



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

FOR
91-day Treasury Bills
(March 2007 – August 2007)

Ministry of Finance and the Economy
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PROGRAM SUMMARY - TERMS AND CONDITIONS

Issuer: THE GOVERNMENT OF ANTIGUA AND BARBUDA

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

Arranger: ABI Bank Limited

Trustee Agent: ABI Trust (Antigua) Limited

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

Use of Proceeds: Refinancing maturing treasury bills

Face Value: EC \$ 17,000,000.00 Treasury Bills to be auctioned in each month during the period March 2007 to August 2007. The treasury bills will be auctioned on the following dates:

- 26 March 2007 – trading symbol AGB260607
- 30 April 2007 – trading symbol AGB310707
- 29 May 2007 – trading symbol AGB290807
- 27 June 2007 – trading symbol AGB270907
- 01 August 2007 – trading symbol AGB011107
- 29 August 2007 – trading symbol AGB291107

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

Settlement Dates/Issue Dates:

- 27 March 2007 – trading symbol AGB260607
- 01 May 2007 – trading symbol AGB310707
- 30 May 2007 – trading symbol AGB290807
- 28 June 2007 – trading symbol AGB270907
- 02 August 2007 – trading symbol AGB011107
- 30 August 2007 – trading symbol AGB291107

Principal Repayment: Bullet at maturity

Issue Price: Maximum bid price is 6.50%

Discount Rate: \$ 98.379

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

Bidding Period:	9:00 a.m. to 12:00 noon on auction days
Security Identifications:	By trading symbols AGB260607, AGB310707, AGB290807, AGB270907, AGB011107 and AGB291107 respectively.
Placement of Bids:	Investors will participate in the auction through the services of any of the licensed intermediaries.
Interest Payment:	Interest will be computed on the basis of a 365-day year
Listing:	Duly registered with the Eastern Caribbean Securities Exchange (ECSE). Treasury Bills will be traded on the Regional Government Securities Market (RGSM) using the platform of the ECSE
Minimum Bid:	EC\$5,000.00
Maximum Bid:	EC\$17,000,000.00
Bid Multiplier:	EC\$1,000.00
Bids per Investor:	Each investor will be allowed one bid with the option of improving their price (interest rate) and increasing the amount being tendered up until the close of the bidding period. Investors will participate in the auctions through the services of a licensed intermediary.
Taxation:	All payments by the Issuer in respect of the Treasury Bills (as defined in “Terms and Conditions of the Treasury Bills”) will be made effectively free and clear of any present or future withholding taxes for or on account of any present or future taxes, duties, assessments or other governmental charges of whatever nature imposed or levied by or on behalf of Antigua and Barbuda or within any political subdivision thereof or any authority therein having power to tax (“Taxes”)

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

Governing Law: The Treasury Bills will be governed by and constructed in accordance with the Antigua and Barbuda Treasury Bills Act (2005), which is available on the Government of Antigua and Barbuda official website (www.antigua.gov.ag)

Licensed Intermediaries:

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

EXECUTIVE SUMMARY

The Government of Antigua and Barbuda proposes to raise EC\$17m monthly during the period March 2007 to August 2007 through the issuance of 91-day Treasury Bills to be auctioned on the

Regional Government Securities Market (under trading symbols respectively). During the bidding periods, which will be open at 9:00 a.m. on the auction days and closed at 12:00 noon on the same days, bids of amounts not less than EC\$5,000 and in multiples of EC\$1,000 will be processed through intermediaries licensed by the Eastern Caribbean Securities Regulatory Commission. The proceeds of this issue will be used to refinance maturing treasury bills.

The United Progressive Party, which assumed office in 2004, has set about improving its relationship with its creditors, improving the credit worthiness of Antigua and Barbuda and implementing a comprehensive debt strategy that is expected to bring the debt to GDP ratio down from a high of 140 per cent at the end of 2003 to the ECCB benchmark of 60 per cent within ten years. All the indicators suggest that this target is achievable. Between the end of 2003 to the end of 2006, the Government of Antigua and Barbuda has already dramatically reduced its debt to GDP ratio from 140 per cent to less than 115 per cent. 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 in formulating and implementing an even more comprehensive debt strategy.

The Government has given the undertaking that the debt being contracted by these issues of Government treasury bills will not be affected in any way by the implementation of the Debt Strategy. In fact, these issues are considered to be an important component of the debt reduction initiatives of the Government in that it will help to bring down the debt to GDP ratio by retiring expensive debt and by promoting economic growth.

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

such a reputation as a critical component of the friendly investment climate in Antigua and Barbuda.

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

- The economy of Antigua and Barbuda has, over the years, achieved growth rates that are higher than the average rates of the OECS and that have pushed the per capita income of Antigua and Barbuda to a level that is the highest in the OECS and among the highest in the entire Caribbean. In fact, over the past 25 years between 1980 and 2004 inclusive, the economy of Antigua and Barbuda expanded in real terms in every year with the exception of 1995. In keeping with this trend, the growth rate for 2004, 2005 and 2006 were 5.2 per cent, 5.3 per cent and 11.5 per cent respectively and it is projected that the economy will continue to grow at an average real growth rate of at least 4 per cent per annum over the medium-term.
- Over the medium-term, private sector projects totaling about US\$800 million and public sector projects totaling EC\$600 million will be implemented. These projects, which include airport expansion, road development and repairs, the upgrading and expansion of various educational facilities and infrastructure, and the implementation of an impressive array of private sector hotel and housing development projects, will not only exert positive influences on the economic growth rate over the medium term, but will also significantly accelerate the transformation of the economy of Antigua and Barbuda and boost competitiveness.
- The progressive expansion of the economy of Antigua and Barbuda has taken place within the context of a relatively stable macroeconomic climate characterized by low inflation, a stable exchange rate that has been pegged against the US Dollar at EC\$2.70 per US Dollar since July 1976 and frequent overall balance of payment surpluses. For instance, over the six years from 1999 to 2004, Antigua and Barbuda recorded overall balance of payment surplus in every year with the exception of 2002, and inflation averaged well below 3 per cent per annum over that period.

