



# GOVERNMENT OF ANTIGUA AND BARBUDA

## PROSPECTUS

### FOR EC\$51 MILLION TREASURY BILL ISSUE

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**PROSPECTUS DATE:** March 2006

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## NOTICE TO INVESTORS

This Prospectus is issued for the purpose of giving information to the public. The Government of Antigua and Barbuda accepts full responsibility for the accuracy of the information given and confirms having made all reasonable inquiries that to **the best of its knowledge** and belief there are no other facts, the omission of which would make any statement in this Prospectus misleading.

The ABI Bank Limited has prepared this Prospectus solely from information provided by the issuer, the Government of Antigua and Barbuda. Statements contained in this Prospectus describing documents are provided in summary form only and such documents are qualified in their entirety by reference to such documents. The ultimate decision and responsibility to proceed with any transaction with respect to this offering rests solely with you. Therefore, prior to entering into the proposed investment, you should determine the economic risks and merits, as well as the legal, tax and accounting characteristics and consequences of these Treasury bill offering, and that you are able to assume those risks.

This Prospectus and its content are issued for the specific treasury bill issue described herein. Should you need advice, consult a person licensed under the Securities Act or any other duly qualified person who specializes in advising on the acquisition of government instruments or other securities.

## PROGRAM SUMMARY - TERMS AND CONDITIONS

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

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Parliament Drive  
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**Telephone No.:** (268) 462-4860/1

**Facsimile No. :** (268) 462-5093/1622

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

**Face Value:** EC \$ 51,000,000.00 to be issued in three tranches of EC\$17,000,000.00 each. The first tranche will be auctioned on March 15<sup>th</sup> 2006 under trading symbol AGB150606. The second tranche will be auctioned on April 19<sup>th</sup> 2006 under trading symbol AGB200706 and the third tranche will be auctioned on May 17<sup>th</sup> 2006 under trading symbol AGB170806.

**Arranger:** ABI Bank Limited

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

**Fiscal and**

**Paying Agent:**

Eastern Caribbean Central Bank

**Use of Proceeds:**

Refinancing of current high cost debt and infrastructure development projects

**Tenor:**

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

**First Issue Date:**

March 15<sup>th</sup>, 2006

**Principal Repayment:**

Bullet at maturity

**Issue Price:**

Maximum bid price is 6.50%

**Discount Rate:**

\$ 98.3927

**Method of Issue:**

Determined by a Competitive Uniform Open Price Auction

**Bidding Period:**

9:00 a.m. to 12:00 noon on March 15th, 2006

**Security Identification:**

By a trading symbol

**Interest Payment:** Interest will be computed on the basis of a 365-day year consisting of 12 months of 30 days each (or such other basis as may be agreed between the Issuer and the Dealers as specified in the relevant Pricing Supplement and in the case of an incomplete month, the number of days elapsed)

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

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

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

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

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

**Taxation:** All payments by the Issuer in respect of the T Bills (as defined in “Terms and Conditions of the T Bills”) will be made effectively free and clear of any present or future withholding taxes for or on account of any present or future taxes, duties, assessments or other governmental charges of whatever nature imposed or levied by or on behalf of Antigua and Barbuda or within any political subdivision thereof or any authority therein having power to tax (“Taxes”)

**Status of the Securities:** The Treasury Bills will constitute direct, unsecured and unconditional obligations of the Issuer, respectively, and

will at all times rank at least *pari passu* in priority of payment with all other present and future unsecured and unsubordinated obligations of the Issuer, save only for such obligations as may be preferred by mandatory provisions of applicable law.

**Governing Law:**

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

## EXECUTIVE SUMMARY

The Government of Antigua and Barbuda proposes to raise EC\$51 million through three successive 91-day Treasury Bill Issues that will be auctioned on the Regional Government Securities Market (under a trading symbol AGB150606). During the bidding period, which will be opened at 9:00 a.m. on March 15, 2006 and closed at 12:00 noon on the same day for the first issue, bids of amounts not less than EC\$5,000 and in multiples of EC\$1,000 will be processed through intermediaries licensed by the Eastern Caribbean Securities Regulatory Commission. The proceeds of this issue will be combined with the proceeds of the upcoming long-term bond issue of EC\$100 Million to form a pool of resources that will be used to retire existing long and short-term debt and to finance infrastructure development projects critical to the enhancement of economic growth.

The United Progressive Party, which assumed office in 2004, has set about improving its relationship with its creditors, improving the credit rating of Antigua and Barbuda and implementing a comprehensive debt strategy that is expected to bring the debt to GDP ratio down from a high of about 130 per cent at the end of 2003 to approximately 80 per cent by 2007. All the indicators suggest that this target is achievable. Since 2003, where debt to GDP amounted to nearly 130 per cent, the Government of Antigua and Barbuda has, through bilateral debt renegotiations, already dramatically reduced the debt to GDP ratio to approximately 110 per cent.. Moreover, as a means of intensifying its debt reduction effort, the Government of Antigua and Barbuda, with the assistance of the Canadian International Development Agency (CIDA) has engaged a reputable international firm to assist it in formulating an even more comprehensive debt strategy.

