.7	1.0
U.S.	23.8	2.2	3.1	24.0	2.2	3.0
U.K.	5.2	0.5	0.7	5.4	0.5	0.7
Germany	6.8	0.6	0.9	6.3	0.6	0.8
France	25.9	2.4	3.4	26.2	2.4	3.3
3. Commercial, total	**231.7**	**21.5**	**30.5**	**232.6**	**40.5**	**29.0**
IHI Debt Settlement Company	95.3	8.9	12.5	93.7	8.7	11.7
Stanford Financial Group Limited	59.8	5.6	7.9	59.9	5.6	7.5
Devcon International	25.8	2.4	3.4	26.4	2.5	3.3
Banco do Brasil	31.3	5.6	4.1	31.3	2.9	3.9
Others	19.6	1.8	2.6	21.3	2.0	2.7
B. Other public sector 2/	**48.7**	**4.5**	**6.4**	**48.9**	**4.6**	**6.1**
CDB	7.4	0.7	1.0	8.7	0.8	1.1
Royal Merchant Bank & Finance Ltd.	20.1	1.9	2.6	20.8	1.9	2.7
Domestic debt	**507.2**	**47.1**	**66.8**	**496.4**	**46.3**	**61.9**
A. Central government	483.9	44.9	63.7	470.9	44.0	58.7
Standard loans	218.2	20.3	28.7	202.0	18.9	25.2
Bonds	45.9	4.3	6.0	46.3	4.3	5.8
Treasury bills	32.1	3.0	4.2	32.6	3.0	4.1
Floating debt 3/	33.8	3.1	4.5	23.5	2.2	2.9
Unpaid contribution	142.3	13.2	18.7	154.5	14.4	19.3
Overdraft	11.6	1.1	1.5	12.0	1.1	1.5
B. Other public sector 2/	23.3	2.2	3.1	25.6	2.4	3.2

Sources: Antigua and Barbuda authorities; and Fund staff estimates.

1/ Includes arrears.
2/ Includes government guarantees extended to public enterprises and private sector.
3/ Unpaid vouchers.

Table 5. Antigua and Barbuda: Balance of Payments (Passive)

					Prel.	Proj.	Proj. Passive				
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
					(In millions of U.S. dollars)						
Current account	**-58.2**	**-65.5**	**-65.2**	**-110.7**	**-103.8**	**-106.3**	**-109.0**	**-120.2**	**-127.8**	**-133.3**	**-144.3**
Trade balance	-315.3	-290.0	-280.5	-298.7	-311.2	-329.3	-343.7	-360.3	-373.8	-379.3	-391.2
Exports (f.o.b.)	37.4	52.4	40.7	36.9	42.0	45.0	46.8	48.7	50.9	51.6	53.2
Imports (f.o.b.)	352.7	342.4	321.2	335.6	353.2	374.3	390.4	409.0	424.7	431.0	444.4
Services balance	261.0	259.7	231.0	223.3	236.1	254.2	264.1	274.9	287.2	291.4	300.4
Of which: gross tourist receipts	290.0	290.5	272.1	273.8	299.8	326.8	339.5	353.4	369.2	374.7	386.3
Income (net)	-23.4	-44.5	-24.8	-40.9	-41.1	-40.3	-39.0	-44.5	-51.1	-55.5	-63.9
Of which: interest obligations	14.5	17.6	14.0	14.0	15.2	14.3	13.0	18.5	24.6	31.5	38.9
Current transfers (net)	19.5	9.3	9.1	5.6	12.5	9.1	9.6	9.8	9.9	10.1	10.3
Capital and financial account	**67.8**	**57.7**	**57.1**	**93.0**	**78.8**	**63.6**	**54.1**	**51.7**	**51.2**	**51.2**	**53.9**
Official	14.2	1.7	14.3	14.6	-3.0	-23.9	-13.8	-18.7	-22.1	-22.9	-22.5
Capital grants	6.8	3.6	3.8	10.6	6.9	0.4	12.6	5.6	1.1	1.1	1.1
Borrowing	7.4	-1.9	10.5	4.0	-9.9	-24.3	-26.4	-24.3	-23.2	-24.0	-23.6
Disbursements	19.4	20.9	34.1	26.2	15.9	2.3	0.0	0.0	0.0	0.0	0.0
Amortization (-)	12.1	22.8	23.6	22.2	25.7	26.7	26.4	24.3	23.2	24.0	23.6
Nonofficial	53.6	56.0	42.8	78.4	81.8	87.6	67.9	70.4	73.3	74.1	76.3
Migrant transfer (net)	3.4	3.3	3.3	3.3	3.3	3.3	3.3	3.3	3.3	3.3	3.3
Foreign direct investment (net)	32.1	28.1	44.0	36.7	74.3	59.2	61.5	64.1	66.9	67.8	70.0
Portfolio investment (net)	2.7	2.3	-2.5	-2.2	2.9	0.0	0.0	0.0	0.0	0.0	0.0
Commercial banks	-71.8	40.3	-48.5	4.7	-99.5	60.0	-30.0	-30.0	-30.0	-30.0	-30.0
Other private (net)	87.2	-18.1	46.5	35.9	100.7	-35.0	33.0	33.0	33.0	33.0	33.0
Errors and omissions	**-19.6**	**-44.9**	**1.6**	**6.2**	**29.1**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Overall balance	**-9.9**	**-52.6**	**-6.4**	**-11.5**	**4.1**	**-42.7**	**-54.9**	**-68.5**	**-76.6**	**-82.0**	**-90.4**
Financing	**9.9**	**52.6**	**6.4**	**11.5**	**-4.1**	**42.7**	**-2.0**	**-2.0**	**-2.0**	**-2.0**	**-2.0**
Change in imputed reserves (increase -)	-10.4	6.2	-16.2	-7.9	-26.1	11.0	-2.0	-2.0	-2.0	-2.0	-2.0
Change in government foreign assets	-0.1	0.0	0.5	0.5	-0.2	0.0	0.0	0.0	0.0	0.0	0.0
Exceptional financing	20.3	46.5	22.1	18.9	22.3	31.7	0.0	0.0	0.0	0.0	0.0
Increase in arrears	13.0	14.1	17.3	18.9	22.3	31.7	0.0	0.0	0.0	0.0	0.0
Debt forgiveness	7.3	32.4	4.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financing gap	...	...	...	...	…	0.0	56.9	70.5	78.6	84.0	92.4
					(In percent of GDP)						
Current account	**-8.9**	**-9.7**	**-9.2**	**-15.2**	**-13.7**	**-13.2**	**-13.1**	**-13.8**	**-14.1**	**-14.5**	**-15.2**
Of which											
Trade balance	-48.4	-42.7	-39.5	-41.1	-41.0	-41.0	-41.2	-41.5	-41.2	-41.2	-41.2
Merchandise imports	54.1	50.5	45.2	46.2	46.5	46.6	46.8	47.1	46.8	46.8	46.8
Gross tourist receipts	44.5	42.8	38.3	37.7	39.5	40.7	40.7	40.7	40.7	40.7	40.7
Capital and financial account	**10.4**	**8.5**	**8.0**	**12.8**	**10.4**	**7.9**	**6.5**	**6.0**	**5.6**	**5.6**	**5.7**
Of which											
Official disbursements (net)	1.1	-0.3	1.5	0.6	-1.3	-3.0	-3.2	-2.8	-2.6	-2.6	-2.5
Direct investment	4.9	4.1	6.2	5.0	9.8	7.4	7.4	7.4	7.4	7.4	7.4
Errors and omissions	**-3.0**	**-6.6**	**0.2**	**0.9**	**3.8**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Overall balance	**-1.5**	**-7.8**	**-0.9**	**-1.6**	**0.5**	**-5.3**	**-6.6**	**-7.9**	**-8.4**	**-8.9**	**-9.5**
Financing											
Change in imputed reserves (increase -)	-1.6	0.9	-2.3	-1.1	-3.4	1.4	-0.2	-0.2	-0.2	-0.2	-0.2
Change in government foreign assets	0.0	0.0	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Exceptional financing	3.1	6.9	3.1	2.6	2.9	3.9	0.0	0.0	0.0	0.0	0.0
Increase in arrears	2.0	2.1	2.4	2.6	2.9	3.9	0.0	0.0	0.0	0.0	0.0
Debt forgiveness	1.1	4.8	0.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financing gap	…	…	…	…	…	0.0	6.8	8.1	8.7	9.1	9.7
Memorandum items:											
Outstanding external debt 1/	63.8	66.2	66.3	71.7	75.0	71.9	72.9	75.3	78.2	83.6	88.3
External debt service obligations											
(in percent of exports of goods and services)	5.6	8.6	8.5	8.5	8.9	8.5	7.8	8.2	8.7	10.0	10.9

Sources: Antigua and Barbuda authorities; Eastern Caribbean Central Bank; and Fund staff estimates and projections.

1/ Includes financing gap.