The key sectors of the economy, tourism (represented by the hotels and restaurants sector) and construction have continued to perform quite well. For the period 1999 to 2005, total visitor arrivals increased by an average rate of 5.6 per cent per annum. In 2001 and 2002 total visitor arrivals declined as a result of September 11th and the ensuing world economic recession. However, by 2003, the sector rebounded significantly. With respect to construction, the sector grew at an annual average rate of 6.0 per cent between 1999 and 2006. Preliminary figures show a 35 per cent expansion in output from the construction sector which has contributed significantly to overall economic growth in 2006. The Government is continuing its efforts to diversify the economy and to promote financial services and internet gaming as key economic sectors. These sectors, which are captured under other services in the national accounts, have grown at a steady pace since 1999. In 2004 and 2005, the establishment of eleven new gaming companies generated \$2.4 million in revenues from license fees and created 497 jobs for the people of Antigua and Barbuda.

- The fiscal performance of Antigua and Barbuda has improved substantially in recent years. For instance in 2006, there was growth in current revenue of over 20 per cent which allowed for further narrowing of the current account deficit. Though the overall deficit in 2006 widened to reflect significant outlays for capital projects, both Cricket World Cup and non-Cricket World Cup related, the overall balance as a ratio of GDP amounted to 6.6 per cent which is still below the 9.5 per cent recorded in 2003.
- The Government of Antigua and Barbuda has demonstrated considerable commitment to the change and reform process and has shown the political will required to take difficult decisions aimed at turning around the fiscal position of Antigua and Barbuda and honouring its financial obligations and commitments. In particular, the Government has re-introduced the personal income tax; will soon implement the Antigua and Barbuda Sales Tax along with an excise tax on certain items including petroleum products; has capped the overall level of duty free concessions; and is implementing a Public Sector Transformation Programme along with a number of fiscal reform measures that are expected to, among other things, reduce expenditure on wages and rents

by 20 per cent. These initiatives will be supported by a number of institutional reform programmes, including a Customs Renewal Programme, that will not only improve the level of service offered to the public but will also enhance the capacity of the revenue collecting departments.

- The commitment of the Government to the change and reform processes has fostered significant support for Antigua and Barbuda from the international community. For instance, this support is manifested in the bilateral agreement between Antigua and Barbuda and the United States of America whereby USAID has committed to provide assistance to Antigua and Barbuda to the tune of EC\$5.4 million per year over the next four years.
- The Government has successfully honoured its promise to ensure that all investors in securities issued on the RGSM were repaid in full and on time. To this end, all issues of treasury bills were repaid upon maturity and the scheduled payments in respect of the United States dollar bond and the Eastern Caribbean dollar bond were also executed.

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

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

History

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

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

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

the Hon. Lester Bird until March 23, 2004 when the United Progressive Party, under the leadership of Hon. Baldwin Spencer, was elected.

Political Environment

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

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

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

Demographics

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

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

Vital Statistics 1999-2004

PARTICULARS	1999	2000	2001	2002	2003	2004
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. Further, the 2006 United Nations Human Development Index ranks Antigua and Barbuda among the top sixty countries of the world with high human development.

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

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

Judicial and Legislative Environment

Antigua and Barbuda’s judicial system is based on the English system, including the principles and practice of English common law. The member states of the Organization of Eastern Caribbean States (OECS) share a single supreme court, the Eastern Caribbean Supreme Court. The Supreme Court is headed by the Chief Justice, and administers the laws of each OECS member state. It has two divisions, the High Court of Justice and the Court of Appeal. The High Court of Justice meets in Antigua bi-annually and the Court of Appeal is headquartered in St. Lucia. Appeals from the Court of Appeal go to the Judicial Committee of the Privy Council in London, England, which is currently the country’s court of last resort.

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

Macroeconomic Performance

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. During the late 1990's and early millennium period, activity in the internet gaming industry also made a significant contribution to growth and employment in Antigua and Barbuda but the ban on internet gaming imposed by the United States of America (USA) has constrained the growth of this sector. The 2004 ruling on internet gaming, which was made by the WTO Panel in favour of Antigua and Barbuda over the United States of America, should facilitate the further expansion and development of the internet gaming sector in Antigua and Barbuda. The USA has not yet complied with the WTO ruling, however, activity in this sector increased with an additional eleven companies established between 2004 and 2005.

An analysis of the contribution of various sectors to the economy of Antigua and Barbuda over the period 1980 to 2006 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 10.0 per cent in 2006. Similarly, the communications sector moved from accounting for a mere 2.9 per cent of GDP in 1980 to approximately 10.1 per cent in 2006. Conversely, the agriculture sector has diminished in importance moving from a contribution of 8.2 per cent in 1980 to 2.9 per cent in 2006. From 2000 onwards, the tourism sector has remained the dominant

sector, but its contribution to economic activity as reflected in the Hotels and Restaurants component of the GDP statistics, has fluctuated somewhat. For instance, the contribution of the Hotel and Restaurant Sector has ranged from as high as 17.6 per cent in 1994 to as low as 11.6 per cent in 2001. In subsequent years, the tourism industry has accounted for an average of about 12 per cent of GDP. The full details of the contributions of the various sectors to the GDP of Antigua and Barbuda are provided in Appendices 1, 2 and 3.

II. Trends in Economic Growth

As the largest economy in the OECS, Antigua and Barbuda has a strong history of growth in Gross Domestic Product (GDP). This is supported by an average real GDP growth rate of about 5.2 per cent over the period 1980 to 2006 (see chart I).

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

Chart I
Antigua: Real GDP Growth 1980-2005



Real GDP growth in Antigua and Barbuda averaged about 7.0 per cent in the 1980's and 3.3 per cent in the 1990's and compared favourably with average real GDP growth for the OECS countries of 5.9 per cent in the 1980's and 3.3 per cent in the 1990's. Moreover, since 2000 the growth rate of Antigua and Barbuda has not only exceeded the average growth rate in the OECS but has been on an upward trajectory with growth amounting to 5.2% in 2004, 5.3% in 2005 and approximately 11.5% in 2006; rates that exceed those recorded in the United States, one of the major trading partners of Antigua and Barbuda.

The strong economic performance in 2006 was mainly driven by activity in the construction sector. Specifically, output of the construction sector grew in real terms by 35 per cent as a result of major

private and public sector construction projects. Tourism, the main economic industry in Antigua and Barbuda, grew by 4.0 per cent in 2006 while the banking and insurance sector and the communications sector grew by 5.7 per cent and 6.0 per cent respectively.

II. Inflation

Inflation, measured by the change in the consumer price index, is relatively low consistent with what obtains in the economy of Antigua and Barbuda's major trading partner. The average inflation rate for the period 2001 to 2005 amounted to 2.1 per cent with the rate amounting to 2.8, 2.1 and 2.0 percent in 2003, 2004 and 2005 respectively. Prices have remained relatively stable with a 0.01 percent change in the Consumer Price Index at the end of year 2006.