The Government has given the undertaking that the debt being contracted by this issue of Treasury Bills will not be affected in any way by the implementation of the Debt strategy. In fact, this issue is considered an important component of the debt reduction initiatives of the Government in that it will help to reduce the debt stock by retiring expensive debt and fuelling economic growth through the implementation of capital projects that exert



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

- The economy of Antigua and Barbuda has, over the years, achieved growth rates that are higher than the average rates of the OECS and that has pushed the per capita income of Antigua and Barbuda to a level that is the highest in the OECS and among the highest in the entire Caribbean. In fact, over the past 25 years between 1980 and 2004 inclusive, the economy of Antigua and Barbuda expanded in real terms in every year with the exception of 1995. In keeping with this trend, the growth rate for 2004 and 2005 were 5.2 per cent and 5.68 per cent respectively, and it is expected that the economy will continue to grow at an annual average rate of at least 5 per cent over the medium-term.
- Over the medium-term, private sector projects totaling nearly US\$800 million and public sector projects totaling an estimated EC\$460 million will be implemented. These projects, which include airport expansion, road development and repairs, the upgrading and expansion of various educational facilities and infrastructure, and the implementation of an impressive array of private sector hotel and housing development projects, will not only exert positive influence on the growth rate over the medium-term, but will also significantly accelerate the transformation of the economy of Antigua and Barbuda and boost the competitiveness.
- The progressive expansion of the economy of Antigua and Barbuda has taken place in the context of a relatively stable macroeconomic climate characterized by low inflation, a stable exchange rate that has been pegged against the US Dollar at EC\$2.70 per US Dollar since the 1970's and frequent overall balance of payment surpluses. For instance, over the six years between 1999 and 2004, Antigua and Barbuda recorded overall balance of payment surpluses in every year with the exception of 2002, and inflation averaged well below 3 per cent per annum over that period.

- The key sectors of the economy, including tourism, gaming and construction have continued to perform quite well. For instance, between 1999 and 2004, total visitor arrivals increased by 41 per cent; between 2004 and 2005 the establishment of 11 new gaming companies generated \$2.4 million in revenues for the Government and created 497 jobs for the people of Antigua and Barbuda; and in 2005 growth in the construction sector is estimated at nearly 20% thereby making this sector one of the major contributors to overall economic growth in that year.
  
- The fiscal performance of Antigua and Barbuda has improved substantially in recent years. For instance in 2004, the growth in current revenue of 10.5 per cent significantly outstripped the growth of 4.3 per cent in current expenditure and this resulted in a narrowing of the current deficit by some 12.1 per cent. Moreover, in 2005, it is estimated that the current account deficit narrowed by a further 54.8 per cent and the overall deficit was reduced by approximately 32 per cent.
  
- The Government of Antigua and Barbuda has demonstrated considerable commitment to the change and reform process. This administration has shown the political will required to take difficult decisions aimed at turning around the fiscal position of Antigua and Barbuda and honouring its financial obligations and commitments. In particular, the Government has reintroduced personal income tax, is committed to introducing the Antigua and Barbuda Sales Tax in 2006, capped the overall level of discretionary duty free concessions and introduced an expenditure management programme that is expected to, among other things, reduce expenditure on wages and salaries by 20 per cent. These initiatives have been supported by a public sector reform programme and a Customs renewal programme that will not only improve the level of service offered to the public but will also enhance the capacity of the revenue collecting departments.

- The commitment of the Government to the change and reform process has fostered significant support for Antigua and Barbuda from the international community. For instance, this support is manifested in the bilateral agreement between Antigua and Barbuda and the United States of America whereby USAID has committed to providing assistance to Antigua and Barbuda to the tune of EC\$5.4 million per year over the next four years.

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

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

## **SECTION A: COUNTRY DETAILS**

### **I. History**

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

Antigua was administered as a part of the British Leeward Islands Administration until 1967 when it gained associated status with internal self government. Barbuda was leased by the British Government to the Codrington Family from 1685 – 1870 for one fat sheep annually. On becoming a Crown Colony Barbuda's affairs were administered from Antigua with the exception of land ownership which, in keeping with the bequest of the Codrington family, was based on the right of freehold for Barbudans only. The British Government granted Antigua and Barbuda full independence within the Commonwealth on November 1, 1981.

After obtaining independence, Antigua and Barbuda adopted a modified Westminster parliamentary system based on the British model. A Governor General is appointed by and represents the British monarch (the country's head of state), and a Prime Minister is both leader of the majority party and the head of Government. The Right Hon. Sir Vere Cornwall Bird, now deceased, was the Nation's first Prime Minister and led the country until 1994, when he retired from active politics. His party, the Antigua Labour Party (ALP) remained in Government led by the Hon. Lester Bird until March 23, 2003 when

the United Progressive Party (UPP), under the leadership of Hon. Baldwin Spencer, was elected.

## **II. Political Environment**

The Constitutional Order of 1981 prescribes Antigua and Barbuda's form of government and guarantees fundamental rights and individual freedoms. Enshrined in the Constitution is the establishment of the Barbuda Council which is vested with the authority to administer Barbuda Affairs. Constitutional amendments require the affirmative vote of a two-thirds majority of each house of Parliament and the approval of a majority of the voters in Antigua and Barbuda by referendum. Legislation requires passage by both Houses of Parliament and royal assent by the Governor General. Antigua and Barbuda is a parliamentary democracy closely modelled on the British Westminster model. Queen Elizabeth II of the United Kingdom is the head of state. A Governor General, whom she appoints on the recommendation of the Prime Minister, is her representative in Antigua and Barbuda. The Governor General's constitutional functions are largely of a formal or ceremonial nature.

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

Antigua and Barbuda has a history of political stability. In March 2004, the country had its first change of political administration in twenty-eight years. Prime Minister,

Honourable Baldwin Spencer, whose United Progressive Party came into office on March 23, 2004, currently leads the Government.

### **III. Demographics**

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

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

### Vital Statistics 1999-2004

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

*Source: Antigua and Barbuda Statistics Division*

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

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

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

second year of certain University of the West Indies Bachelors degree programmes and grants are available for overseas studies.

#### **IV. Judicial and Legislative Environment**

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

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

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



## SECTION B. THE ECONOMY

### V. Macroeconomic Performance

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

Antigua and Barbuda may be classified as a service economy, with the tourism industry as the dominant service sector. The construction, communications, transport and banking and insurance sectors also make significant contributions to Gross Domestic Product (GDP) in Antigua and Barbuda.