Table 6. Antigua and Barbuda: Balance of Payments (Strong Adjustment) 1/

					Prel.	Proj.	Proj. Strong Adjustment				
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
					(In millions of U.S. dollars)						
Current account	**-58.2**	**-65.5**	**-65.2**	**-110.7**	**-103.8**	**-106.3**	**-115.6**	**-129.7**	**-119.2**	**-120.7**	**-118.2**
Trade balance	-315.3	-290.0	-280.5	-298.7	-311.2	-329.3	-353.8	-384.0	-404.4	-423.7	-451.0
Exports (f.o.b.) 1/	37.4	52.4	40.7	36.9	42.0	45.0	46.8	49.5	52.5	55.0	58.6
Imports (f.o.b.) 1/	352.7	342.4	321.2	335.6	353.2	374.3	400.7	433.5	457.0	478.8	509.6
Services balance	261.0	259.7	231.0	223.3	236.1	254.2	277.6	307.9	343.2	363.2	394.4
Of which: gross tourist receipts	290.0	290.5	272.1	273.8	299.8	326.8	357.0	395.9	441.3	467.0	507.2
Income (net)	-23.4	-44.5	-24.8	-40.9	-41.1	-40.3	-48.8	-63.3	-67.9	-70.4	-72.1
Of which: interest obligations	14.5	17.6	14.0	14.0	15.2	14.3	22.8	37.3	41.9	44.4	46.1
Current transfers (net)	19.5	9.3	9.1	5.6	12.5	9.1	9.4	9.6	9.9	10.2	10.5
Capital and financial account	**67.8**	**57.7**	**57.1**	**93.0**	**78.8**	**63.6**	**264.6**	**75.8**	**87.3**	**96.0**	**109.2**
Official	14.2	1.7	14.3	14.6	-3.0	-23.9	182.1	-15.4	-13.8	-14.2	-13.1
Capital grants	6.8	3.6	3.8	10.6	6.9	0.4	12.6	8.8	9.4	9.8	10.4
Borrowing	7.4	-1.9	10.5	4.0	-9.9	-24.3	169.6	-24.3	-23.2	-24.0	-23.6
Disbursements	19.4	20.9	34.1	26.2	15.9	2.3	196.0	0.0	0.0	0.0	0.0
Amortization (-)	12.1	22.8	23.6	22.2	25.7	26.7	26.4	24.3	23.2	24.0	23.6
Nonofficial	53.6	56.0	42.8	78.4	81.8	87.6	82.4	91.3	101.1	110.2	122.3
Migrant transfer (net)	3.4	3.3	3.3	3.3	3.3	3.3	3.3	3.3	3.3	3.3	3.3
Foreign direct investment (net)	32.1	28.1	44.0	36.7	74.3	59.2	64.1	70.4	77.7	84.7	93.7
Portfolio investment (net)	2.7	2.3	-2.5	-2.2	2.9	0.0	0.0	0.0	0.0	0.0	0.0
Commercial banks	-71.8	40.3	-48.5	4.7	-99.5	60.0	-25.0	-25.0	-25.0	-25.0	-25.0
Other private (net)	87.2	-18.1	46.5	35.9	100.7	-35.0	40.0	42.5	45.1	47.2	50.3
Errors and omissions	**-19.6**	**-44.9**	**1.6**	**6.2**	**29.1**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Overall balance	**-9.9**	**-52.6**	**-6.4**	**-11.5**	**4.1**	**-42.7**	**149.0**	**-53.9**	**-31.9**	**-24.7**	**-9.0**
Financing	**9.9**	**52.6**	**6.4**	**11.5**	**-4.1**	**42.7**	**-198.0**	**-2.0**	**-2.0**	**-2.0**	**-2.0**
Change in imputed reserves (increase -)	-10.4	6.2	-16.2	-7.9	-26.1	11.0	-2.0	-2.0	-2.0	-2.0	-2.0
Change in government foreign assets	-0.1	0.0	0.5	0.5	-0.2	0.0	0.0	0.0	0.0	0.0	0.0
Exceptional financing	20.3	46.5	22.1	18.9	22.3	31.7	-196.0	0.0	0.0	0.0	0.0
Increase in arrears	13.0	14.1	17.3	18.9	22.3	31.7	-196.0	0.0	0.0	0.0	0.0
Debt forgiveness	7.3	32.4	4.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financing gap	...	...	...	...	…	0.0	49.0	55.9	33.9	26.7	11.0
					(In percent of GDP)						
Current account	**-8.9**	**-9.7**	**-9.2**	**-15.2**	**-13.7**	**-13.2**	**-13.8**	**-14.7**	**-12.7**	**-12.3**	**-11.3**
Of which											
Trade balance	-48.4	-42.7	-39.5	-41.1	-41.0	-41.0	-42.4	-43.5	-43.2	-43.2	-43.2
Merchandise imports	54.1	50.5	45.2	46.2	46.5	46.6	48.0	49.2	48.8	48.8	48.8
Gross tourist receipts	44.5	42.8	38.3	37.7	39.5	40.7	42.8	44.9	47.1	47.6	48.6
Capital and financial account	**10.4**	**8.5**	**8.0**	**12.8**	**10.4**	**7.9**	**31.7**	**8.6**	**9.3**	**9.8**	**10.5**
Of which											
Official disbursements (net)	1.1	-0.3	1.5	0.6	-1.3	-3.0	20.3	-2.8	-2.5	-2.4	-2.3
Direct investment	4.9	4.1	6.2	5.0	9.8	7.4	7.7	8.0	8.3	8.6	9.0
Errors and omissions	**-3.0**	**-6.6**	**0.2**	**0.9**	**3.8**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Overall balance	**-1.5**	**-7.8**	**-0.9**	**-1.6**	**0.5**	**-5.3**	**17.8**	**-6.1**	**-3.4**	**-2.5**	**-0.9**
Financing											
Change in imputed reserves (increase -)	-1.6	0.9	-2.3	-1.1	-3.4	1.4	-0.2	-0.2	-0.2	-0.2	-0.2
Change in government foreign assets	0.0	0.0	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Exceptional financing	3.1	6.9	3.1	2.6	2.9	3.9	-23.5	0.0	0.0	0.0	0.0
Increase in arrears	2.0	2.1	2.4	2.6	2.9	3.9	-23.5	0.0	0.0	0.0	0.0
Debt forgiveness	1.1	4.8	0.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financing gap	…	…	…	…	…	0.0	5.9	6.3	3.6	2.7	1.1
Memorandum items:											
Outstanding external debt 2/	63.8	66.2	66.3	71.7	75.0	71.9	74.7	74.6	71.4	68.5	64.2
External debt service obligations											
(in percent of exports of goods and service	5.6	8.6	8.5	8.5	8.9	8.5	9.8	11.6	11.5	11.6	11.0

Sources: Antigua and Barbuda authorities; Eastern Caribbean Central Bank; and Fund staff estimates and projections.

1/ This scenario includes regularizing the stock of total arrears in 2005 through issuing long-term bonds with a 10% coupon rate.

2/ Includes financing gap.

Table 7. Antigua and Barbuda: Monetary Survey

	2001	2002	2003	June 2004	Passive Proj. 2004	2005	2006	2007	2008	2009
	(In millions of Eastern Caribbean dollars, end of period)									
Net foreign assets	**320.0**	**328.8**	**668.0**	**454.0**	**476.3**	**562.7**	**649.1**	**735.5**	**821.9**	**908.3**
Net imputed international reserves	215.2	236.6	307.1	268.0	277.4	282.8	288.2	293.6	299.0	304.4
Commercial banks	104.8	92.2	360.8	186.0	198.8	279.8	360.8	441.8	522.8	603.8
Net domestic assets	**1,133.6**	**1,216.3**	**1,203.1**	**1,486.3**	**1,501.4**	**1,491.9**	**1,489.6**	**1,498.9**	**1,445.5**	**1,429.3**
Net credit to the public sector	75.4	79.7	125.5	75.3	70.3	70.3	70.3	70.3	70.3	70.3
Claims on government (net)	289.3	294.1	292.7	258.3	228.3	228.3	228.3	228.3	228.3	228.3
ECCB net credit to central government	34.5	26.0	26.3	22.1	22.1	22.1	22.1	22.1	22.1	22.1
Commercial bank net credit to government	254.8	268.1	266.4	236.1	206.1	206.1	206.1	206.1	206.1	206.1
Net credit to other public sector	-213.9	-214.4	-167.2	-183.0	-158.0	-158.0	-158.0	-158.0	-158.0	-158.0
Credit to private sector	1,348.7	1,457.0	1,491.6	1,507.7	1,521.0	1,511.6	1,509.3	1,518.6	1,465.2	1,449.0
Other items (net)	-290.6	-320.5	-414.0	-96.7	-90.0	-90.0	-90.0	-90.0	-90.0	-90.0
Money and quasi-money (M2)	**1,453.6**	**1,545.1**	**1,871.1**	**1,940.3**	**1,977.6**	**2,054.5**	**2,138.7**	**2,234.4**	**2,267.4**	**2,337.5**
Money	307.1	308.0	369.5	370.4	384.2	399.2	415.5	434.1	440.5	454.1
Currency outside banks	78.1	88.2	98.9	94.8	104.5	108.6	113.0	118.1	119.8	123.5
Demand deposits	229.0	219.8	270.7	275.6	279.7	290.6	302.5	316.0	320.7	330.6
Quasi-money	1,146.4	1,237.1	1,501.6	1,569.9	1,593.4	1,655.4	1,723.2	1,800.3	1,826.9	1,883.4
Time deposits	554.3	594.8	817.6	810.8	822.9	854.9	889.9	929.7	943.4	972.6
Savings deposits	511.6	524.8	577.1	639.5	649.1	674.4	702.0	733.4	744.2	767.3
Foreign currency deposits	80.6	117.5	106.8	119.6	121.4	126.1	131.3	137.2	139.2	143.5
	(12-month change in percent of M2 at the beginning of the period)									
Net foreign assets	12.6	0.6	21.9	-11.4	-10.2	4.4	4.2	4.0	3.9	3.8
Net imputed reserves	3.1	1.5	4.6	-2.1	-1.6	0.3	0.3	0.3	0.2	0.2
Commercial banks NFA	9.4	-0.9	17.4	-9.3	-8.7	4.1	3.9	3.8	3.6	3.6
Net domestic assets	-7.8	5.7	-0.8	15.1	15.9	-0.5	-0.1	0.4	-2.4	-0.7
Credit to the public sector	-1.8	0.3	3.0	-2.7	-3.0	0.0	0.0	0.0	0.0	0.0
Credit to the central government	-1.0	0.3	-0.1	-1.8	-3.4	0.0	0.0	0.0	0.0	0.0
Credit to the rest of the public sector	-0.8	0.0	3.1	-0.8	0.5	0.0	0.0	0.0	0.0	0.0
Credit to the private sector	2.9	7.5	2.2	0.9	1.6	-0.5	-0.1	0.4	-2.4	-0.7
Other items (net)	-8.9	-2.1	-6.1	17.0	17.3	0.0	0.0	0.0	0.0	0.0
	(12-month percentage change)									
Credit to the private sector	3.1	8.0	2.4	-0.5	2.0	-0.6	-0.1	0.6	-3.5	-1.1
Money and quasi-money	4.8	6.3	21.1	6.6	5.7	3.9	4.1	4.5	1.5	3.1
Money	8.0	0.3	20.0	16.8	4.0	3.9	4.1	4.5	1.5	3.1
Quasi-money	4.0	7.9	21.4	4.4	6.1	3.9	4.1	4.5	1.5	3.1
Memorandum item:										
Income velocity of M2	1.4	1.3	1.2	...	1.1	1.1	1.1	1.1	1.1	1.1