Sectoral Developments

I. Tourism Sector

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

Over the period 2002 to 2006, tourism as represented by the hotels and restaurants sector, grew at an average rate of about 4.4 per cent per annum. Total visitor arrivals increased by 37.6 per cent per between 2002 and 2006 with stay over arrivals increasing by 25.2 per cent and cruise passenger arrivals increasing by 47.6 per cent.

Table I: Antigua and Barbuda Tourism Statistics for the Period 2002 to 2006

Indicator	2002	2003	2004	2005	Est. 2006
<i>Total Visitor Arrivals</i>	548, 833	640, 381	808, 158	751,379	755,385
<i>Stay over Visitors</i>	218,399	239,185	267,626	267,106	273,414
<i>Cruise Passengers</i>	312,241	383,834	522,744	466,851	460,849
<i>Cruise Ship Calls</i>	200	294	371	321	353
<i>Gross Visitor Expenditure (EC\$M)</i>	739.19	809.51	910.76	904.5	1,029.3

Source: ECCB and CTO Estimates

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

Activity in the tourism sector slowed by about 1.1 per cent in 2005, as stay-over arrivals and cruise visitors declined by 2.7 per cent and 10.8 per cent respectively. The decline in cruise passenger arrivals may be attributed to a reduction in the number of cruise ship arrivals during the off-season period in 2005. The slight decline in stay-over arrivals may be partly due to pressure from rising international petroleum prices on the cost of air travel along with the closure of major hotels for renovations.

In 2006, the sector rebounded with estimated growth of 4 per cent reflecting an increase in stay over arrivals. Total stay over arrivals increased by an estimated 2.4 per cent in 2006 as the properties that were closed in 2005 for renovation were re-opened. Cruise passenger arrivals remained sluggish due to increased competition in the cruise sector. As a result, cruise passenger

arrivals declined by about 1.3 per cent in 2006. However, total visitor expenditure is estimated at \$1,029 million compared to \$904.5 million in 2005.

II. Internet Gaming

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

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

The report of the WTO Appellate Body lacked the definitive findings of the previous Panel report and therefore in some circles, the report was interpreted to suggest that the United States won the appeal. The report however, recommended that the WTO Dispute Settlement Body request that the United States conform to its obligations under the GATS. To date, the United States has not complied with the recommendations of the Dispute Settlement Body and has, in fact, instituted more restrictive legislation to limit market access. As the Government awaits official the outcome of these procedures the authorities remain committed to the development of gaming as a viable tool for economic diversification.

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

Public Sector Analysis

I. Fiscal Performance

At the end of 2005, the fiscal operations of the Government recorded an improvement over the performance in 2004. Current revenue increased by 4.5 per cent and amounted to 3.3 per cent of GDP, while current expenditure grew by 1.9 per cent and amounted to 25.2 per cent of GDP. This performance resulted in a narrowing of the current account deficit to 3.7 per cent of GDP in 2004 compared to 5.8 per cent of GDP in 2003. Capital expenditure declined by nearly 40.0 per cent to 2.2 per cent of GDP.

Estimates on the fiscal out turn for 2006 indicate that, current revenue increased by about 22.9 per cent while current expenditure increased by 14.1 per cent. Also, capital expenditure increased by over 112.4 per cent to nearly 7 per cent of GDP. The growth in expenditure was driven by the need for Government spending in respect of various activities in preparation for Cricket World Cup 2007. Despite the increased expenditure, the current account deficit in 2006 narrowed further to 2.32 per cent of GDP while the overall deficit widened to 5.6 per cent of GDP due to the significant increase in spending on capital projects.

Table II: Antigua and Barbuda Summary of Fiscal Accounts 2003:2006 (EC\$M)¹

	2003	2004	2005	2006 Est.
Current Account Balance	(74.6)	(80.1)	(69.6)	(36.5)
<i>Current Revenue</i>	422.9	472.3	493.7	606.5
<i>Current Expenditure</i>	497.4	553.0	563.3	642.8
Overall Balance	(137.0)	(113.8)	(145.8)	(231.3)
<i>Total Revenue and Grants</i>	437.1	543.0	1080.4	666.6
<i>Total Expenditure</i>	562.9	608.3	657.5	842.9
Primary Balance	(59.5)	(4.8)	(56.5)	(133.2)

Source: Ministry of Finance and the Economy.

II. Revenue and Expenditure Profile

Indirect taxes account for the major portion of the revenue base of Antigua and Barbuda. These taxes include taxes on international trade and taxes on domestic production and consumption. Taxes on international trade amounted to \$199.81 and accounted for approximately 57.6 per cent of current revenue in 1999. In 2006 this amounted to \$324.4 million and represented about 53.5 per cent of current revenue. Taxes on domestic production and consumption include stamp duties, hotel and guest taxes and telecommunications tax. These taxes amounted to \$63.25 million and accounted for 18.2 per cent of current revenue in 1999 and grew to \$120.0 million or 19.8 per cent of current revenue in 2006.

¹ Totals may vary due to rounding.

Direct taxes on income and profits represented 10.1 per cent of current revenue in 1999 and about 19.1 per cent in 2006. Further, non-tax revenue represented 12.9 per cent of current revenue in 1999 and approximately 5.8 per cent of current revenue in 2006.

Wages and salaries amounted to approximately \$219.9 million or 52.2 per cent of current expenditure in 1999 and \$266.8 million or 41.5 per cent of current expenditure in 2006. Interest obligations amounted to \$47.7 million or 11.3 per cent of current expenditure in 1999 and \$98.1 million or 41.5 per cent in 2006. Capital expenditure amounted to \$37.7 million and represented 8.2 per cent of total expenditure in 1999. In 2006, capital expenditure amounted to \$200.1 million or 23.7 per cent of total expenditure of central government.

Antigua and Barbuda re-introduced the personal income tax in April 2005 in an effort to improve the revenue and general fiscal position of the country. This measure yielded \$42.2 million or about 7 per cent of current revenue and about 2.7 per cent of GDP for the year 2006. The personal income tax which yielded \$2.6 million per month in 2005 yielded an average of about \$3.52 million per month for the year 2006.

It is expected that based on the fiscal strategies currently being pursued by the Government, by 2012 Antigua and Barbuda will achieve a current account surplus of 2.2 per cent of GDP, a primary surplus of 3.06 per cent of GDP while the overall deficit will narrow to 1.37 per cent of GDP. Appendices 4 and 5 provide full details of the actual and projected fiscal performance of the Government of Antigua and Barbuda.