An analysis of the contribution of various sectors to the economy of Antigua and Barbuda over the period 1980 to 2000 reveals that the service sectors have grown significantly over the period. The contribution of banking and insurance to GDP has increased significantly from 5.4 per cent in 1980 to 10.7 per cent in 2000. Similarly, the communications sector moved from accounting for a mere 2.9 per cent of GDP in 1980 to approximately 10.8 per cent in 2000. Conversely, the agriculture sector has diminished in importance moving from a contribution of 8.2 per cent in 1980 to 3.5 per cent in 2000.

These developments have resulted in a service economy, driven by the provision of private sector services. In 1980, private sector services accounted for approximately 69.5 per cent of Gross Domestic Product.<sup>1</sup> By 1990, private sector services accounted for 75.9 per cent of GDP and grew to account for 82.5 per cent of GDP in 2000.

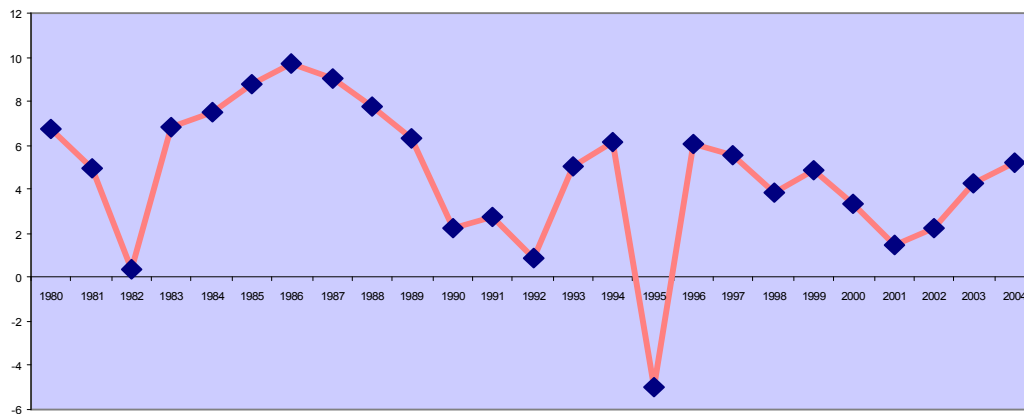
#### II. *Trends in Economic Growth*

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

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<sup>1</sup> Private Sector Services includes the following sectors: Construction, Wholesale and Retail, Hotels and Restaurants, Transport, Communications, Banking and Insurance, Real Estate and Housing and Other Services.

**Chart I**  
**Antigua: Real GDP Growth 1980-2005**



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

Real GDP growth in Antigua and Barbuda averaged 6.8 per cent in the 1980's and 3.3 per cent in the 1990's and compares favorably with average real GDP growth for the OECS countries of 5.9 per cent in the 1980's and 3.3 per cent in the 1990's. Moreover, since 2000 the growth rate of Antigua and Barbuda has not only exceeded the average growth rate in the OECS but has also been on an upward trajectory reaching as high as 4.31 per cent in 2003 and 5.2 per cent in 2004; rates that exceed those recorded in the United States, one of the major trading partners of Antigua and Barbuda. At nearly US\$10,000, the per-capita income of Antiguan and Barbudans is higher than that in any other OECS nation and is among the highest in the Caribbean.

In 2004, the performance of the economy of Antigua and Barbuda was buoyed by activity in the tourism sector, with the hotels and restaurants sub sector expanding in real terms

by 6.75 per cent. The overall growth rate was also strongly influenced by growth in the transport sector of 14.56 per cent, reflecting increases of 14.66 per cent and 10.47 per cent in road and air transport respectively. Activity in the real estate and housing sector and the banks and insurance sector increased by 3.5 per cent and 10.8 per cent respectively.

In 2005, the economy continued on a path of growth and expansion with real GDP estimated to grow at 5.68 per cent. The major contributor to this performance was the construction sector with a growth rate of 19.5 per cent that far exceeded the 2.5 per cent growth rate recorded in the previous year.

## **VI. Sector Developments**

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

The Tourism industry and its ancillary service sub-sectors, represent the most significant generators of foreign exchange for Antigua and Barbuda. From as early as 1979, the tourism industry was second only to Government Services in terms of contribution to GDP. While other sectors such as Communications, and Banking and Insurance have improved in terms of their contribution to GDP, the tourism sector still remains the leading driver of economic growth in Antigua and Barbuda.

Over the period 1999 to 2004, total visitor arrivals increased by approximately 41 per cent while visitor expenditure increased 16 per cent. This performance was influenced by a 15.5 per cent rise in stay over arrivals and a 61 per cent increase in cruise passenger arrivals over the period (see **Table I**).

**Table I: Antigua Tourism Statistics for the Period 1999 to 2004**

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

Source: ECCB Estimates

In 2004, activity in the tourism sector expanded by approximately 12 per cent over 2003, reflecting increases among all categories of visitors. Total visitor arrivals increased by 26.2 per cent comprising of a 12 per cent increase in stay over arrivals and a 36.2 per cent increase in cruise ship passenger arrivals. Total visitor expenditure rose by 12.5 per cent to \$910.8 million in 2004. This performance is evidence of the recovery of the tourism industry, despite the challenges presented by global terrorism.

## **II. Inflation**

Inflation, measured by the change in the consumer price index is relatively low, consistent with what obtains in Antigua and Barbuda's major trading partners. The rate of inflation moved from 1.1 per cent in 1999 to 1.8 per cent in 2002. In 2003 and 2004, inflation rates of 2.8 per cent and 1.74 per cent respectively were recorded in Antigua and Barbuda. Moreover, for the first 11 months of 2005, the rate of inflation remained relatively subdued at under 2 per cent. A major contributor to the relatively low rate of inflation in Antigua and Barbuda is that country's participation in the Eastern Caribbean Currency Union which is characterized by a single Central Bank for the countries of the OECS (with the exception of the British Virgin Islands), the pooling of external reserves which is nearly always well above 90 per cent of the demand liabilities of the Central Bank, and the issue of a single Currency, the Eastern Caribbean Dollar that has maintained a parity against the US Dollar of EC\$2.70 per US Dollar since the 1970's.