Sources: Eastern Caribbean Central Bank; and Fund staff projections

Table 8. Antigua and Barbuda: Medium-Term Outlook—Strong Adjustment

	1999	2000	2001	2002	Prel. 2003	Proj. 2004	Proj. Strong Adjustment 2005	2006	2007	2008	2009
I. Real Sector Indicators											
(Annual percentage changes)											
GDP at constant factor cost	4.9	3.3	1.5	2.2	4.9	4.1	2.5	4.1	4.6	3.2	4.9
Nominal GDP at market price	5.0	4.1	4.7	2.3	4.5	5.7	4.0	5.6	6.2	4.8	6.4
Consumer prices (average)	1.1	-0.6	-0.4	1.8	2.8	1.5	1.5	1.5	1.5	1.5	1.5
Tourist stayover arrivals by air	2.5	-0.7	-6.6	1.7	7.3	7.8	8.5	9.4	10.5	11.1	12.1
(In percent of GDP at market prices)											
II. Fiscal Indicators 1/											
Current revenue	19.7	17.8	18.7	20.2	20.8	20.5	23.0	24.9	25.9	25.9	25.9
Of which: tax revenue	17.2	15.5	16.6	18.2	18.6	18.7	21.2	23.1	24.1	24.1	24.1
Current expenditure	25.2	24.6	25.6	27.1	25.1	24.6	29.5	27.3	25.5	24.6	24.1
Of which: interest obligations	4.0	4.7	4.4	4.0	4.5	3.5	9.0	8.7	9.0	8.4	8.4
Current balance	-5.5	-6.8	-6.9	-6.9	-4.3	-4.1	-6.5	-2.4	0.3	1.3	1.8
Capital revenue and grants	2.1	3.9	0.5	1.3	0.2	0.5	2.0	1.4	1.4	1.4	1.4
Capital expenditure and net lending	2.1	2.1	4.7	5.1	4.0	2.7	4.1	3.4	3.4	3.4	3.4
Primary balance	-1.5	-0.3	-6.8	-6.7	-3.6	-2.8	0.4	4.3	7.4	7.8	8.2
Overall balance	-5.5	-5.0	-11.1	-10.7	-8.1	-6.3	-8.7	-4.3	-1.6	-0.7	-0.2
Identified financing	10.1	10.5	10.6	11.1	9.4	6.3	-0.1	-2.2	-2.1	-2.0	-1.9
External	3.3	2.0	5.2	4.4	3.1	3.0	-2.7	-2.4	-2.2	-2.2	-2.1
Domestic	6.8	8.5	5.4	6.6	6.3	3.3	2.6	0.2	0.2	0.2	0.1
Financing gap	...	...	...	...	...	0.0	8.8	6.6	3.7	2.7	2.1
III. External Sector Indicators											
Current account balance	-8.9	-9.7	-9.2	-15.2	-13.7	-13.2	-13.8	-14.7	-12.7	-12.3	-11.3
Of which: trade balance	-48.4	-42.7	-39.5	-41.1	-41.0	-41.0	-42.4	-43.5	-43.2	-43.2	-43.2
tourist receipts	44.5	42.8	38.3	37.7	39.5	40.7	42.8	44.9	47.1	47.6	48.6
Capital and financial account balance	10.4	8.5	8.0	12.8	10.4	7.9	31.7	8.6	9.3	9.8	10.5
Overall balance	-1.5	-7.8	-0.9	-1.6	0.5	-5.3	17.8	-6.1	-3.4	-2.5	-0.9
External public debt (end of year) 2/	63.8	66.2	66.3	71.7	75.0	71.9	74.7	74.6	71.4	68.5	64.2
Total public debt (end of year) 2/	117.2	125.4	123.6	137.6	141.8	138.6	138.0	134.5	127.9	122.4	114.8
Memorandum items:											
Passive Scenario: Central Government accounts											
Revenue and grants	21.9	21.7	19.2	21.5	21.0	21.0	22.5	21.6	21.0	21.0	21.0
Expenditure and net lending	27.4	26.7	30.3	32.2	29.1	27.3	29.2	27.4	27.6	28.0	28.7
Current	25.2	24.6	25.6	27.1	25.1	24.6	25.1	24.6	25.1	25.5	26.2
Capital	2.1	2.1	4.7	5.1	4.0	2.7	4.1	2.9	2.5	2.5	2.5
Primary balance	-1.5	-0.3	-6.8	-6.7	-3.6	-2.8	-3.6	-2.9	-2.7	-2.9	-2.6
Overall balance	-5.5	-5.0	-11.1	-10.7	-8.1	-6.3	-6.7	-5.8	-6.5	-6.9	-7.7

Sources: Antigua and Barbuda authorities; and Fund staff estimates and projections.

1/ Central government only.
2/ Include arrears. The projections include new borrowing (at 10% interest) to fill the central government's financing gap.

Table 9. Antigua and Barbuda: Selected Indicators of Vulnerability
(12-month percentage change, unless otherwise noted)

	1999	2000	2001	2002	Prel. 2003	Proj. 2004
Monetary indicators						
Broad money	10.5	5.7	4.8	6.3	21.1	5.7
Private sector credit	8.4	9.4	3.1	8.0	2.4	2.0
Commercial bank soundness indicators (in percent) 1/						
Capital adequacy ratio 2/	20.6	16.7	15.3	14.7	14.0	12.3
Unsatisfactory assets/total loans	9.2	9.3	12.4	11.3	14.4	13.25
Provision for loan losses/unsatisfactory assets	19.1	19.6	22.3	23.8	19.5	17.6
Net profit before taxes/average assets	2.7	1.6	1.6	1.7	1.5	0.1
Liquid assets/total assets	25.1	23.8	26.7	28.7	32.3	30.4
Gross government exposure/total capital 2/	183.3	218.4	207.4	202.2	172.8	195.6
External indicators						
Foreign exchange earnings from tourism	3.0	0.2	-6.4	0.6	9.5	9.0
Merchandise imports	9.9	-2.9	-6.2	4.5	5.2	6.0
Merchandise exports	0.1	39.9	-22.4	-9.1	13.7	7.2
Current account balance (percent of GDP)	-8.9	-9.7	-9.2	-15.2	-13.7	-13.2
Capital and financial account balance (percent of GDP)	10.4	8.5	8.0	12.8	10.4	7.9
Of which						
Inward foreign direct investment	4.9	4.1	6.2	5.0	9.8	7.4
Gross international reserves of the ECCB						
(in millions of U.S. dollars)	365	384	446	505	540	564
(in percent of ECCU broad money)	18.1	17.1	18.9	20.1	19.6	19.2
Commercial banks' net foreign assets (millions of US$, end of period)	270.9	145.4	320.0	328.8	668.0	476.3
External public debt (millions of US$, end-period)	415.9	449.4	470.8	520.9	569.6	577.0
External public debt service (in percent of exports of goods and services)	5.6	8.6	8.5	8.5	8.9	8.5
Nominal exchange rate (E.C. dollars per U.S. dollar) (end-period)	2.7	2.7	2.7	2.7	2.7	2.7
Real effective exchange rate appreciation (+) (end-period, percentage change) 3/	1.4	4.9	3.2	-4.8	-6.7	-4.6

Sources: Eastern Caribbean Central Bank; Ministry of Finance; and Fund staff estimates.

1/ Figures for 2004 are as of end-June.

2/ Domestically licensed banks only.

3/ Figures for 2004 are 12-month change to end-July.

Table 10. Antigua and Barbuda: Public Sector Debt Sustainability Framework, 1999-2009
(In percent of GDP, unless otherwise indicated)