III. Public Debt

Total public sector debt for Antigua and Barbuda comprised of Central Government domestic and external debt and Government guaranteed domestic and external debt. At the end of 2006, total public sector debt stood at \$3.0 billion or about 113.1 per cent of GDP compared to about 138.9 per cent of GDP in 2003. This decline in the debt stock is the result of the Government's success

in renegotiating two external loans and receiving debt forgiveness in excess of EC\$500 million along with the repayments of a number of high interest loans in 2006.

Central Government external debt amounted to \$2.87 billion or 47.5 per cent off GDP in 2006 while domestic debt amounted to \$1.46 billion or 54.5 per cent of GDP. The debt service ratio amounted to 27.85 per cent of GDP in 2003 and declined to about 20 per cent of GDP in 2006.

The Government, with the assistance of an international investment firm, developed a debt management strategy that is expected to facilitate further improvements in the debt profile. The Government will implement the strategy in 2007 with the objective of, inter alia, reducing the debt to GDP ratio to a more manageable level.

Balance of Payments

The Balance of Payments accounts essentially summarize the value of transactions between residents of Antigua and Barbuda and the rest of the world. Balance of Payments figures for the period 2003 to 2006 (see Table III) reveal that Antigua and Barbuda has maintained an overall surplus on the external accounts. The balance of payments surplus amounted to \$70.6 million in 2003, \$17.1 million in 2004, and \$19.3 million in 2005, and is estimated at \$44.1 million in 2006.

The current account of the Balance of Payments generally reflects transactions related to trade in goods and services. For 2006, the current account deficit is estimated to increase twofold over 2005 reflecting a significant increase in imports of goods. The deterioration in the current account in 2006 is consistent with the significant level of economic activity, particularly in the construction sector, as Antigua and Barbuda prepares for CWC 2007.

The deficit on the current account was financed by surpluses on the capital and financial account. The capital and financial account tracks the monetary and financial flows between residents of Antigua and Barbuda and the rest of the world. The surplus on the capital and financial account

expanded by 125 per cent from \$352.05 million in 2005 to \$792.76 million in 2006 reflecting substantial increases in capital transfers in the form of direct investments for the many private sector projects undertaken in 2006.

Table III: Antigua and Barbuda Balance of Payments Summary 2003:2006

	2003	2004	2005	2006 Est
Current Account Balance	(263.41)	(183.47)	(156.86)	(439.19)
<i>Goods and Services</i>	(198.71)	(82.59)	(64.11)	(312.05)
<i>Current Transfers</i>	35.78	22.54	21.72	17.13
Capital and Financial Account Balance	297.57	301.78	230.13	457.08
<i>Direct Investment</i>	449.0	216.99	314.28	512.72
Overall Balance	70.6	17.1	19.5	41.3

Outlook for the Medium Term 2008: 2012

I. Regional and International Environment

Economic performance for the global economy during 2006 hinged largely on developments on the international petroleum market and the progress with mitigating international geo-political risks. Estimates of economic activity for 2006 indicate that the global economy grew by 5.1 per cent compared to 4.9 per cent in 2005. Projections for 2007 indicate a rate of growth of 4.9 per cent despite the continued inflationary pressures, uncertainty about oil price levels, financial market concerns, and other global imbalances.

Despite the ongoing volatility in the market for crude oil, which has generally increased the cost of air and sea travel, performance in tourism is projected to remain strong over the medium term. In fact, total visitor arrivals rebounded in 2006 following a fall off in 2005 and will grow significantly in 2007. This expansion in tourist arrivals has been driven by increased marketing initiatives and increased airlift out of the United States and Europe. For 2007, the increased inflow of visitors for Cricket World Cup will also play a major role in ensuring exceptional

performance in the sector. As the Government continues its efforts to re-brand the Antigua and Barbuda tourism product, the sector is projected to grow significantly over the medium term.

Real GDP growth for the main tourist market, United States, is set at about 3.4 per cent for 2006 and if projected at 2.9 per cent for 2007. This growth will be driven by a positive business environment characterized by strong corporate profits and business investment. However, the slow down of the once robust housing market is expected to dampen economic activity in 2007. As such economic output in the US is projected to grow at a rate of 2.9 per cent for 2007.

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

In terms of integration arrangements, the OECS countries could emerge as the group with the greatest degree of specialization in the area of services. Given that the OECS countries are not likely to benefit from economies of scale that are so critical to the attainment of a comparative advantage in agriculture or manufacturing, it will be necessary for these countries to focus on the development of services. Antigua and Barbuda continues to implement measures to promote development of the financial services and internet gaming sectors.

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

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

Constraints

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

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

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

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

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

The Government of the United States of America enunciated a new policy for nationals traveling out of the United States on vacation. The new policy requires all nationals traveling from the Caribbean and other areas outside of the USA to present a passport on return to the United States. This policy became effective on December 31, 2006. Previous policy had allowed for United

States nationals to present any valid identification card. The full impact of this policy on the number of US tourists visiting Caribbean and other destinations has yet to be determined. However, it is anticipated that any effect of this policy is likely to be short lived and therefore not likely to have any adverse impact on the long term growth potential of the tourism industry because, in view of the risk of terrorism and money laundering, it is now becoming fairly standard to request persons in the US and around the world to comply with higher standards of personal identification for traveling and for virtually all transactions.

Opportunities

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

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

ii. Debt Restructuring and Fiscal Reform and Consolidation

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

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

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

The second phase in the government's debt programme will be to implement the debt strategy developed by Houlihan Lokey Howard and Zukin. It is expected that the implementation process will continue in the second quarter of 2007 with the objectives of enhancing debt management and ensuring debt sustainability.

In the area of fiscal reform and consolidation, the Government of Antigua and Barbuda has implemented a number of measures aimed at streamlining expenditure and broadening the revenue base. In respect of revenue, the Government has re-introduced the personal income tax and has introduced the ABST on 29th January 2007. The ABST will replace several taxes including the consumption tax, hotel taxes, the travel tax and the telecommunications tax. The Government has also introduced a modernized property tax system in December 2006 which is expected to generate additional revenue equivalent to 1 per cent of GDP.

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

In addition to the tax reform initiatives, the Government has also embarked on a Public Sector Transformation Programme (PSTP). This Programme is being undertaken within a context where wages and salaries account for over 45 per cent of recurrent expenditure and over 50 per cent of

recurrent revenue. The Government's efforts in this area commenced in 2004 where the correction of several employment anomalies resulted in the termination of over four hundred (400) public sector employees. A significant portion of these employees represented persons who had achieved the age of retirement but had not yet left the public service.