### ***III. Internet Gaming***

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

Licensing fees for Internet gaming companies range from US\$50,000 - \$80,000. Revenues from the Internet gaming industry over the period 1996-2000 approximated US\$25 million. Salaries in the sector range from US\$15-18 per hour and the number of gaming companies has exceeded 100. This sector has been adversely affected by the ban imposed by the United States on Internet gaming. However, the Government of Antigua and Barbuda challenged this restriction at the level of the WTO in August 2004, and won the case. Thus, negotiations are currently being held with the United States to resolve the issue.

The Government of Antigua and Barbuda is undertaking a number of measures aimed at overcoming the constraints posed by the high cost of telecommunications in Antigua and Barbuda. In fact, all the indicators suggest that the activities are reaping dividends and that the gaming industry is poised for enhanced growth. Hence, in 2004 and 2005 a total of 11 new gaming companies were established and the operations of these companies generated revenues of \$2.4 million for the Government and created some 497 jobs for the people of Antigua and Barbuda.

## **VII. Public Sector Analysis**

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

For 2005, continued improvement in performance on the fiscal accounts is expected. The current account deficit, which was 7.86 per cent of GDP in 2003 and 6.36 per cent of GDP in 2004, narrowed further to 2.71 per cent of GDP in 2005. This improvement was driven by continued increases in current revenue and a reduction in current expenditure. Current revenue increased 10.5 per cent in 2004 over 2003 from \$427 million to \$472

million. In 2005, this trend continued with current revenue increasing a further 5 per cent to \$493 million. On the other hand, following an increase of 4 per cent between 2003 and 2004, current expenditure declined 9.2 per cent from \$614 million in 2004 to \$557 million in 2005. This reduction was mainly a result of a decline in the debt service requirement following debt forgiveness of over \$500 million in 2005. Also, the Government's efforts to curtail expenditure on wages and salaries and on goods and services helped to bring about the diminution in current expenditure.

There was also significant improvement in the overall balance between 2003 and 2005. In 2004, the overall balance improved from 11.51 per cent of GDP in 2003 to 8.04 per cent of GDP. This trend continued in 2005 with the overall balance declining further to 5.16 per cent of GDP. This improvement in fiscal performance was driven by the Government's efforts to curtail expenditure while at the same time enhancing revenue generation. Overall, for the period 2003 to 2005, revenue increased 15.5 per cent and expenditure declined nearly 6 per cent. Moreover, the primary deficit improved significantly from 3.98 per cent of GDP in 2003 to 0.56 percent of GDP in 2004. In 2005, the primary balance deteriorated to 1.45 per cent of GDP reflecting an increase in capital expenditure as Antigua and Barbuda prepares for Cricket World Cup 2007.

**Table II** below provides the summary of the Antigua and Barbuda fiscal accounts<sup>2</sup>.

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<sup>2</sup> The Current Expenditure figures include estimates of interest on principal arrears and interest on interest arrears.

**Table II: Antigua Summary of Fiscal Accounts (% of GDP) 2003:2005**

	2003	2004	2005P
<i>Current Revenue</i>	(20.78)	(21.13)	(20.85)
<i>Current Expenditure</i>	(28.64)	(27.48)	(23.56)
<b>Current Account Balance</b>	(7.86)	(6.36)	(2.71)
<i>Total Revenue and Grants</i>	(21.08)	(21.63)	(22.51)
<i>Total Expenditure</i>	(32.59)	(29.68)	(27.67)
<i>Of which:</i>			
<i>Capital Expenditure</i>	3.95	2.19	3.98
<b>Overall Balance</b>	(11.51)	(8.04)	(5.16)
<b>Primary Balance</b>	(3.98)	(0.56)	(1.45)

Source: Antigua and Barbuda Revenue and Expenditure Profile

Indirect taxes account for the major portion of the revenue base of Antigua and Barbuda. These taxes include taxes on international trade and taxes on domestic consumption and production. Taxes on international trade accounted for approximately 55 per cent of current revenue in 2003, 58 per cent in 2004 and represented about 56.5 per cent of current revenue in 2005. Taxes on domestic goods and services include stamp duties, hotel and guest tax and telecommunications tax. These taxes accounted for 17.6 per cent of current revenue in 2003, 20 per cent in 2004 and 21 per cent of current revenue in 2005.

Direct taxes on income and profits accounted for approximately 17 per cent of current revenue in 2003, 12 per cent in 2004 and 20 per cent of current revenue in 2005. Non-tax revenues consist of dividends received by the government from various state owned enterprises and profits from the Eastern Caribbean Central Bank. Non tax revenues represented approximately 9.5 per cent of current revenue in 2003, 9.6 per cent in 2004 and 10.1 percent in 2005.

On average, wages and salaries (including contributions to Social Security and Medical Benefits Scheme), interest payments on debt and pension payments represent approximately 80 per cent of current expenditure of central government. Expenditure on wages and salaries represents the largest draw on government resources. In 2003, expenditure on wages and salaries represented 58.5 per cent of current revenue while in 2004 and 2005 this amounted to 53 per cent and 51 per cent respectively.

Capital expenditure represented 12 per cent of total expenditure in 2003 and contracted to 7.3 per cent of total expenditure in 2004. However, in response to the need to prepare for Cricket World Cup 2007 and to upgrade the physical and economic infrastructure of the country, capital expenditure increased to 15 per cent of total expenditure in 2005.

## ***II. Structure and Composition of the Public Debt***

Total public sector debt for Antigua and Barbuda comprises domestic debt, external debt and Government guaranteed debt. At the end of 2004, total public sector debt stood at \$2.4 billion which represents a decline of about 10 per cent from \$2.67 billion in 2003. This decline reflects the results of the Government's debt restructuring programme, as two substantial loans were renegotiated with debt forgiveness exceeding \$500 million. This exerted a positive influence on the debt to GDP ratios. In particular, total public sector debt as a percentage of GDP declined from nearly 130 per cent in 2003 to 108.5 per cent in 2004 and an estimated 110 per cent in 2005.