	Actual							Projections						
	1999	2000	2001	2002	2003			2004	2005	2006	2007	2008	2009	
								I. Baseline Projections (Strong Adjustment)						**Debt-stabilizing primary balance 10/**
Public sector debt 1/	107.6	115.8	114.7	129.3	134.1			**126.0**	**127.3**	**124.6**	**118.9**	**114.0**	**107.2**	**1.4**
o/w foreign-currency denominated	58.2	61.1	61.7	67.0	70.3			67.3	70.8	71.2	68.5	65.9	62.0	
Change in public sector debt	-4.9	8.3	-1.1	14.6	4.7			-8.0	1.2	-2.6	-5.8	-4.9	-6.8	
Identified debt-creating flows (4+7+12)	0.0	0.7	5.9	8.1	2.6			-3.2	1.4	-2.4	-5.6	-4.7	-6.7	
Primary deficit	1.5	0.3	6.8	6.7	3.6			2.8	-0.4	-4.3	-7.4	-7.8	-8.2	
Revenue and grants	21.9	21.7	19.2	21.5	21.0			21.0	24.9	26.4	27.3	27.3	27.3	
Primary (noninterest) expenditure	23.4	22.0	26.0	28.1	24.6			23.8	24.5	22.0	19.9	19.6	19.1	
Automatic debt dynamics 2/	-1.5	0.4	-0.8	1.4	-1.0			-3.7	4.2	1.9	1.8	3.0	1.5	
Contribution from interest rate/growth differential 3/	-1.5	0.4	-0.8	1.4	-1.0			-3.7	4.2	1.9	1.8	3.0	1.5	
Of which contribution from real interest rate	2.8	4.1	1.4	4.1	5.0			1.6	7.2	6.8	7.2	6.7	6.7	
Of which contribution from real GDP growth	-4.3	-3.6	-2.3	-2.7	-6.0			-5.2	-3.0	-4.9	-5.4	-3.7	-5.2	
Contribution from exchange rate depreciation 4/	0.0	0.0	0.0	0.0	0.0			...	...	...	...	...	...	
Other identified debt-creating flows	0.0	0.0	0.0	0.0	0.0			-2.2	-2.4	0.0	0.0	0.0	0.0	
Privatization receipts (negative)	0.0	0.0	0.0	0.0	0.0			-2.2	-2.4	0.0	0.0	0.0	0.0	
Recognition of implicit or contingent liabilities	0.0	0.0	0.0	0.0	0.0			0.0	0.0	0.0	0.0	0.0	0.0	
Other (specify, e.g. bank recapitalization)	0.0	0.0	0.0	0.0	0.0			0.0	0.0	0.0	0.0	0.0	0.0	
Residual, including asset changes (2-3) 5/	-5.0	7.5	-7.0	6.5	2.2			-4.8	-0.2	-0.2	-0.2	-0.2	-0.1	
Public sector debt-to-revenue ratio 1/	491.9	533.9	597.1	602.9	638.9			599.7	510.4	473.0	435.2	416.8	392.6	
Gross financing need 6/	41.7	44.0	53.8	57.3	59.1			63.4	69.1	9.9	5.9	4.0	3.3	
in billions of U.S. dollars	0.3	0.3	0.4	0.4	0.4			0.5	0.6	0.1	0.1	0.0	0.0	
Key Macroeconomic and Fiscal Assumptions						10-Year Historical Average	10-Year Standard Deviation							Projected Average
Real GDP growth (in percent)	4.0	3.5	2.1	2.4	4.9	3.5	3.3	4.1	2.5	4.1	4.6	3.2	4.9	3.9
Average nominal interest rate on public debt (in percent) 7/	3.7	4.6	3.9	3.6	3.6	6.4	2.9	2.8	7.5	7.2	7.7	7.4	7.9	6.7
Average real interest rate (nominal rate minus change in GDP deflator, in percent)	2.7	4.0	1.3	3.7	4.0	4.6	2.3	1.3	6.0	5.7	6.2	5.9	6.4	5.2
Nominal appreciation (increase in US dollar value of local currency, in percent)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	...	...	...	...	...	...	...
Inflation rate (GDP deflator, in percent)	1.0	0.6	2.6	-0.1	-0.4	1.8	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5
Growth of real primary spending (deflated by GDP deflator, in percent)	4.8	-2.6	20.5	11.0	-8.4	5.6	10.1	0.8	5.8	-6.6	-5.3	1.5	2.2	-0.3
Primary deficit	1.5	0.3	6.8	6.7	3.6	2.0	2.9	2.8	-0.4	-4.3	-7.4	-7.8	-8.2	-4.2
								II. Stress Tests for Public Debt Ratio						**Debt-stabilizing primary balance 9/**
A. Alternative Scenarios														
A1. Key variables are at their historical averages in 2005-09 8/								**126.0**	**126.8**	**129.9**	**133.1**	**136.4**	**139.7**	**1.4**
A2. No policy change (constant primary balance) in 2005-09								**126.0**	**130.4**	**134.9**	**139.4**	**145.6**	**150.2**	**2.0**
B. Bound Tests														
B1. Real interest rate is at historical average plus two standard deviations in 2005 and 2006								**126.0**	**131.3**	**133.1**	**127.5**	**122.8**	**116.2**	**1.5**
B2. Real GDP growth is at historical average minus two standard deviations in 2005 and 2006								**126.0**	**136.0**	**146.7**	**143.9**	**142.3**	**138.5**	**1.8**
B3. Primary balance is at historical average minus two standard deviations in 2005 and 2006								**126.0**	**135.4**	**145.0**	**139.5**	**135.2**	**128.7**	**1.7**
B4. Combination of 1-3 using one standard deviation shocks								**126.0**	**136.7**	**150.5**	**145.0**	**140.8**	**134.4**	**1.8**
B5. One time 30 percent real depreciation in 2005 9/								**126.0**	**158.7**	**156.6**	**151.3**	**147.2**	**140.9**	**1.9**
B6. 10 percent of GDP increase in other debt-creating flows in 2005								**126.0**	**137.3**	**134.8**	**129.1**	**124.5**	**117.9**	**1.6**

1/ Central government only.
2/ Derived as $[(r - \pi(1+g) - g + \alpha\varepsilon(1+r)]/(1+g+\pi+g\pi))$ times previous period debt ratio, with r = interest rate; π = growth rate of GDP deflator; g = real GDP growth rate; α = share of foreign-currency denominated debt; and ε = nominal exchange rate depreciation (measured by increase in local currency value of U.S. dollar).
3/ The real interest rate contribution is derived from the denominator in footnote 2/ as $r - \pi(1+g)$ and the real growth contribution as -g.
4/ The exchange rate contribution is derived from the numerator in footnote 2/ as $\alpha\varepsilon(1+r)$.
5/ For projections, this line includes exchange rate changes.
6/ Defined as public sector deficit, plus amortization of medium and long-term public sector debt, plus short-term debt at end of previous period.
7/ Derived as nominal interest expenditure divided by previous period debt stock.
8/ The key variables include real GDP growth; real interest rate; and primary balance in percent of GDP.
9/ Real depreciation is defined as nominal depreciation (measured by percentage fall in dollar value of local currency) minus domestic inflation (based on GDP deflator).
10/ Assumes that key variables (real GDP growth, real interest rate, and primary balance) remain at the level in percent of GDP/growth rate of the last projection year.

Table 11. Antigua and Barbuda: External Debt Sustainability Framework, 1999-2009 (Active Scenario)
(In percent of GDP, unless otherwise indicated)

	Actual							Projections						
	1999	2000	2001	2002	2003			2004	2005	2006	2007	2008	2009	
								I. Strong Adjustment Projections						**Debt-stabilizing non-interest current account 6/**
External debt	63.8	66.2	66.3	71.7	75.0			**71.9**	**74.7**	**74.6**	**71.4**	**68.5**	**64.2**	**-8.7**
Change in external debt	-9.0	2.4	0.0	5.4	3.3			-3.1	2.8	-0.2	-3.1	-3.0	-4.3	
Identified external debt-creating flows (4+8+9)	0.5	3.0	0.0	8.7	0.8			2.9	4.4	3.9	1.2	1.5	-0.8	
Current account deficit, excluding interest payments	6.7	7.1	7.2	13.3	11.7			11.5	11.1	10.5	8.3	7.8	6.9	
Deficit in balance of goods and services	8.3	4.5	7.0	10.4	9.9			9.4	9.1	8.6	6.5	6.2	5.4	
Exports	72.8	68.9	62.3	58.9	60.2			60.2	60.2	60.2	60.2	60.2	60.2	
Imports	81.2	73.4	69.3	69.3	70.1			69.6	69.4	68.9	66.8	66.4	65.7	
Net non-debt creating capital inflows (negative)	-4.9	-4.1	-6.2	-5.0	-9.8			-7.4	-7.7	-8.0	-8.3	-8.6	-9.0	
Automatic debt dynamics 1/	-1.3	0.1	-1.0	0.4	-1.1			-1.1	1.0	1.4	1.3	2.3	1.3	
Contribution from nominal interest rate	2.2	2.6	2.0	1.9	2.0			1.8	2.7	4.2	4.5	4.5	4.4	
Contribution from real GDP growth	-3.4	-2.2	-1.3	-1.6	-2.5			-2.9	-1.7	-2.9	-3.2	-2.2	-3.1	
Contribution from price and exchange rate changes 2/	-0.2	-0.4	-1.7	0.1	-0.5			...	...	...	...	...	...	
Residual, incl. change in gross foreign assets (2-3) 3/	-9.5	-0.6	0.0	-3.3	2.5			-6.1	-1.6	-4.0	-4.3	-4.4	-3.5	
External debt-to-exports ratio (in percent)	87.6	96.1	106.3	121.7	124.5			119.3	124.0	123.8	118.6	113.7	106.6	
Gross external financing need (in billions of US dollars) 4/	0.2	0.2	0.2	0.2	0.3			0.3	0.3	0.2	0.1	0.1	0.1	
in percent of GDP	27.2	27.7	24.5	31.8	33.8			37.0	40.5	17.5	15.2	14.8	13.6	
Key Macroeconomic Assumptions						10-Year Historical Average	10-Year Standard Deviation							Projected Average
Real GDP growth (in percent)	4.9	3.5	2.1	2.4	3.7	3.4	3.3	4.1	2.5	4.1	4.6	3.2	4.9	3.9
GDP deflator in US dollars (change in percent)	0.2	0.6	2.6	-0.1	0.8	1.8	1.4	1.5	1.5	1.5	1.5	1.5	1.5	1.5
Nominal external interest rate (in percent)	3.2	4.2	3.1	3.0	2.9	3.2	1.6	2.5	4.0	6.0	6.4	6.6	6.9	5.4
Growth of exports (US dollar terms, in percent)	0.0	-1.4	-5.3	-3.3	6.8	0.5	5.8	5.7	4.0	5.6	6.2	4.8	6.4	5.5
Growth of imports (US dollar terms, in percent)	8.2	-5.8	-1.2	2.3	5.8	3.3	4.6	4.9	3.7	4.9	2.9	4.2	5.2	4.3
Current account balance, excluding interest payments	-6.7	-7.1	-7.2	-13.3	-11.7	-6.5	4.5	-11.5	-11.1	-10.5	-8.3	-7.8	-6.9	-9.3
Net non-debt creating capital inflows	4.9	4.1	6.2	5.0	9.8	5.3	1.9	7.4	7.7	8.0	8.3	8.6	9.0	8.2
								II. Stress Tests for External Debt Ratio						**Debt-stabilizing non-interest current account 6/**
A. Alternative Scenarios														
A1. Key variables are at their historical averages in 2005-09 5/								**71.9**	**71.1**	**68.0**	**64.6**	**61.2**	**58.7**	**-6.4**
B. Bound Tests														
B1. Nominal interest rate is at historical average plus two standard deviations in 2005 and 2006								**71.9**	**76.4**	**76.6**	**73.4**	**70.5**	**66.2**	**-8.7**
B2. Real GDP growth is at historical average minus two standard deviations in 2005 and 2006								**71.9**	**78.4**	**82.6**	**77.9**	**73.4**	**67.6**	**-9.9**
B3. Change in US dollar GDP deflator is at historical average minus two standard deviations in 2005 and 2006								**71.9**	**76.4**	**77.6**	**73.9**	**70.3**	**65.5**	**-9.2**
B4. Non-interest current account is at historical average minus two standard deviations in 2005 and 2006								**71.9**	**79.1**	**84.0**	**80.9**	**78.1**	**73.8**	**-8.7**
B5. Combination of 1-4 using one standard deviation shocks								**71.9**	**77.4**	**79.8**	**76.4**	**73.2**	**68.5**	**-9.5**
B6. One time 30 percent nominal depreciation in 2005								**71.9**	**102.0**	**97.2**	**89.2**	**81.4**	**72.3**	**-12.5**

1/ Derived as [r - g - ρ(1+g) + εα(1+r)]/(1+g+ρ+gρ) times previous period debt stock, with r = nominal effective interest rate on external debt; ρ = change in domestic GDP deflator in US dollar terms, g = real GDP growth rate, e = nominal appreciation (increase in dollar value of domestic currency), and a = share of domestic-currency denominated debt in total external debt.