The PSTP continued in 2006 with the Voluntary Separation Package (VSEP) initiative whereby public servants were given the opportunity to leave the public service or opt for early retirement. Over 1,000 civil servants opted for voluntary separation and/or early retirement. The payment of separation/retirement packages commenced in 2006 and should be completed in 2007. At the end of this process it is expected that annually savings of about \$20 million would be realized on the Government's wage bill.

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

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

As part of the preparation for ICC Cricket World Cup 2007, all existing hotels and developers for new properties within the hotel sector will be entitled to duty free concessions to facilitate construction of new rooms to augment capacity for the event. Over 70 projects valued at approximately ECS\$195 million have received incentives under this legislation and are expected to increase tourist accommodation by over 1,000 rooms.

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

Empowerment for Ownership was launched in August 2005 and is being administered by the Antigua and Barbuda Development Bank (ABDB). To date, the Antigua and Barbuda Development Bank (ABDB) has already approved over seventy (70) loans totalling over \$2.5 million. The sectors for which loans have been approved include the retail trade sector, services, manufacturing, agriculture, information technology, transportation, and tourism services. As part of the initiative, training has also been provided to micro and small business owners and to persons wishing to start businesses.

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

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

objectives of Antigua and Barbuda. With the generous support of the United States Agency for International Development (USAID) Caribbean Open Trade Support, the Investment Authority should commence operations by the end of the first quarter of 2007.

In addition to the establishment of the Antigua and Barbuda Investment Authority, the Government has also secured Antigua and Barbuda's membership in the World Bank's Multilateral Investment Guarantee Agency (MIGA). MIGA provides guarantees to investors undertaking investment projects in developing countries and also offers technical assistance to improve the investment climate and promote investment opportunities in developing countries. The Government anticipates that its membership in MIGA should help improve investor confidence and improve the credibility of Antigua and Barbuda. Further to this, the ABIA is expected to become fully functioning by the first quarter of 2007.

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

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

To promote competitiveness in Antigua and Barbuda, the Government has strengthened its relationship with the Government of the United States of America by establishing a Memorandum of Understanding (MOU) in 2005. This MOU has established the framework for the Government of the United States of America to provide approximately EC\$5.4 million a year through the

United States Agency for International Development (USAID) to the Government of Antigua and Barbuda. The assistance will support activities that contribute to sustainable economic growth and assist Antigua and Barbuda to succeed in an open trade environment.

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

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

III. Medium Term Outlook and Forecasts

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

Growth prospects for the economy of Antigua and Barbuda remain high with the main industry projected to grow at a rate of 25% in 2007. This performance will largely be influenced by the

influx of visitors for Cricket World Cup 2007. In addition, continued construction of major properties, including the Pelican Island Resort, La Perla Living Antigua, Emerald Cove Development, the Hodges Bay Club, and Verandah can be expected to contribute significantly to economic output in 2007 and into the medium term. With the completion of many of the ongoing hotel development projects, it is anticipated that the room stock in Antigua and Barbuda will increase to over 6,000 by 2009. Further, ongoing public sector projects such as the Airport Expansion project and the Sea Port Rehabilitation program which are aimed at improving standards and the overall quality of the port infrastructure, should contribute to overall economic performance. As a result it is expected that between 2008 and 2012, real economic growth should average about 5 per cent per annum with the tourism sector expected to grow at an average rate of at least 6 per cent per annum.

With the greater adjustment on the fiscal accounts, significant improvements are expected on the fiscal accounts of central government. The overall deficit is expected to widen in 2007 due to the completion of a number of major public projects in relation to CWC 2007 as well as the implementation of a major road works programme the expansion of the airport. In 2007, the overall and current account deficits are projected at 9.24 per cent and 4.38 per cent of GDP respectively. By 2012, a surplus equivalent to 2.2 per cent of GDP is expected while the overall deficit should narrow to about 1.37 per cent of GDP.

Over the medium term, developments on the current account of the Balance of Payments will be influenced by significant importation to facilitate implementation of major private and public sector construction projects. Thus, the current account balance is expected to widen, as inflows on the service account will be outweighed by outflows on the goods account. Surpluses on the capital and financial account, emanating primarily from foreign direct investment, are expected to fully finance the projected current account deficits.

Current Issues of Government Securities on Regional and International Markets

a. Treasury Bills

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

- The total outstanding issue amount XDS\$51.0 million.
- They are each XCD17 million 91 day Treasury Bills.
- The T-bill AGB280307 was listed on December 27, 2006, AGB270407 was listed on January 26, 2007 and AGB250507 was listed on February 23 2007.
- The T-bill AGB230307 will be redeemed on March 23, 2007; AGB270407 will be redeemed on April 27 2007 and AGB250507 will be redeemed on May 25, 2007.

b. Treasury Note

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

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

c. Bonds

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

d. Private Placement Bond

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

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

The Government of Antigua and Barbuda has ensured that the escrow account has been funded in accordance with its agreement with the ABI Bank Ltd. thereby ensuring that all investors in the treasury note and bonds receive principal and interest payment as stipulated in the amortisation schedule. Further, the Government has established a debt service account with the ABI Bank Ltd. to facilitate payment of interest and principal on all securities issued on the RGSM. This debt service account is funded on a monthly basis and the balance in this account is in accordance with the debt servicing requirements for the treasury bills and bonds. It should be noted that since first issuing securities on the RGSM in March 2006, Antigua and Barbuda has repaid each treasury bill

when it matured and also made the first scheduled repayments on the United States dollar and Eastern Caribbean dollar bonds in January 2007.

Security Issuance Procedures and Settlement

The treasury bill will be issued on the Regional Government Securities Market (RGSM). This will operate on the Eastern Caribbean Securities Exchange trading platform for both primary issuance and secondary trading. The pricing methodology to be used for selling the securities will be that of 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 deducted from their respective accounts with the intermediaries. As an issuer on the RGSM, the Government of Antigua and Barbuda will be subject to the rules and procedures established by the Regional Debt Coordinating Committee (RDCC) for the operation of the market including on going reporting and disclosure requirement.