## **VIII. Balance of Payments**

The Balance of Payments account essentially summarizes the value of transactions between residents of Antigua and Barbuda and the rest of the world. An overall surplus of EC\$17.08 million was recorded on the balance of payments accounts in 2004, reflecting a narrowing of the overall surplus from \$70.62 million in 2003. This narrowing of the balance of payments surplus was due mainly to a significant weakening in the surplus on the capital and financial account.



## *I. Current Account*

Over the period 1999 to 2004 the current account deficit widened from \$163.15 million to \$225.30 million (see **Table III**). However, between 2003 and 2004, the current account deficit improved 18 percent from \$275.63 million in 2003 to \$225.30. The narrowing of the deficit in 2004 was largely a result of a nearly \$100 million increase in travel receipts from \$715.49 million in 2003 to \$810.60 million in 2004. The strong performance on the services account helped to reduce the deficit on the goods and services account from \$207.87 million in 2003 to \$125.43 million in 2004.

On the other hand, the income and current transfer accounts deteriorated in 2004 compared to 2003. The income account reflected a widening deficit from \$104.16 million in 2003 to \$122.56 million in 2004. This was a result of an increase in interest payments on external debt from \$56.73 million in 2003 to \$75.26 million in 2004.

The deficit on the current account was financed by consistent surpluses on the capital and financial account over the period.

## *II. Capital and Financial Account*

The capital and financial account tracks the monetary and financial flows between residents of Antigua and the rest of the world. The surplus expanded between 1999 and 2004 by 27 per cent from \$191.19 million to \$242.38 million, reflecting substantial increases in foreign direct investment over the period. Between 2003 and 2004 however, there was a marked reduction in the surplus on the capital and financial account from \$346.25 million to \$242.38 million. This was due mainly to a 54 per cent decline in net foreign direct investment, which is partly associated with a weakening of activity in the construction industry.

On the capital account, capital transfers to general government increased 108 per cent from \$27.52 million in 2003 to \$57.51 million in 2004. This is consistent with debt forgiveness received by the Government in 2004.

**Table III: Antigua Balance of Payments Summary 1999:2004**

	1999	2000	2001	2002	2003	2004P
<b>Current Account Balance</b>	(163.15)	(180.29)	(174.23)	(294.85)	(275.63)	(225.30)
<i>Goods and Services</i>	(152.52)	(85.32)	(131.96)	(198.11)	(207.87)	(125.43)
<i>Current Transfers</i>	52.68	25.23	24.66	15.16	36.40	22.69
<b>Capital and Financial Account Balance</b>	191.19	163.65	217.43	315.72	346.25	242.38
<i>Direct Investment</i>	139.84	116.41	265.82	177.84	449.07	206.67
<b>Overall Balance</b>	28.04	(16.64)	43.19	20.86	70.62	17.08

*Source: Eastern Caribbean Central Bank*

## **SECTION C: ECONOMIC OUTLOOK FOR ANTIGUA AND BARBUDA**

### **IX. Regional and International Economic Environment**

The outlook for the global economy in 2006 is favorable, with economic growth estimated at 4.3 per cent. This growth will be led by the economies of China and India, which are forecasted, to grow at 8.5 and 6.7 per cent respectively. Growth in the United States economy, Antigua's major source country for the tourism sector is expected to be about 3.6 per cent.

The evidence suggests that the global economy has bottomed out of the slowdown which started in 2001, and recorded significant economic expansion in 2005, despite the impact of rising fuel prices and significant infrastructure and human costs of the Asian Tsunami in December 2004. Growth in the United States outpaced expectations in 2004, thus setting the stage for continued recovery. This is significant as the United States is the single largest source market for tourism in Antigua. Thus, any recovery in the United States market may signal favorable developments in the tourism and internet gaming industries in Antigua. Prospects for growth in tourist arrivals from the European market are not strong, as prospects for growth in the Euro zone remain low due to weak exports and uncertainty regarding the future of the European Union.

In spite of the improved prospects for economic growth emanating from recovery in advanced countries, Antigua like other CARICOM countries is challenged by changing circumstances within the external trading environment. First, the global trading system is rapidly moving away from a system where special and differential treatment (SDT) was granted to the OECS by trading partners, to a system which favors a uniform application of the most favored nation principle. Research conducted by UNECLAC (2003) has suggested that SDT's have hampered export diversification and export performance in the Caribbean, through a pattern of export specialization and import substitution. Thus, the region may benefit more significantly in the long run if industries are developed on

the basis of comparative advantage rather than SDT's. Fortunately, Antigua and Barbuda does not rely on the production of primary agricultural produce and manufactured goods that enjoy market preferences, as heavily as a number of other OECS countries. Hence, Antigua and Barbuda is likely to be spared much of the social and economic cost associated with the closure or downscaling of many of the traditional industries such as sugar and banana that have enjoyed preferences in the past but is not able to compete in a more liberalized global economic environment.

Secondly, Antigua and Barbuda faces possible mild erosion of its revenue base through its participation in trading arrangements such as the CARICOM single market and economy (CSME) and the Free Trade Area of the Americas (FTAA). In respect of the CSME, preliminary investigation suggests that manufacturers from the OECS countries may face difficulties due to competition from other CARICOM countries. However given that manufacturing accounts for only a small proportion of GDP in Antigua and Barbuda, the adverse impact of CSME is not likely to be felt as significantly in this Country as in other OECS countries. Moreover, the Government is already taking steps to enhance revenue collections from direct revenue such as income tax and from other taxes such as the Antigua and Barbuda Sales Tax that are not as vulnerable to changes in trade agreements and treaties as import duties.