2/ Defined as [-ρ(1+g) + εα(1+r)]/(1+g+ρ+gρ) times previous period debt stock. ρ increases with an appreciating domestic currency (ε > 0) and rising inflation (based on GDP deflator).

3/ For projection, line includes the impact of price and exchange rate changes.

4/ Defined as current account deficit, plus amortization on medium- and long-term debt, plus short-term debt at end of previous period.

5/ The key variables include real GDP growth; nominal interest rate; dollar deflator growth; and both non-interest current account and non-debt inflows in percent of GDP.

6/ Long-run, constant balance that stabilizes the debt ratio assuming that key variables (real GDP growth, nominal interest rate, dollar deflator growth, and both non-interest current account and non-debt inflows in percent of GDP) remain at their levels of the last projection year.

Table 12. Antigua and Barbuda: External Debt Sustainability Framework, 1999-2009 (Passive Scenario)
(In percent of GDP, unless otherwise indicated)

	Actual							Projections						
	1999	2000	2001	2002	2003			2004	2005	2006	2007	2008	2009	
								I. Baseline Projections						**Debt-stabilizing non-interest current account 6/**
External debt	63.8	66.2	66.3	71.7	75.0			**71.9**	**72.9**	**75.3**	**78.2**	**83.6**	**88.3**	**-5.7**
Change in external debt	-9.0	2.4	0.0	5.4	3.3			-3.1	1.0	2.5	2.9	5.4	4.7	
Identified external debt-creating flows (4+8+9)	0.5	3.0	0.0	8.7	0.8			2.9	4.1	4.7	4.6	7.1	6.6	
Current account deficit, excluding interest payments	6.7	7.1	7.2	13.3	11.7			11.5	11.5	11.7	11.4	11.1	11.1	
Deficit in balance of goods and services	8.3	4.5	7.0	10.4	9.9			9.4	9.5	9.8	9.6	9.6	9.6	
Exports	72.8	68.9	62.3	58.9	60.2			60.2	60.2	60.2	60.2	60.2	60.2	
Imports	81.2	73.4	69.3	69.3	70.1			69.6	69.8	70.1	69.8	69.8	69.8	
Net non-debt creating capital inflows (negative)	-4.9	-4.1	-6.2	-5.0	-9.8			-7.4	-7.4	-7.4	-7.4	-7.4	-7.4	
Automatic debt dynamics 1/	-1.3	0.1	-1.0	0.4	-1.1			-1.1	-0.1	0.3	0.6	3.4	2.8	
Contribution from nominal interest rate	2.2	2.6	2.0	1.9	2.0			1.8	1.6	2.1	2.7	3.4	4.1	
Contribution from real GDP growth	-3.4	-2.2	-1.3	-1.6	-2.5			-2.9	-1.6	-1.8	-2.1	0.0	-1.3	
Contribution from price and exchange rate changes 2/	-0.2	-0.4	-1.7	0.1	-0.5			...	...	...	...	...	...	
Residual, incl. change in gross foreign assets (2-3) 3/	-9.5	-0.6	0.0	-3.3	2.5			-6.1	-3.1	-2.2	-1.7	-1.7	-1.8	
External debt-to-exports ratio (in percent)	87.6	96.1	106.3	121.7	124.5			119.3	120.9	125.0	129.8	138.8	146.6	
Gross external financing need (in billions of US dollars) 4/	0.2	0.2	0.2	0.2	0.3			0.3	0.3	0.3	0.3	0.4	0.4	
in percent of GDP	27.2	27.7	24.5	31.8	33.8			37.0	39.7	39.2	38.3	38.4	38.4	
Key Macroeconomic Assumptions						10-Year Historical Average	10-Year Standard Deviation							Projected Average
Real GDP growth (in percent)	4.9	3.5	2.1	2.4	3.7	3.4	3.3	4.1	2.4	2.6	2.9	0.0	1.6	2.3
GDP deflator in US dollars (change in percent)	0.2	0.6	2.6	-0.1	0.8	1.8	1.4	1.5	1.5	1.5	1.5	1.5	1.5	1.5
Nominal external interest rate (in percent)	3.2	4.2	3.1	3.0	2.9	3.2	1.6	2.5	2.3	3.0	3.8	4.4	5.1	3.5
Growth of exports (US dollar terms, in percent)	0.0	-1.4	-5.3	-3.3	6.8	0.5	5.8	5.7	3.9	4.1	4.5	1.5	3.1	3.8
Growth of imports (US dollar terms, in percent)	8.2	-5.8	-1.2	2.3	5.8	3.3	4.6	4.9	4.2	4.5	4.0	1.5	3.1	3.7
Current account balance, excluding interest payments	-6.7	-7.1	-7.2	-13.3	-11.7	-6.5	4.5	-11.5	-11.5	-11.7	-11.4	-11.1	-11.1	-11.4
Net non-debt creating capital inflows	4.9	4.1	6.2	5.0	9.8	5.3	1.9	7.4	7.4	7.4	7.4	7.4	7.4	7.4
								II. Stress Tests for External Debt Ratio						**Debt-stabilizing non-interest current account 6/**
A. Alternative Scenarios														
A1. Key variables are at their historical averages in 2005-09 5/								**71.9**	**69.7**	**68.4**	**67.6**	**66.9**	**66.3**	**-6.6**
B. Bound Tests														
B1. Nominal interest rate is at historical average plus two standard deviations in 2005 and 2006								**71.9**	**75.7**	**80.6**	**83.4**	**89.0**	**93.8**	**-5.6**
B2. Real GDP growth is at historical average minus two standard deviations in 2005 and 2006								**71.9**	**76.3**	**82.2**	**84.1**	**88.7**	**92.6**	**-6.5**
B3. Change in US dollar GDP deflator is at historical average minus two standard deviations in 2005 and 2006								**71.9**	**74.4**	**78.3**	**80.8**	**85.8**	**90.2**	**-6.0**
B4. Non-interest current account is at historical average minus two standard deviations in 2005 and 2006								**71.9**	**76.8**	**83.1**	**85.9**	**91.5**	**96.4**	**-5.5**
B5. Combination of 1-4 using one standard deviation shocks								**71.9**	**76.2**	**81.3**	**84.4**	**90.2**	**95.3**	**-6.1**
B6. One time 30 percent nominal depreciation in 2005								**71.9**	**99.1**	**97.7**	**97.0**	**99.5**	**101.2**	**-8.6**

1/ Derived as [r - g - ρ(1+g) + εα(1+r)]/(1+g+ρ+gρ) times previous period debt stock, with r = nominal effective interest rate on external debt; ρ = change in domestic GDP deflator in US dollar terms, g = real GDP growth rate, e = nominal appreciation (increase in dollar value of domestic currency), and a = share of domestic-currency denominated debt in total external debt.
2/ Defined as [-ρ(1+g) + εα(1+r)]/(1+g+ρ+gρ) times previous period debt stock. ρ increases with an appreciating domestic currency (ε > 0) and rising inflation (based on GDP deflator).
3/ For projection, line includes the impact of price and exchange rate changes.
4/ Defined as current account deficit, plus amortization on medium- and long-term debt, plus short-term debt at end of previous period.
5/ The key variables include real GDP growth; nominal interest rate; dollar deflator growth; and both non-interest current account and non-debt inflows in percent of GDP.
6/ Long-run, constant balance that stabilizes the debt ratio assuming that key variables (real GDP growth, nominal interest rate, dollar deflator growth, and both non-interest current account and non-debt inflows in percent of GDP) remain at their levels of the last projection year.

Medium-Term Outlook Under Alternative Fiscal Scenarios

Two fiscal scenarios are considered—a passive scenario and a strong adjustment scenario, the latter of which has two financing scenarios. In the adjustment scenarios, the government is assumed to clear all outstanding arrears and the residual financing gaps through issuance of a long-term bond, with the scenarios differing with respect to the assumed interest rate on the bond: a market interest rate—assumed to be 10 percent—in one case and below market rates—assumed to be 5 percent—in the other. In the strong adjustment scenario, the fiscal adjustments lead to smaller financing gaps, and in turn lower interest costs in the outer years than in the passive scenario.

Passive scenario. The authorities continue current policies with large overall deficits that are financed commercially. Financing is assumed to continue to be available, no matter what level the debt stock reaches. Absent improvements in the investment climate, growth remains driven by the public sector, with a temporary boost from construction and other activity related to the Cricket World Cup, and slows to around 1½ percent over the medium term. Under this scenario, the central government primary deficit stays at about 3 percent of GDP and public debt increases to over 140 percent of GDP by 2009 and over 250 percent of GDP by 2015.

Strong adjustment—financing gaps filled by commercial borrowing. A fiscal adjustment of 4 percent of GDP is assumed for 2005 and further adjustment over the medium term, with the primary balance moving from a deficit of 3 percent of GDP in 2004 to a surplus of 8 percent of GDP by 2009. Growth is assumed to converge gradually over the medium term to the estimated growth potential of 5 percent a year, with some deviation around the trend associated with the Cricket World Cup in 2007 and an initial dampening effect from the large fiscal adjustment. The clearance of arrears is likely to add around 6 percent of GDP to interest costs, contributing to the large residual financing gaps in 2005–2006. With the financing gaps filled through commercial borrowing, the debt stock declines only very gradually, remaining in excess of 100 percent of GDP in 2015.

Strong adjustment—financing gaps filled by borrowing at below market rate. The paths of GDP growth and fiscal adjustments are the same as in the scenario above, but the cost of financing is lower, resulting in smaller residual financing gaps. The debt stock thus declines faster, reaching 100 percent of GDP by 2009 and 65 percent of GDP by 2015.