Calendar of Events - Upcoming Issues

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

APPENDIX I: SUMMARY OF ECONOMIC DATA

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

Appendix I. Selected Economic Information for the Years ended 2004-2005

	2004	2005	2006 Est.
<i>Real Sector</i>			
Real GDP Growth Rate	5.22	5.31	11.51
Inflation Rate	1.74	2.1	1.7
Visitor Expenditure (EC\$M)	910.76	904.5	1,029.3
<i>External Sector</i>			
	<i>In Per cent of GDP</i>		
Current Account Balance (BOP)	(8.3)	(7.1)	(12.3)
Services Balance	33.03	28.5	656.13
<i>Central Government</i>			
	<i>In Per cent of GDP</i>		
Total Revenue and Grants	22.70	22.57	25.3
Total Expenditure and Net lending	27.75	28.19	31.87
Overall balance	(5.41)	(5.62)	(6.60)
Current Account Balance	(3.79)	(3.29)	(2.32)
Total public sector debt	141.6	111.03	110.54

**APPENDIX II: LIST OF LICENSED INTERMEDIARIES
REGISTERED WITH THE ECSE**

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

Grenada		
<i>Republic Finance and Merchant Bank Ltd. (FINCOR)</i>	<p>NCB House Grand Anse St George's</p> <p>Tel: 473 444 1875 Fax: 473 444 1879 Email: fincorec@caribsurf.com</p>	<p><i>Principals:</i> Heather Titus Wilma Williams</p> <p><i>Representatives:</i> Heather Titus Wilma Williams</p>
St Kitts and Nevis		
<i>St Kitts Nevis Anguilla National Bank Ltd.</i>	<p>P O Box 343 Central Street Basseterre</p> <p>Tel: 869 465 2204 Fax: 869 465 1050 Email: national_bank@sknanb.com</p>	<p><i>Principals:</i> Winston Hutchinson Anthony Galloway</p> <p><i>Representatives:</i> Marlene Nisbett Desilu Smithen Petronella Edmeade-Crooke</p>
<i>The Bank of Nevis Ltd.</i>	<p>P O Box 450 Charlestown Nevis</p> <p>Tel: 869 469 5564 Fax: 869 469 5798 E mail: bon@caribsurf.com</p>	<p><i>Principals:</i> Hanzel Manners</p> <p><i>Representatives:</i> Lisa Jones Vernesia Walters</p>
St Lucia		
<i>Bank of St Lucia Ltd.</i>	<p>P O Box 1862 Bridge Street Castries</p> <p>Tel: 758 456 6000 Fax: 758 456 6190 Email: bankofsaintlucia@candw.lc</p>	<p><i>Principals:</i> Donna Matthew Beverley Henry Bernard Fevrier</p> <p><i>Representatives:</i> Trevor Lamontagne Lawrence Jean</p>

<p><i>Caribbean Money Market Brokers Ltd.</i> (CMMB St Lucia)</p>	<p>9 Brazil Street Castries</p> <p><i>Tel: 758 450 2662</i> <i>Fax: 758 451 7984</i> <i>Email: info@mycmmb.com</i></p>	<p>Principals: Leslie St. Louis Brent Salvary Carole Eleuthere-Jn Marie Sharmaine Rosemond</p> <p><i>Representatives:</i> Sharmaine Rosemond Leslie St. Louis Vishwatee Jagroop</p>
St Vincent and the Grenadines		
<p><i>National Commercial Bank (SVG) Ltd.</i></p>	<p>P O Box 880 Cnr. Bedford and Grenville Streets Kingstown</p> <p><i>Tel: 784 457 1844</i> <i>Fax: 784 456 2612</i> <i>Email: natbank@caribsurf.com</i></p>	<p>Principal: Keith Inniss Jeffrey Ledger</p> <p>Representative: Patricia John La Fleur Dublin</p>
Trinidad and Tobago		
<p><i>Caribbean Money Market Brokers Ltd.</i> (CMMB)</p>	<p>No. 1 Richmond Street, Ground Floor Furness Court, Independence Square Port of Spain</p> <p><i>Tel: 868 623 7815/5153</i> <i>Fax: 868 624 4544/9833; 627 2930</i> <i>Email: info@mycmmb.com</i></p>	<p>Principals: Brent Salvary Leslie St. Louis Sharmaine Rosemond</p> <p><i>Representatives:</i> Leslie St Louis Vishwatee Jagroop Sharmaine Rosemond</p>

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

SECTOR	2004	2005	2006	2007	2008	2009	2010	2011	2012
Agriculture	46.01	47.38	48.74	49.92	52.94	54.24	55.57	57.27	58.68
Crops	13.31	13.74	14.01	14.30	14.58	14.87	15.17	15.47	15.78
Livestock	11.21	11.43	11.66	11.89	12.12	12.36	12.61	12.92	13.18
Forestry	0.79	0.79	0.79	0.79	0.79	0.79	0.79	0.79	0.79
Fishing	20.70	21.42	22.28	22.95	25.45	26.21	27.00	28.08	28.92
Mining & Quarrying	22.63	28.70	41.62	39.53	38.20	38.97	39.75	40.54	41.35
Manufacturing	33.91	34.21	35.92	37.72	38.48	39.63	41.22	42.87	44.15
Electricity & Water	52.88	56.28	59.08	65.60	68.06	70.94	73.78	76.16	78.44
Electricity	42.23	44.00	46.55	52.14	52.88	55.00	57.20	58.91	60.68
Water	10.65	12.28	12.53	13.47	15.18	15.94	16.58	17.24	17.76
Construction	197.08	235.51	317.94	289.32	243.22	250.52	260.54	268.36	279.09
Wholesale & Retail Trade	121.86	125.81	144.68	166.38	148.44	152.90	157.48	163.00	169.52
Hotels & Restaurants	176.43	174.50	181.48	226.85	217.58	230.63	244.47	259.14	274.69
Transport	175.37	172.72	190.98	218.55	219.11	227.53	237.57	248.07	259.07
Road Transport	85.25	86.92	98.40	106.94	123.41	127.11	132.83	138.14	143.67
Sea Transport	33.23	30.68	34.98	39.61	34.21	35.24	36.29	37.38	38.51
Air Transport	56.89	55.12	57.60	72.00	61.49	65.18	68.44	72.55	76.90
Communications	148.60	160.50	168.53	178.64	176.73	183.80	192.99	202.64	212.77
Banks & Insurance	152.58	158.34	167.40	176.24	186.98	194.26	202.70	210.60	218.81
Banks	135.16	140.57	149.00	157.20	167.37	174.07	181.90	189.18	196.74
Insurance	17.42	17.77	18.39	19.04	19.61	20.19	20.80	21.42	22.07
Real Estate & Housing	102.49	106.08	109.26	113.09	115.92	119.39	122.98	126.67	130.47
Government Services	237.38	244.50	253.06	245.47	220.36	225.87	231.52	236.15	240.87
Other Services	89.83	93.42	97.16	102.01	107.12	109.79	112.54	117.04	121.72
Less Imputed Service Charge	136.17	141.62	147.28	155.39	167.06	171.24	175.52	180.78	186.21
TOTAL	1,420.88	1,496.33	1,668.54	1,753.94	1,666.09	1,727.24	1,797.58	1,867.71	1,943.42