The FTAA with a population of 800 million and a GDP of US\$9 trillion is expected to be the largest free trade area in the world and could significantly expand the opportunities available to the entrepreneurs in the region. Within the context of the FTAA, the OECS countries could emerge as the group with the greatest degree of specialization in the area of services. Given that the OECS countries are not likely to benefit from economies of scale that are so critical to the attainment of a comparative advantage in agriculture or manufacturing, it will be necessary for these countries to focus on the development of services within the context of the FTAA.

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

## **X. Constraints to and Opportunities for Economic Growth**

### ***I. Constraints***

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

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

The increase in international petroleum prices may have implications for developments in the national economy, particularly the tourism sector. The continued climb in petroleum prices has been caused mainly by the increasing incidents in global terrorism and demand pressure from developed Asian economies such as China and India. Fuel prices have reached a peak of US\$70.85 per barrel in recent times, and the upsurge in fuel prices has caused many airlines to increase the fuel surcharge on airline tickets. This has increased the cost of air and sea transportation and by extension, vacations. Airline companies have also responded by cutting the number of scheduled flights and certain flight routes. Thus, the tourism industry in Antigua and the rest of the Caribbean may be adversely affected, if fuel prices continue on the upward trend.

The increase in international petroleum prices has also increased production costs, thus increasing the price of goods emanating from the main source market, the United States. Continued pressure on prices may have inflationary consequences in the domestic

market. The risks presented by the increase in oil prices are also faced by other OECS countries and by all countries of the world that are net consumers of oil.

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

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

## ***II. Opportunities***

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

During the late 1990's and early millennium period, activity in the internet gaming industry made a significant contribution to growth and employment in Antigua and Barbuda. However, with the imposition of restrictions by the Government of the United States on the use of credit cards to facilitate online betting, growth in this sector was adversely affected. The Government of Antigua and Barbuda successfully challenged these actions and is presently in negotiations with the US to facilitate the implementation of the WTO ruling. It is expected that the resolution of this dispute will accelerate growth in the internet gaming industry in Antigua and Barbuda.

### *Negotiations of Trade in Services under the FTAA Process*

Under the FTAA, the OECS countries emerge as a group that is most specialized in the area of services. Under the General Agreement of Trade in services (GATS) there are four modes of delivery for services. Mode I is cross border supply where neither the provider nor the user (consumer) of the service moves. Mode II, consumption abroad is where the consumer goes abroad. Under Mode III, the supplier of the service establishes a commercial presence in another country. Mode IV involves the temporary movement of persons, where the supplier travels to another country to provide a service.

Antigua and Barbuda has significant potential under Mode I in the area of internet gaming and therefore must ensure that any negotiations under the FTAA provide a trading environment that is conducive to further development of the sector. Under Mode II, the tourism sector is the main driver of economic growth and therefore the trade negotiation process should seek to strengthen any comparative advantage that Antigua possess in services such as tourism, offshore education, and health and wellness. Thus, the negotiations under the FTAA process presents significant opportunities for Caribbean countries to advance the development of trade in services, especially in those services in which the Countries of the region, including Antigua and Barbuda, have a vested interest.

### *Fiscal Reform and Consolidation*

In the area of fiscal reform and consolidation, the Government of Antigua and Barbuda has implemented a number of measures aimed at streamlining growth in expenditure and in broadening the revenue base. In particular, the Government has undertaken to reduce expenditure on wages, rents and other services. In respect of revenue, the Government reintroduced the personal income tax in April 2005 and has focused on adopting measures to improve revenue collection and to ensure greater efficiency in tax administration. Further, taxes such as the entertainment tax, radio license, TV license and dog license have been removed, as the return on such taxes was not sufficiently high to justify the cost of administering such taxes. This initiative should allow the Revenue Authorities to pay even greater attention to the collection of the potentially high-yielding taxes.

Efforts to strengthen the Customs and Inland Revenue Departments and to reorganize the Treasury are ongoing. In addition, the revision and modernization of relevant legislation as well as the implementation of and consolidation of revenue measures will continue in 2006. Particular emphasis will be placed on the introduction of the Antigua and Barbuda Sales Tax and the modernization of the property tax system.

These tax reform measures have been accompanied by the initiation of a comprehensive programme of public sector transformation aimed at establishing modernized human resource management systems, equipping public servants with relevant skill through more training programmes, promoting greater transparency and accountability; enhancing operational efficiency and effectiveness, strengthening the revenue collecting departments and the modernization and computerization of the entire system of financial management throughout the public service.

The Government's public sector transformation programme is aimed at transforming or right sizing the public sector and will seek to reduce expenditure on wages and salaries of public servants by 20 per cent. In 2006, the Government introduced the Voluntary Severance initiative, which will allow public servants to opt for severance packages or early retirement. In addition to this initiative, the Government has already commenced manpower audits and human resource assessments to ensure that the best-equipped personnel fill each position in the public service. It is expected that the Government's attempts to right size the public sector would result in savings of approximately \$50 million per year.

These ongoing initiatives and reforms will not only strengthen the Government's expenditure management systems, but are also expected to, *inter alia*, boost the efficacy of the tax system by providing the institutional capacity for the expeditious implementation of the revenue measures and for the efficient assessment and collection of the new taxes.



A critical component of the reform programme will be the completion of a Customs renewal programme that will overhaul all aspects of Customs operations to ensure improvement in the services offered to traders and travellers, reduction of the cost to the private sector in complying with Customs requirements, better protection of Antigua and Barbuda's financial security, increased customs efficiency and professionalism, enhanced revenue generation and the introduction of the ASYCUDA World Customs Software, which will revolutionize and dramatically improve the way importers interact with the Customs Department.

These revenue measures and institutional reform initiatives reflect a high degree of political will and the strong commitment of the Government to improving the quality of services delivered by the public sector and to generating the revenues necessary to enable the Government to effectively carry out its functions and to meet its financial obligations. The measures should assist in reducing the gap between revenue and expenditure and provide the Government of Antigua and Barbuda with greater degrees of freedom in implementing its agenda for growth and development.