Antigua and Barbuda: Public Sector Debt Sustainability
(in percent of GDP, unless otherwise noted)

			Projections							
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2015
Passive: no policy change										
Real GDP growth (percent)	2.2	4.9	4.1	2.4	2.6	2.9	0.0	1.6	1.6	1.6
Central government overall balance	-10.7	-8.1	-6.3	-6.7	-5.8	-6.5	-6.9	-7.7	-8.4	-11.9
Total revenue and grants	21.5	21.0	21.0	22.5	21.6	21.0	21.0	21.0	21.0	21.0
Total expenditure and net-lending	32.2	29.1	27.3	29.2	27.4	27.6	28.0	28.7	29.5	32.9
Of which : interest	4.0	4.5	3.5	3.2	2.9	3.8	4.1	5.0	5.8	9.2
Central government primary balance	-6.7	-3.6	-2.8	-3.6	-2.9	-2.7	-2.9	-2.6	-2.6	-2.6
Public sector debt stock	137.6	141.8	138.6	136.9	136.8	137.1	141.6	144.6	159.2	252.4
Strong Adjustment: new borrowing to clear arrears at commercial interest rate (10 percent per annum)										
Real GDP growth (percent)	2.2	4.9	4.1	2.5	4.1	4.6	3.2	4.9	4.9	4.9
Central government overall balance	-10.7	-8.1	-6.3	-8.7	-4.3	-1.6	-0.7	-0.2	-3.2	-3.0
Total revenue and grants	21.5	21.0	21.0	24.9	26.4	27.3	27.3	27.3	28.0	28.0
Total expenditure and net-lending	32.2	29.1	27.3	33.6	30.7	28.9	28.0	27.5	31.2	31.0
Of which: interest	4.0	4.5	3.5	9.0	8.7	9.0	8.4	8.4	9.2	9.0
Central government primary balance	-6.7	-3.6	-2.8	0.4	4.3	7.4	7.8	8.2	6.0	6.0
Public sector debt stock	137.6	141.8	138.6	138.0	134.5	127.9	122.4	114.8	114.4	112.0
Strong Adjustment: new borrowing to clear arrears at below market rate (5 percent per annum)										
Real GDP growth (percent)	2.2	4.9	4.1	2.5	4.1	4.6	3.2	4.9	4.9	4.9
Central government overall balance	-10.7	-8.1	-6.3	-5.7	-1.0	2.0	3.1	3.7	1.4	2.8
Total revenue and grants	21.5	21.0	21.0	24.9	26.4	27.3	27.3	27.3	28.0	28.0
Total expenditure and net-lending	32.2	29.1	27.3	30.6	27.3	25.3	24.2	23.6	26.6	25.2
Of which: interest	4.0	4.5	3.5	6.1	5.3	5.4	4.6	4.5	4.6	3.2
Central government primary balance	-6.7	-3.6	-2.8	0.4	4.3	7.4	7.8	8.2	6.0	6.0
Public sector debt stock	137.6	141.8	138.6	134.6	127.9	118.0	110.2	101.3	95.4	65.8

Sources: Antigua and Barbuda authorities; and Fund staff estimates and projections.

ANTIGUA AND BARBUDA: FUND RELATIONS
As of October 31, 2004

I. **Membership Status**: Joined February 25, 1982; Article VIII

II. **General Resources Account**:	SDR million	% Quota
Quota	13.50	100.0
Fund Holdings of Currency	13.50	99.99
Reserve Position in Fund	0.01	0.05

III. **SDR Department**:	SDR million	% Allocation
Holdings	0.01	N/A

IV. **Outstanding Purchases and Loans**: None

V. **Financial Arrangements**: None

VI. **Projected Obligations to Fund**: None

VII. **Exchange Arrangements**:

Antigua and Barbuda is a member of the Eastern Caribbean Central Bank (ECCB), which manages monetary policy and the exchange system for its eight members. The common currency, the Eastern Caribbean dollar, has been pegged to the U.S. dollar at the rate of EC$2.70 per U.S. dollar since July 1976. In practice, the ECCB has operated like a quasi-currency board.

Antigua and Barbuda accepted the obligations of Article VIII, Sections 2, 3, and 4 in November 1983. It maintains an exchange system free from restrictions on the making of payments and transfers for current international transactions with the exception of restrictions maintained against terrorists and terrorist organizations that were notified to the Fund.

VIII. **Article IV Consultation**:

Antigua and Barbuda is on the standard 12-month consultation cycle. The last Article IV consultation was concluded by the Executive Board on October 24, 2003.

IX. **FSAP Participation, ROSCs, and OFC Assessments**:

Antigua and Barbuda participated in the regional ECCU FSAP conducted in September and October 2003. The Financial System Stability Assessment is IMF Country Report No. 04/293. A ROSC for a Basel Core Principles Assessment of Antigua and Barbuda's offshore banking sector is under preparation.

X. **Technical Assistance**:

MFD	Staff visit for offshore self assessment	March 2003
FAD	Tax policy and administration	October–December 2002
MFD	Offshore self assessment	September 2001
FAD	Revenue reform	April 2001
STA	Monetary and Financial Statistics Mission to ECCB	August 2003

Antigua and Barbuda also receives assistance through CARTAC.

Antigua and Barbuda: Statistical Issues

Antigua and Barbuda has been a participant in the General Data Dissemination System (GDDS) since October 2000. Its statistical database is deficient in coverage and quality, hindering an accurate assessment of the flow of funds within and across sectors in the economy. There are significant problems with real, fiscal, and balance of payments data.

1. Real sector

National accounts compilation has been plagued by the continued absence of time-series data on trade since 1991. This has had a serious impact on the estimation of value added in some sectors, especially construction and wholesale and retail trade. For construction, alternative data sources include building applications approved annually and the government's public sector investment projects. Wholesale and retail trade estimates are inflated based on movements in the CPI and patterns of consumer spending where there is not enough data derived from annual surveys.

The consumer price index is calculated using weights drawn from an income and expenditure survey conducted in 1998/99. Foreign trade data have recently been compiled, covering 1999–2001. Data on production have not been reported in recent times to STA. STA reports data received from bulletins produced by the ECCB. There is little coverage of labor market developments, as no official data for wages or unemployment are available. The labor ministry produces annual estimates of employment based on information from the Social Security Board, but these are subject to a wide margin of error.

2. Government finance

Annual and quarterly data on central government finances published by the ECCB are broadly in line with the methodology set up in *A Manual on Government Finance Statistics 1986 (GFSM 1986)*. However, Antigua and Barbuda has not been reporting statistical information in recent years to STA for inclusion in the *GFS Yearbook* and *IFS* publications, which needs to be rectified. Data on public sector debt are particularly weak.

3. Monetary statistics

Monetary statistics are compiled by the ECCB on a monthly basis with a lag of six weeks. The data are reported to the Fund regularly. However, the quality control of the data needs to be strengthened, as there has been some unexplained large movements in commercial banks' foreign asset positions. Moreover, the depository corporations survey does not include the accounts of credit unions that accept demand and other deposits. The ECCB is aware of the need to improve coverage of the monetary statistics and is taking steps to collect reliable data on credit unions.

4. Balance of payments

Balance of payments statistics are provided to STA by the ECCB. These data are reported on an annual basis only. Reporting of data on reserves and external debt is in accordance with Antigua and Barbuda's participation in the GDDS. The latest data published in the International Financial Statistics are for 2002. Data on foreign investments are also problematic due to the low response rate of investment surveys.

Antigua and Barbuda: Core Statistical Indicators

(October 22, 2004)

	Exchange Rates	International Reserves	Central Bank Balance Sheet	Reserve/ Base Money	Broad Money	Interest Rates	Consumer Price Index	Exports/ Imports	Current Account Balance	Overall Government Balance	GDP/ GNP	External Debt/ Debt Service
Date of Latest Observation	Fixed Rate	6/04	8/04	8/04	8/04	8/04	7/04	12/00	12/03	12/03	2003	6/04
Date Received		8/04	10/04	10/04	10/04	10/04	9/04	9/04	9/04	9/04	9/04	9/04
Frequency of Data 1/		M	M	M	M	M	M	A	A	A	A	A
Frequency of Reporting 1/		M	M	M	M	M	Upon request	Upon request	Upon request	Upon request	Upon request	Upon request
Source of Update		ECCB	ECCB	ECCB	ECCB	ECCB	ECCB	ECCB	ECCB	Ministry of Finance	ECCB	Ministry of Finance
Mode of Reporting		e-mail	e-mail	e-mail	e-mail	e-mail	email	email	e-mail	fax	email	fax
Confidentiality		Unrestricted	Unrestricted	Unrestricted	Unrestricted	Unrestricted	Unrestricted	Unrestricted	Unrestricted	For use by staff	For use by staff	For use by staff
Frequency of Publication		M	M	M	M	M	M	A	A	A	A	A

1/ D=daily, M=monthly, W=weekly, Q=quarterly, A=annual.

Antigua and Barbuda: Relations with the World Bank Group
(As of August 24, 2004)

The World Bank's Management presented to its Board the Eastern Caribbean Sub-Region Country Assistance Strategy (CAS), on June 28, 2001. The main goals of the strategy are to reduce income insecurity and vulnerability at the national and household levels, and build human and institutional capacity to meet the challenging economic and social environment facing these small states.

The CAS, which covers the period FY 2002–06, does not include any lending to Antigua and Barbuda. However, during the implementation period, the country has benefited from participation in projects financed through grants from the Global Environmental Facility; coverage in analytical reports such as the OECS Institutional and Organization Capacity Review, the OECS Financial Accountability Assessment, the Financial Sector Assessment Program, a report on Environmental-Sustainability in Tourism in the OECS, and the upcoming OECS Growth and Competitiveness Study; and support to the OECS as a whole through the Energy Sector Management Assistance Program for the analysis of large scale energy options for the sub-region. Antigua and Barbuda also currently participates in the Emergency Recovery Program which supports investments and builds institutional capacity to enhance security at airports and ports, through a parallel project financed by the Caribbean Development Bank.

Contact: Ms. Camille Nuamah

Antigua and Barbuda: Relations with the Caribbean Development Bank
(As of December 31, 2003)

The Caribbean Development Bank (CDB) supports the economic and social development of Antigua and Barbuda through the financing of priority capital projects and technical assistance (TA) and policy dialogue on major developmental issues. CDB's involvement with Antigua and Barbuda has covered such areas as:

- Formulation and implementation of macroeconomic social and sectoral policies geared towards providing a framework for sustainable economic growth;
- Development of infrastructure to facilitate private sector investment;
- Development of human resources to facilitate economic growth and diversification;
- Direct and indirect lending to the agriculture, tourism and manufacturing sectors; and
- Emergency disaster rehabilitation.