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

Appendix IV. Percentage Contribution of GDP By Economic Activity, At Basic Prices In Constant Prices

SECTOR	2004	2005	2006	2007	2008	2009	2010	2011	2012
Agriculture	3.24	3.17	2.92	2.85	3.18	3.14	3.09	3.07	3.02
Crops	0.94	0.92	0.84	0.82	0.88	0.86	0.84	0.83	0.81
Livestock	0.79	0.76	0.70	0.68	0.73	0.72	0.70	0.69	0.68
Forestry	0.06	0.05	0.05	0.05	0.05	0.05	0.04	0.04	0.04
Fishing	1.46	1.43	1.34	1.31	1.53	1.52	1.50	1.50	1.49
Mining & Quarrying	1.59	1.92	2.49	2.25	2.29	2.26	2.21	2.17	2.13
Manufacturing	2.39	2.29	2.15	2.15	2.31	2.29	2.29	2.30	2.27
Electricity & Water	3.72	3.76	3.54	3.74	4.09	4.11	4.10	4.08	4.04
Electricity	2.97	2.94	2.79	2.97	3.17	3.18	3.18	3.15	3.12
Water	0.75	0.82	0.75	0.77	0.91	0.92	0.92	0.92	0.91
Construction	13.87	15.74	19.05	16.50	14.60	14.50	14.49	14.37	14.36
Wholesale & Retail Trade	8.58	8.41	8.67	9.49	8.91	8.85	8.76	8.73	8.72
Hotels & Restaurants	12.42	11.66	10.88	12.93	13.06	13.35	13.60	13.87	14.13
Transport	12.34	11.54	11.45	12.46	13.15	13.17	13.22	13.28	13.33
Road Transport	6.00	5.81	5.90	6.10	7.41	7.36	7.39	7.40	7.39
Sea Transport	2.34	2.05	2.10	2.26	2.05	2.04	2.02	2.00	1.98
Air Transport	4.00	3.68	3.45	4.11	3.69	3.77	3.81	3.88	3.96
Communications	10.46	10.73	10.10	10.18	10.61	10.64	10.74	10.85	10.95
Banks & Insurance	10.74	10.58	10.03	10.05	11.22	11.25	11.28	11.28	11.26
Banks	9.51	9.39	8.93	8.96	10.05	10.08	10.12	10.13	10.12
Insurance	1.23	1.19	1.10	1.09	1.18	1.17	1.16	1.15	1.14
Real Estate & Housing	7.21	7.09	6.55	6.45	6.96	6.91	6.84	6.78	6.71
Government Services	16.71	16.34	15.17	14.00	13.23	13.08	12.88	12.64	12.39
Other Services	6.32	6.24	5.82	5.82	6.43	6.36	6.26	6.27	6.26
Less Imputed Service Charge	9.58	9.46	8.83	8.86	10.03	9.91	9.76	9.68	9.58
TOTAL	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00

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

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

SECTOR	2004	2005	2006	2007	2008	2009	2010	2011	2012
Agriculture	2.65	2.98	2.87	2.42	2.44	2.45	2.45	3.06	2.46
Crops	3.01	3.23	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Livestock	2.66	1.96	1.98	1.98	1.98	1.98	1.98	2.50	1.98
Forestry	-	-	-	-	-	-	-	-	-
Fishing	2.51	3.48	4.00	3.00	3.00	3.00	3.00	4.00	3.00
Mining & Quarrying	(12.49)	26.82	45.00	(5.00)	2.00	2.00	2.00	2.00	2.00
Manufacturing	(4.02)	0.88	5.00	5.00	4.00	3.00	4.00	4.00	3.00
Electricity & Water	6.42	6.43	4.97	11.05	4.65	4.22	4.00	3.22	3.00
Electricity	3.35	4.19	5.80	12.00	4.00	4.00	4.00	3.00	3.00
Water	20.61	15.31	2.00	7.50	7.00	5.00	4.00	4.00	3.00
Construction	2.50	19.50	35.00	(9.00)	(10.00)	3.00	4.00	3.00	4.00
Wholesale & Retail Trade	2.93	3.24	15.00	15.00	(5.00)	3.00	3.00	3.50	4.00
Hotels & Restaurants	6.75	(1.09)	4.00	25.00	(5.00)	6.00	6.00	6.00	6.00
Transport	14.56	(1.51)	10.57	14.44	(4.80)	3.84	4.41	4.42	4.43
Road Transport	14.66	1.96	13.21	8.68	(6.20)	3.00	4.50	4.00	4.00
Sea Transport	22.03	(7.67)	14.00	13.25	(10.00)	3.00	3.00	3.00	3.00
Air Transport	10.47	(3.11)	4.50	25.00	(15.00)	6.00	5.00	6.00	6.00
Communications	3.08	8.01	5.00	6.00	(2.00)	4.00	5.00	5.00	5.00
Banks & Insurance	10.80	3.78	5.72	5.28	4.34	3.90	4.34	3.90	3.90
Banks	11.84	4.00	6.00	5.50	4.50	4.00	4.50	4.00	4.00
Insurance	3.32	2.01	3.50	3.50	3.00	3.00	3.00	3.00	3.00
Real Estate & Housing	3.50	3.50	3.00	3.50	3.00	3.00	3.00	3.00	3.00
Government Services	4.57	3.00	3.50	(3.00)	(6.00)	2.50	2.50	2.00	2.00
Other Services	3.02	4.00	4.00	5.00	5.00	2.50	2.50	4.00	4.00
Less Imputed Service Charge	5.19	4.00	4.00	5.50	4.50	2.50	2.50	3.00	3.00
TOTAL	5.22	5.31	11.51	5.12	(3.44)	3.67	4.07	3.90	4.05

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

Appendix VI.- Government of Antigua and Barbuda Fiscal Performance – 2003-2012
In Per cent of GDP