#### *Economic Cooperation*

The Government of Antigua and Barbuda has strengthened its relationships with the United States of America and has entered into a bilateral arrangement with that country whereby Antigua and Barbuda will be provided with USAID funds in the amount of EC\$5.4 million per year for a period of four years. The funds will be used to support programmes to reduce economic vulnerabilities, eliminate barriers to competitive global trade and investment, increase competitiveness in the private sector, improve domestic employment and enhance Antigua and Barbuda's capacity for sustainable growth in the face of challenging external circumstances. This Agreement with the United States of America is an example of the tremendous empathy and support shown by the international community to Antigua and Barbuda as a result the serious and committed way in which the Government of Antigua has taken up the challenge of change and reform.

## **XI. Economic Strategy and Prospects for Antigua and Barbuda**

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

In order to provide an environment that is conducive to private sector development, the Government has undertaken to implement a number of incentive measures which seek to promote investment in Antigua and Barbuda. One such measure was the reduction of the corporate income tax in 2005 from 35 per cent to 30 per cent.

### *Incentive Framework and Investment Environment*

As part of the program to promote domestic and foreign investment, the Government will soon establish the Antigua and Barbuda Investment Authority. This entity will serve as a one-stop-shop for all investors and carry out the functions of investment promotion and facilitation.

Antigua and Barbuda's recent accession to membership in the Multilateral Investment Guarantee Agency (MIGA) will also help to improve the investment climate by giving investors a greater sense of confidence in respect of their investment in Antigua and Barbuda. MIGA provides guarantees to investors undertaking investment projects in developing countries, provides technical assistance to improve the investment climate and provides dispute mediation services to remove the obstacles to future investment.

The Government of Antigua and Barbuda is also proactive in creating a climate that would attract investments capable of maximizing the benefits accruing from Cricket World Cup 2007. As part of the preparation for this event, all existing hotels and

developers of new properties will be entitled to duty free concessions and tax holidays. It is believed that this package of incentives will provide a boost to private sector investment in Antigua and Barbuda and will facilitate construction of new rooms to augment room capacity not only for Cricket World Cup 2007 but also for the further expansion of the tourism sector. In fact, the Government of Antigua and Barbuda estimates that this incentives programme will ignite investment in construction that can add up to 1,200 new rooms to the current inventory of rooms, and create some 2,000 new jobs.

The Government is paying particular attention to the development of small businesses. In 2005 the Government, in collaboration with the Stanford Financial Group, introduced the Empowerment for ownership initiative. This initiative established a EC\$10 million fund which would allow for the provision of loans at low interest rate to micro and small businesses. This emphasis on the development of micro and small businesses is expected to continue in 2006. During the budget address in November 2005, the Minister of Finance and the Economy signaled the intention of the Government to introduce a Small Business Development Act in 2006. This legislation will formalize a system of incentives for small businesses, establish programmes for providing technical assistance to these businesses in areas such as marketing, financial management and the adoption of best practices, and reserve 25 per cent of all Government procurement for small businesses. It is expected that these initiatives will help to create a flourishing small business sector and promote economic growth and employment.

### *Economic Outlook*

In 2005, real GDP is estimated to have grown by about 5.68 per cent as a result of a significant increase in construction activity. For the period 2006 to 2008, construction activity fuelled by the implementation of infrastructure development projects such as road development, airport expansion and private hotel construction is expected to drive economic activity.

In particular, the Government of Antigua and Barbuda is expected to undertake a number of development projects at a cost of over EC\$460 million. Of this, it is anticipated that some EC\$190 million would be spent in 2006. Some of these projects will be undertaken with support from national, regional and international counterparts while others will be funded through Government resources. The projects include:

- Reconstruction of the Public Library,
- Construction of the Transport Board Headquarters,
- Construction of the School of Excellence,
- Construction of the Cricket Stadium,
- Airport Development Project (Phase 1),
- Expansion of the Technical and Vocational Centre,
- Development of roads and the airport runway in Barbuda,
- Major repairs and reconstruction of Police and Fire Stations, and
- Major repairs and development of road networks.

Moreover, private sector hotel and housing development projects valued at nearly US\$800 million will be implemented over the period 2006 to 2008. These include Sandals expansion, Pelican Island Resort, La Perla Development, BAP Development, Weatherills Development, Verandah, and Emerald Cove Development.

It is therefore expected that Real GDP growth over the period would be at least 5 per cent per annum with growth for 2006 estimated by the ECCB at over 13 per cent. With the full implementation of fiscal consolidation measures, significant improvements are expected on the fiscal accounts of central government. A small surplus equivalent to 0.07 per cent of GDP is expected in 2006 and the overall deficit is expected to decline further from 5.16 per cent to 4.45 per cent of GDP in 2006.

The Government's strategy for debt reduction and improved debt management is already in progress and has yielded considerable results. In fact, the Government has already managed, through a bilateral approach, to negotiate over EC\$500 million in debt relief

thereby bringing a reduction in the Debt to GDP ratio from nearly 130 per cent in 2003 to about 110 per cent in 2005. To build on this remarkable performance, the Government has received assistance from the Canadian International Development Agency (CIDA) to expand its debt strategy to include a more comprehensive and multilateral approach to debt management.

In this regard, the Government of Antigua and Barbuda has engaged the London-based company, Houlihan Lokey Howard and Zukin (Europe) Ltd., to assist in developing its multilateral debt management strategy. It is expected that the formulation and implementation of the strategy will assist the Government in bringing the debt to GDP ratio to about 80 per cent in 2007, facilitate regularization of Government's relationship with its creditors, improve the credit rating of Antigua and Barbuda, and initiate the establishment of more effective systems for ensuring debt sustainability.