Table. CDB assistance to Antigua and Barbuda by sector (cumulative 1970-2002)

Sectors	In millions of US dollars	In percent of total
Agriculture	3.5	8.8
Manufacturing	6.7	16.8
Tourism	1.8	4.5
Power and energy	0.3	0.8
Transportation	3.5	8.8
Housing	3.5	8.8
Education	14.7	36.8
Multi-sector	6	15.0
Total	40	100.0

Source: Caribbean Development Bank.

Major projects under implementation include:

- Provision of a consolidated line of credit to the Antigua and Barbuda Development Bank to assist in its lending activities to the housing, education, and micro and small enterprise sectors;
- A basic education project to assist in improving the learning environment at the secondary level, institutional strengthening of the Ministry of Education, and improving the quality of education delivery; and
- An airport and seaport security enhancement project to assist in upgrading security at the key air and sea ports to meet revised international standards.

However, institutional weaknesses and the government of Antigua and Barbuda's default on debt service payments to CDB three years ago has resulted in delays in disbursements. At end-2003, undrawn balances of committed resources for CDB-financed projects were equivalent to $15.8 million.

INTERNATIONAL MONETARY FUND
Public Information Notice
EXTERNAL RELATIONS DEPARTMENT

Public Information Notice (PIN) No. 04/130
FOR IMMEDIATE RELEASE
November 22, 2004

International Monetary Fund
700 19th Street, NW
Washington, D. C. 20431 USA

IMF Concludes 2004 Article IV Consultation with Antigua and Barbuda

On November 15, 2004, the Executive Board of the International Monetary Fund (IMF) concluded the Article IV consultation with Antigua and Barbuda.[1]

Background

Economic growth accelerated in mid-2003, reaching close to 5 percent for the year as a whole, driven by a sharp recovery in the tourism sector. Strong tourism arrivals data for the first half of 2004, improved tax collections to end-June, and continued growth in deposits with the banking system, point to the economic momentum carrying over into this year, with growth anticipated to reach 4 percent in 2004. Inflation remains low under the currency board arrangement.

Fiscal imbalances narrowed in 2003 as financing constraints forced expenditure compression. The primary balance of the central government improved by 3 percent of GDP in 2003. While payments on wages and salaries plus transfers increased modestly, other expenditure items—particularly payments for goods and services—were cut sharply. Arrears—obligations incurred by the central government but not paid—are estimated to have increased by 10½ percent of GDP during 2003.

A modest improvement in fiscal outcomes is expected in 2004, reflecting the continuing recovery in growth and a small net positive effect from policy adjustments, but the government is able to meet only some of its obligations in a timely manner. Revenues in the first half of the year are significantly higher than the same period of last year, reflecting stronger growth and a

[1] Under Article IV of the IMF's Articles of Agreement, the IMF holds bilateral discussions with members, usually every year. A staff team visits the country, collects economic and financial information, and discusses with officials the country's economic developments and policies. On return to headquarters, the staff prepares a report, which forms the basis for discussion by the Executive Board. At the conclusion of the discussion, the Managing Director, as Chairman of the Board, summarizes the views of Executive Directors, and this summary is transmitted to the country's authorities.

large increase in receipts from stamp duties due to a surge in real estate sales. Collections for the year as a whole will likely show only a modest improvement, as the tourism growth is anticipated to taper off in the second half of the year and revenues from petroleum products decline in the absence of pass-through of recent increases in world oil prices. Initial expenditure policy adjustments have added to the wage bill in the near-term—wage increases were granted to certain groups of workers, while the decision to retire public servants who exceed the retirement age led to an increase in severance payments. The primary deficit of the central government is expected to improve by ¾ percent of GDP over 2003, but the accumulation of new arrears is likely to fall only modestly to 9½ percent of GDP.

With the recovery in the tourism sector, the external current account deficit has narrowed. The real depreciation of the EC dollar had little impact on the trade balance. The current account deficit was financed by FDI into the tourism sector, land sales to nonresidents, and a further increase in arrears.

Monetary aggregates have continued to grow in line with economic growth. Deposit growth has been used by commercial banks to increase foreign asset holdings, as credit to the private sector has stagnated and net credit to the public sector has increased only marginally.

The regulatory and supervisory framework for the offshore banks has strengthened significantly over the last few years. Bank examination procedures were recently amended to address credit policies, loan loss provisioning, large exposure limits, and connected lending.

Progress in broader structural reforms has been made. Particularly noteworthy is the long-delayed introduction of ASYCUDA at two of the ports of entry which will both strengthen customs administration and significantly improve the flow of data on external transactions. The implementation of the fourth stage of CARICOM's Common External Tariff also shows a commitment to fulfill regional obligations.

Executive Board Assessment

Executive Directors welcomed the new administration's resolve to address Antigua and Barbuda's deep-rooted problems head-on and its openness in discussing difficult issues. Fiscal mismanagement and deterioration of institutions over the past two decades have resulted in a large buildup of public debt and of domestic and external payments arrears.

Directors urged the new administration to adopt a medium-term economic strategy aimed at fiscal consolidation, raising economic growth rates by creating an enabling environment for the private sector to flourish, and rebuilding institutions to support the fiscal and growth objectives.

Directors called for a large upfront fiscal adjustment as a key step in regaining fiscal balance and clearing arrears. This would involve increasing revenue through strengthened tax policy and administration, including a reduction of tax exemptions and the reintroduction of a personal income tax. Directors urged a comprehensive public sector reform to reduce expenditure—including through reduction of the very high level of public sector employment—and to enhance the efficiency of government service provision. This should be accompanied by the introduction of an appropriate safety net.

Directors emphasized that re-building institutions is crucial for implementing and sustaining the reform effort, and ultimately for achieving the authorities' growth and fiscal objectives. They recommended putting in place an effective and transparent system of cash and commitment expenditure management, introducing incentives in the civil service to reward good performers, and reforming the two-tier system of public sector employment. They also recommended that steps be taken to enhance public accountability, transparency, and governance, including: closer monitoring of public enterprises, routine auditing of all government accounts, improving customs and tax administration, and introducing a system of effective penalties for noncompliance with tax laws.

Directors encouraged the authorities to take steps to enable Antigua and Barbuda to achieve its high-growth potential. While welcoming the authorities' plan to establish a one-stop window aimed at streamlining bureaucratic procedures for new business initiatives, Directors recommended leveling the playing field for foreign and local investors, limiting the role of the public sector to providing basic public goods and services that are complementary to private sector activities, and enhancing efficiency in public utilities. Directors encouraged the government to take a lead role in supporting and engaging in regional initiatives, such as the Caribbean Single Market Economy, which would provide new opportunities for growth.

Directors were encouraged by the continuing progress in strengthening the regulation and supervision of the offshore financial sector. Directors also encouraged the authorities to continue to work closely with the Eastern Caribbean Central Bank to further strengthen the supervision of domestic banks, including by approving and implementing the amendments to the Uniform Banking Act, and to ensure an appropriate level of supervision for nonbank financial institutions.

Directors noted the urgent need to strengthen the quality and coverage of the statistical database in the areas of the national accounts—especially the tourism sector and related services—labor market developments, the public debt, and monitoring the outcomes of the broader public sector. They also saw room for greater regional collaboration on data issues. They encouraged the authorities to enhance reporting under the GDDS, and to seek technical assistance through CARTAC and other donors.

Directors expressed concern about the high level of vulnerabilities facing Antigua and Barbuda in light of the frequency of natural disasters, the high debt, and the openness of the economy. They encouraged the authorities to formulate a contingency plan to respond to shocks, and to continue with efforts to reduce financial sector vulnerabilities and mitigate the impact of natural disasters.

Antigua and Barbuda: Selected Economic and Financial Indicators, 1999–2004

	1999	2000	2001	2002	Prel. 2003	Proj. 2004
(Annual percentage changes, unless otherwise specified)						
National income and prices						
GDP at constant factor cost	4.9	3.3	1.5	2.2	4.9	4.1
Nominal GDP at market prices	5.0	4.1	4.7	2.3	4.5	5.7
GDP deflator at factor cost	1.0	0.6	2.6	-0.1	-0.4	1.5
Consumer prices (period average)	1.1	-0.6	-0.4	1.8	2.8	1.5
External sector						
Exports, f.o.b.	0.1	39.9	-22.4	-9.1	13.7	7.2
Imports, f.o.b.	9.9	-2.9	-6.2	4.5	5.2	6.0
Travel receipts (gross)	3.0	0.2	-6.4	0.6	9.5	9.0
Nominal effective exchange rate (depreciation -) 1/	3.7	5.8	1.5	-5.4	-7.4	-4.7
Real effective exchange rate (depreciation -) 1/	1.4	4.9	3.2	-4.8	-6.7	-4.6
(Contribution to broad money growth)						
Money and credit						
Net foreign assets	19.1	-9.6	12.6	0.6	21.9	-10.2
Net domestic assets	-8.7	15.3	-7.8	5.7	-0.8	15.9
Net credit to the public sector	-11.3	2.0	-1.8	0.3	3.0	-3.0
Credit to the private sector	7.8	8.5	2.9	7.5	2.2	1.6
Broad money	10.5	5.7	4.8	6.3	21.1	5.7
Average deposit rate (in percent per annum)	3.9	5.0	4.4	4.3	5.0	…
Average lending rate (in percent per annum)	11.5	12.2	11.5	11.3	13.5	…
(In percent of GDP)						
Central government						
Total revenue and grants	21.9	21.7	19.2	21.5	21.0	21.0
Total expenditure and net lending	27.4	26.7	30.3	32.2	29.1	27.3
Overall balance (after grants)	-5.5	-5.0	-11.1	-10.7	-8.1	-6.3
Identified financing	10.1	10.5	10.6	11.1	9.4	6.3
External	3.3	2.0	5.2	4.4	3.1	3.0
Domestic	6.8	8.5	5.4	6.6	6.3	3.3
Total debt	107.6	115.8	114.7	129.3	134.1	126.0
External sector						
Current account balance	-8.9	-9.7	-9.2	-15.2	-13.7	-13.2
Trade balance	-48.4	-42.7	-39.5	-41.1	-41.0	-41.0
Service balance	40.1	38.3	32.5	30.7	31.1	31.7
Of which: gross tourism receipts	44.5	42.8	38.3	37.7	39.5	40.7
Overall balance	-1.5	-7.8	-0.9	-1.6	0.5	-5.3
External public debt (end of year)	63.8	66.2	66.3	71.7	75.0	71.9
Of which: arrears	15.3	12.6	13.9	17.4	21.6	24.4
Scheduled external debt service						
(in percent of exports of goods and services)	5.6	8.6	8.5	8.5	8.9	8.5
Scheduled debt service/total revenue and grants	18.7	27.4	27.5	23.2	25.7	24.3
Gross international reserves of the ECCB						
(in millions of U.S. dollars)	365	384	446	505	540	564
(in percent of ECCU broad money)	18.1	17.1	18.9	20.1	19.6	19.2

Sources: Antigua and Barbuda authorities, ECCB; and Fund staff estimates and projections.