	2003	2004	2005	2005	2006	2006	2007	2008	2009	2010	2011	2012
Total revenue and grants	21.28	22.70	23.63	22.57	24.20	25.27	22.56	23.44	23.27	23.94	23.88	23.86
Current revenue	20.97	21.45	22.18	20.91	21.70	22.61	22.16	22.95	22.77	23.47	23.43	23.44
Of which: tax revenue	18.79	19.40	19.73	19.27	19.76	21.43	20.98	21.77	21.59	22.30	22.25	22.26
Capital revenue	0.15	1.00	0.51	0.75	0.13	0.28	0.40	0.34	0.36	0.32	0.32	0.30
Capital grants	0.16	0.25	0.93	0.91	2.37	2.37	-	0.15	0.15	0.14	0.13	0.13
Total expenditure	30.78	27.75	27.87	28.19	28.73	31.87	31.80	27.08	26.64	26.07	25.67	25.23
Current expenditure	26.79	25.24	22.95	24.20	21.64	24.94	26.53	23.08	22.64	22.07	21.67	21.23
Wages and salaries	12.28	11.41	11.32	10.68	11.43	9.86	10.34	9.13	8.97	8.78	8.63	8.48
of which: transfers for job training												
Contrib. to soc. security, MBS	1.40	1.26	0.81	1.21	0.86	1.13	1.15	1.08	1.06	1.04	1.02	1.00
Goods and services	4.94	4.99	5.45	4.63	4.25	4.65	4.40	4.57	4.45	4.31	4.19	4.08
Interest payments	5.48	4.86	1.38	4.11	1.73	5.31	4.81	4.63	4.60	4.51	4.49	4.43
Pensions, other transfers	2.69	2.72	3.98	3.56	3.36	4.00	5.83	3.66	3.55	3.43	3.33	3.24
Capital expenditure & net lending	3.99	2.51	4.92	3.99	7.09	6.93	5.26	4.00	4.00	4.00	4.00	4.00
Current account balance	(5.82)	(3.79)	(0.77)	(3.29)	0.06	(2.32)	(4.38)	(0.13)	0.13	1.40	1.76	2.20
Primary Balance	(4.02)	(0.19)	(2.86)	(1.51)	(2.79)	(1.29)	(4.42)	0.99	1.23	2.38	2.70	3.06
Overall balance	(9.50)	(5.05)	(4.24)	(5.62)	(4.53)	(6.60)	(9.24)	(3.63)	(3.37)	(2.13)	(1.79)	(1.37)

Source: Ministry of Finance and the Economy

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

	Actual 2003	Actual 2004	Actuals 2005	Preliminary 2006	Projections 2007	Projections 2008	Projections 2009	Projections 2010	Projections 2011	Projections 2012
Central Government Total Debt (EC\$m)	2,658.80	2,904.36	2,405.57	2,753.95	3,026.61	3,121.07	3,214.93	3,289.96	3,340.92	3,380.11
(% of GDP at market prices)	130.50	132.00	120.00	103.00	106.00	111.00	109.00	106.00	103.00	99.00
Total Public Sector Debt	2,856.74	3,131.17	2,620.52	2,966.13	3,227.68	3,311.82	3,395.31	3,461.02	3,511.99	3,551.18
(% of GDP at market prices)	140.30	142.30	111.00	110.54	113.20	118.20	115.60	111.86	108.32	104.49
Total Public Sector External Debt	1,558.02	1,692.99	1,104.70	1,352.96	1,663.99	1,784.36	1,901.59	1,988.07	2,065.58	2,131.31
(% of GDP at market prices)	76.50	76.92	46.80	50.40	58.30	63.69	64.70	64.30	63.70	62.70
Total Public Sector Domestic Debt	1,298.72	1,438.18	1,515.82	1,613.16	1,563.69	1,527.45	1,493.71	1,472.95	1,446.41	1,419.87
(% of GDP at market prices)	63.80	65.30	64.20	60.10	54.80	54.50	50.80	47.60	44.60	41.80
Central Government Total Debt Service Payments	118.92	136.23	145.13	119.04	193.09	188.54	186.44	190.52	189.46	187.03
(% of GDP at market prices)	5.84	6.19	6.15	4.44	6.77	6.73	6.35	6.16	5.84	5.50
Principal	79.54	92.09	107.98	77.33	55.78	58.89	51.33	50.85	43.85	36.40
(% of GDP at market prices)	3.91	4.18	4.57	2.88	1.96	2.10	1.75	1.64	1.35	1.07
Interest	39.38	44.15	37.15	79.86	137.31	129.64	135.11	139.67	145.61	150.63
(% of GDP at market prices)	1.93	2.00	1.57	2.98	4.81	4.63	4.60	4.51	4.49	4.43
Central Government External Debt Service Payments	53.26	55.90	80.86	49.58	148.57	167.22	168.44	175.52	174.46	172.03
(% of GDP at market prices)	2.61	2.54	3.42	1.85	5.21	5.97	5.73	5.67	5.38	5.06
Principal	46.56	45.49	69.83	39.18	55.78	58.89	51.33	50.85	43.85	36.40
(% of GDP at market prices)	2.29	2.07	2.96	1.46	1.96	2.10	1.75	1.64	1.35	1.07
Interest	6.70	10.41	11.04	10.40	92.79	108.33	117.11	124.67	130.61	135.63
(% of GDP at market prices)	0.33	0.47	0.47	0.39	3.25	3.87	3.99	4.03	4.03	3.99
Central Government Domestic Debt Service Payments	65.66	80.33	64.26	69.46	44.52	21.31	18.00	15.00	15.00	15.00
(% of GDP at market prices)	3.22	3.65	2.72	2.59	1.56	0.76	0.61	0.48	0.46	0.44
Principal	32.98	46.60	38.15	130.85	72.05	26.54	26.54	26.54	26.54	26.54
(% of GDP at market prices)	1.62	2.12	1.62	4.88	2.53	0.95	0.90	0.86	0.82	0.78
Interest	32.68	33.73	26.11	69.46	44.52	21.31	18.00	15.00	15.00	15.00
(% of GDP at market prices)	1.60	1.53	1.11	2.59	1.56	0.76	0.61	0.48	0.46	0.44
Central Government External debt service payments/export	3.93	4.22	5.82	3.37	9.25	10.73	10.51	10.6	10.25	9.81
Central gov. debt service/curr. Revenue	27.85	28.86	29.41	19.62	30.55	29.32	27.88	26.2	24.94	24.48
Central gov. interest payment/curr. Revenue	9.22	9.35	7.53	13.16	21.73	20.16	20.2	19.23	19.17	18.91

Source: Ministry of Finance and the Economy
Assumes no accumulation of arrears as of end December 2006
Interest payments does not include interest on arrears