The issue of Treasury Bills currently being offered through this Prospectus is an integral part of the Government's debt reduction strategy. The proceeds of this Issue will be combined with the proceeds of an upcoming long-term bond issue of EC\$100 million to form a pool of resources that will be used to retire existing long and short-term debt and to finance infrastructure development projects critical to the enhancement of economic growth in Antigua and Barbuda. Hence, the Government has given the undertaking that this security as well as the long term bond will not be subject to any renegotiation or adjustment during the implementation of the debt strategy which is currently being developed.

## **SECTION D: SECURITY ISSUANCE PROCEDURES AND SETTLEMENT**

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

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

## **SECTION E: CURRENT ISSUES OF GOVERNMENT SECURITIES ON REGIONAL AND INTERNATIONAL MARKET**

There are currently no issues listed on any regional or international market.

## **SECTION F: SECONDARY MARKET ACTIVITIES**

The Government does not have any previously listed securities on the Regional Government Securities Market (RGSM). This will be the first listed security for the Government.

## **SECTION G: CALENDAR OF EVENTS – UPCOMING ISSUES**

The Government of Antigua and Barbuda will issue an EC\$ 100 million ten-year bond for refinancing existing borrowings and financing several capital projects. This security will be issued under the Loan stock Authorization Act (2005). The Government will issue this bond on the Regional Securities Market later this year.

## APPENDIX I: SUMMARY OF ECONOMIC DATA

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

### Selected Economic Information for the Years ended 2002-2004

	2002	2003	2004
<i>Real Sector</i>			
<b>Real GDP Growth Rate</b>	2.2	4.31	5.2
<b>Inflation Rate</b>	1.8	2.8	1.74
<b>Visitor Expenditure (EC\$M)</b>	739.2	809.5	910.8
<i>External Sector</i>			
<i>In Percent of GDP</i>			
<b>Current Account Balance (BOP)</b>	(13.6)	(13.0)	(9.7)
<b>Services Balance</b>	30.7	31.1	31.7
<i>Central Government</i>			
<i>In Percent of GDP</i>			
<b>Total Revenue and Grants</b>	21.5	21.1	21.6
<b>Total Expenditure and Net lending</b>	32.2	32.6	29.7
<b>Overall balance</b>	(10.7)	(11.5)	(8.0)
<b>Current Account Balance</b>	(6.3)	(7.9)	(6.4)
<b>Total public sector debt</b>	129.3	129.3	108.5



## APPENDIX II: LIST OF LICENSED INTERMEDIARIES

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

INSTITUTION	CONTACT INFORMATION	ASSOCIATED PERSONS
<b>Grenada</b>		
Republic Finance and Merchant Bank Ltd. (FINCOR)	NCB House Grand Anse St George's  Tel: 473 444 1875 Fax: 473 444 1879 Email: fincorec@caribsurf.com	<b>Principals:</b> Heather Titus Wilma Williams  <b>Representatives:</b> Tarlie Francis Heather Titus Wilma Williams
<b>St Kitts and Nevis</b>		
St Kitts Nevis Anguilla National Bank Ltd.	P O Box 343 Central Street Basseterre  Tel: 869 465 2204 Fax: 869 465 1050 Email: national_bank@sknanb.com	<b>Principals:</b> Winston Hutchinson Anthony Galloway  <b>Representatives:</b> Marlene Nisbett Desilu Smithen Petronella Edmeade-Crooke
The Bank of Nevis Ltd.	P O Box 450 Charlestown Nevis  Tel: 869 469 5564 Fax: 869 469 5798 E mail: bon@caribsurf.com	<b>Principals:</b> Rawlinson Isaac Hanzel Manners  <b>Representatives:</b> Lisa Jones Wanda Pinney Vernesia Douglas
<b>St Lucia</b>		
Bank of St Lucia Ltd.	P O Box 1862 Bridge Street Castries  Tel: 758 456 6000 Fax: 758 456 6190 Email: bankofsaintlucia@candw.lc	<b>Principals:</b> Donna Matthew Beverley Henry  <b>Representatives:</b> Trevor Lamontagne Lawrence Jean
Caribbean Money Market Brokers Ltd.	9 Brazil Street Castries	<b>Principals:</b> Leslie St Louis

INSTITUTION	CONTACT INFORMATION	ASSOCIATED PERSONS
<b>(CMMB St Lucia)</b>	Tel: 758 450 2662 Fax: 758 451 7984 Email: info@mycmmb.com	Brent Salvary Sharmaine Rosemond  <b>Representatives:</b> Sharmaine Rosemond Leslie St Louis Vishwatee Jagroop
<b>St Vincent and the Grenadines</b>		
National Commercial Bank (SVG) Ltd.	P O Box 880 Cnr. Bedford and Grenville Streets Kingstown  Tel: 784 457 1844 Fax: 784 456 2612 Email: natbank@caribsurf.com	<b>Principal:</b> Keith Inniss  <b>Representative:</b> Patricia John
<b>Trinidad and Tobago</b>		
Caribbean Money Market Brokers Ltd. (CMMB)	No. 1 Richmond Street, Ground Floor Furness Court, Independence Square Port of Spain  Tel: 868 623 7815/5153 Fax: 868 624 4544/9833 ; 627 2930 Email: info@mycmmb.com	<b>Principals:</b> Brent Salvary Leslie St Louis Sharmaine Rosemond  <b>Representatives:</b> Leslie St Louis Vishwatee Jagroop Sharmaine Rosemond

**REGISTERED OFFICE  
OF  
THE ISSUER**

**Government of Antigua and Barbuda**  
Parliament Drive  
St. John's  
Antigua

**FISCAL AND  
PAYING AGENT**

**Eastern Caribbean Central Bank**  
ECCB Financial Complex  
Bird Rock, Basseterre  
St. Kitts

**REGISTERED OFFICE  
OF  
THE ARRANGER**

**ABI Bank Ltd**  
Redcliffe Street  
St. John's  
Antigua

**EXCHANGE**

**Eastern Caribbean Securities  
Exchange**  
ECCB Financial Complex  
Bird Rock, Basseterre  
St. Kitts