1/ End of period. Figures for 2004 are 12-month changes to end-July.

Statement by Kevin G. Lynch, Executive Director for Antigua and Barbuda
November 15, 2004

Key Points

- My Antiguan and Barbudan authorities broadly share the analysis and conclusions of the well-balanced staff report.

- The authorities understand:

    - The need for a substantial policy change, starting with a major restructuring of fiscal policies.

    - The need to build public understanding on the need for change. The authorities held a joint press conference with the staff to publicize the conclusions of the mission in late September – a historic first, and wish to publish the staff report – another first.

    - The need to build credibility, which requires improved transparency, improved governance, improved statistics and a medium-term game plan that is adhered to.

    - The need to handle adjustment in a way that puts the focus on private sector-led growth, retrains workers and reduces disincentives.

- The upcoming budget, to be presented at the end of this month, will be a key deliverable. To promote broad social consensus on the measures being considered, a series of town hall meetings began after the joint press conference.

- Initiatives to improve transparency and governance have already been undertaken. Discretionary tax concessions will be reviewed and a "one-stop shop" government investment agency will be established by year-end.

- The authorities have requested technical assistance to strengthen the statistical database.

My authorities appreciate the well-balanced staff report...
My Antiguan and Barbudan authorities would like to thank the staff for its work in conducting the Article IV consultation. They view the Article IV exercise very much as an opportunity to take advantage of IMF expertise to assess the country's policies. The staff report is well-balanced and my authorities broadly share its analysis and conclusions.

And recognize the need for a substantial break from the policies of the past...
As noted in the staff report, a new government came to power in Antigua and Barbuda with a large majority in Parliament following the elections in March of this year. The previous

government had been in power since 1976. The new government is facing several economic challenges.

Integral to the future performance of the economy is the recognition by my Antiguan and Barbudan authorities that the fiscally unsustainable policies of the past cannot continue. The most immediate challenge is to begin to implement a strategy to deal with the inherited fiscal imbalances and the growing debt (and arrears) problem. My authorities recognize that these must be brought under control and that overcoming them will need sustained strong action.

The backbone of the authorities' strategy will be a major restructuring of fiscal policies...
My Antiguan and Barbudan authorities are committed to fiscal prudence and eliminating arrears. In order to achieve this, they are of the view that the best policy would be to raise revenues in conjunction with a reduction in expenditures. Given the urgent nature of the policy reforms needed, they will present their next budget on November 30 – signaling a clear break from the past, when budgets were not presented until the fiscal year had already begun.

To ensure that the message of a need for change would be heard throughout the country, the authorities hosted, for the first time ever, a joint press conference with the staff at the conclusion of the mission in late September. This was very well-attended by members of the media, an opportunity which my authorities took to signal a clear break from the policies of the past and to communicate the need for reform. They also have communicated to the staff that they wish to publish the staff report, another first.

Following on this, my authorities held a series of consultations and town-hall meetings to reinforce public awareness of the economic and budgetary realities of the current situation and sought reactions and inputs from the people in relation to the tax options being considered.

Revenues will need to be increased....
Revenues in the country, averaging about 20 percent of GDP, are much lower than in other ECCU countries. The authorities have discussed a number of options at recent town hall meetings in advance of the upcoming budget to increase tax revenues. Among the options being considered are the introduction of a personal income tax (PIT), reforming the way property taxes are calculated and the introduction of a VAT or sales tax. As noted in the staff report, Antigua and Barbuda has not had a personal income tax since 1976. The introduction of a progressive PIT would lessen the burden on low-income groups, by comparison with the current heavy reliance on indirect taxation. Another important factor in increasing revenues will be to reduce the amount of discretionary tax concessions granted to businesses, which currently cost about 10 percent of GDP.

In conjunction with a reduction in expenditures...
Public sector reform and transformation will need to be tackled head-on with hard decisions being made as to the optimal size of the public sector and how to render efficient services to the people of Antigua and Barbuda. As noted in the report, the public sector in Antigua and Barbuda employs more people as a share of population (17.3 percent) or the labour force

(37.1 percent) than any other country in the Eastern Caribbean Currency Union (ECCU). Consequently, while there is a clear need to reduce the size of public sector employment, there is a need also to mitigate the social impact of public sector downsizing. A social safety net will be required for those who need it as well as a retraining program to help prepare public sector employees for new opportunities.

The debt burden will need to be reduced in order to reduce vulnerabilities and reach ECCU convergence guidelines...
On debt issues, the authorities are currently pursuing discussions with the domestic commercial banking sector with a view toward consolidating and rescheduling the government's debt to these banks and also negotiating a more favourable rate of interest, which at present varies between 10 percent and 15 percent per annum. The authorities are also actively engaged in discussions with local suppliers to clear arrears. With respect to external debt, discussions with external creditors have commenced.

Monetary policy is appropriate...
The authorities are satisfied with the common monetary and exchange arrangement with the Eastern Caribbean Central Bank (ECCB). The currency union has been extremely stable and has contributed to low inflation not only in Antigua and Barbuda, but across the entire ECCU region. The ECCB also regulates and supervises Antigua and Barbuda's banking system. Discussions are underway on the proposed Amendments to the Uniform Banking Act to enhance the effectiveness of banking supervision and address many of the weaknesses identified in the ECCU regional FSAP. The Basle Core Principles assessment of the country's offshore banks, conducted in February/March 2004 as part of the ECCU regional FSAP, found that the existing system was fully or largely compliant with most principles. The authorities have already responded to several of the identified weaknesses by strengthening bank examination procedures to address credit policies, loan loss provisioning, large exposure limits, and connected lending.

The near-term outlook for economic growth is positive...
My Antiguan and Barbudan authorities are confident that the economy will rebound. Real growth of about 4 percent is expected in 2004, led by tourism. The number of visitors to the country in 2003 increased by 16 percent, breaking the trend decline since 2000, and total expenditures by these visitors increased by about 10 percent, the largest gain in recent years. The outlook for tourism is positive given the favourable trends in the global economy, and the addition of St. John's as a new stop for several cruise ship lines. Inflation is low and stable, the regulatory and supervisory framework for offshore banks has been strengthened significantly over the last few years, and the ASYCUDA customs system has been introduced at two major ports of entry to strengthen customs administration and improve the flow of data on external transactions.

But the private sector will need to be crowded in to increase growth prospects further...
It is clear that the private sector must play a lead role in generating growth, but what changes can best support the private sector to become the lead engine of growth? Private sector-led growth requires more foreign direct investment. To this end, the government of Antigua and Barbuda has announced that a government investment agency will be established by the end

of the year. This initiative is a matter of urgency since the Ministry of Finance is inundated with requests from potential investors and groups seeking concessions which have been worth approximately EC$170-200 million per annum (about 10 percent of GDP) – the highest in the ECCU. The "one-stop shop operation" will lay out all the directives for both foreign and local investors in a transparent manner and will ensure a level playing field for all. The criteria for and list of concessions will be tabled in Parliament to ensure that the process is public and open. Technical staff from the OAS and other international agencies are assisting in the formulation of the legislation for the agency.

Improving governance will also be crucial for a well-functioning economy...

The authorities recognize that tackling governance issues will be central to the process of developing Antigua and Barbuda and see that improving transparency, accountability and integrity in all areas of governance is crucial. To this end, Prevention of Corruption legislation, Freedom of Information legislation, and Integrity in Public Life legislation was passed in early November. In addition, a code of conduct has been agreed for Ministers. These measures were implemented to unequivocally ensure that state resources are used for the benefit of the people.

To build support for the bold measures required to turn around the economic situation, the authorities are actively working to build the needed consensus...

As noted earlier, the authorities undertook a series of consultations and town hall meetings to ensure that there will be wide ownership of the measures to be contained in the upcoming budget. To maintain consensus needed throughout a period of sustained fiscal and structural reform, the authorities have created the National Economic and Social Council (NESC), which was constituted by an Act of Parliament. The NESC involves all sections of civil society and gives them a voice in shaping the government's economic and social policy.

Technical assistance will be required to improve the coverage and quality of economic statistics...

My Antiguan and Barbudan authorities agree with the staff that the quality and coverage of the statistical database needs to be strengthened in order to facilitate policy-making. As noted in the report, strengthening the coverage of the national accounts, especially the tourism sector and related services, improving labour market data, strengthening the debt database and enhancing the monitoring of public enterprises is required. To this end, the authorities have requested technical assistance in many of the areas identified by the staff.

Natural disasters are a potentially large source of exogenous shocks to the economy which can only be mitigated, not eliminated...

On the issue of vulnerabilities to natural disasters, Antigua and Barbuda has been hit with three significant incidents in the past decade (Hurricanes Luis and Marilyn in 1995, Hurricane Georges in 1998 and Hurricane José and Tropical Storm Lenny in 1999). These disasters caused cumulative damage of about 40 percent of GDP. Steps have been taken to reduce the effects of future natural disasters, but the risks cannot be completely eliminated. The staff's advice to develop a contingency plan, in consultation with the ECCB, with detailed responses and responsibilities in the event that an adverse shock occurs is well-taken. However, given that any one hurricane/tropical storm can severely damage many of the region's islands, and there may be limits to self-insurance, more thought is required on how the high risks of such large exogenous shocks to the ECCU region might best be addressed.