

**FOR
AGENDA**

SM/08/23
Supplement 1

January 18, 2008

To: Members of the Executive Board

From: The Secretary

Subject: **Antigua and Barbuda—Staff Report for the 2007 Article IV
Consultation—Informational Annex**

The attached informational annex is being issued as a supplement to the staff report for the 2007 Article IV consultation with Antigua and Barbuda (SM/08/23, 1/18/08), which is tentatively scheduled for discussion on **Monday, February 4, 2008**. At the time of circulation of this paper to the Board, the Secretary's Department has not received a communication from the authorities of Antigua and Barbuda indicating whether or not they consent to the Fund's publication of this paper; such communication may be received after the authorities have had an opportunity to read the paper.

Questions may be referred to Mr. Meredith (ext. 38534), Mr. Nassar (ext. 38665), and Ms. Duttagupta (ext. 38583) in WHD.

Unless the Documents Section (ext. 36760) is otherwise notified, the document will be transmitted, in accordance with the procedures approved by the Executive Board and with the appropriate deletions, to the WTO Secretariat on Tuesday, January 29, 2008; and to the Caribbean Development Bank and the European Commission, following its consideration by the Executive Board.

This document will shortly be posted on the extranet, a secure website for Executive Directors and member country authorities. This supplement is not being disseminated in hard copy. It can be accessed in the Institutional Repository. A link to this document can be found in the daily list (<http://www-int.imf.org/depts/sec/services/eb/dailydocumentsfull.htm>) for the issuance date shown above.

Att: (1)

Other Distribution:
Department Heads

INTERNATIONAL MONETARY FUND

ANTIGUA AND BARBUDA

Staff Report for the 2007 Article IV Consultation—Informational Annex

Prepared by the Western Hemisphere Department

January 17, 2008

Contents

Page

Appendices

I.	Fund Relations	2
II.	Relations with the World Bank Group.....	4
III.	Relations with the Caribbean Development Bank	5
IV.	Statistical Issues	6

Appendix I. Antigua and Barbuda: Fund Relations
(As of November 30, 2007)

I. Membership Status: Joined 2/25/82; Article VIII

II. General Resources Account:	SDR Million	%Quota
Quota	13.50	100.00
Fund holdings of currency	13.50	99.99
Reserve Position	0.01	0.05
Holdings Exchange Rate		

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

IV. Outstanding Purchases and Loans: None

V. Latest Financial Arrangements: None

VI. Projected Obligations to the Fund: None

VII. Exchange Rate Arrangement: Antigua and Barbuda is a member of the Eastern Caribbean Central Bank (ECCB), which manages monetary policy and the exchange system for its eight members. The common currency, the Eastern Caribbean dollar, has been pegged to the U.S. dollar at the rate of EC\$2.70 per U.S. dollar since July 1976. In practice, the ECCB has operated like a quasi-currency board, maintaining foreign exchange backing of its currency and demand liabilities of close to 100 percent.

Antigua and Barbuda accepted the obligations of Article VIII, Sections 2, 3, and 4 in November 1983. It maintains an exchange system free of restrictions on the making of payments and transfers for current international transactions.

VIII. Last Article IV Consultation: Antigua and Barbuda is on the standard 12-month cycle. The last Article IV consultation was concluded by the Executive Board on January 17, 2007. The staff report is IMF Country Report No. 07/238, and the accompanying statistical appendix is IMF Country Report No. 07/237.

IX. FSAP Participation, ROSCs, and OFC Assessments:

Antigua and Barbuda participated in the regional ECCU FSAP conducted in September and October 2003. The FSSA is available at www.imf.org/external/pubs/ft/scr/2004/cr04293.pdf. A ROSC for a BCP assessment of Antigua and Barbuda's offshore sector is www.imf.org/external/pubs/ft/scr/2004/cr04366.pdf.

X. Technical Assistance (May 2006–December 2007):

Departments	Sector	RTAC vs HQ		FY 2007	FY 2008 (Est.)	
FAD	Public Financial Management	CARTAC	Budget Management Review		1	
			Treasury Assistance to Antigua & Barbuda		3	
			HQ	Treasury review mission to Antigua	1	
			HQ	Antigua and Barbuda:PFM: 2nd side trip	1	
	Revenue Administration	CARTAC	Antigua: Tax Administration: Collection Enforcement Training		1	
			Antigua: Tax Administration: Rulings			1
			Customs Administration: ABST		2	
			Implementation of ABST		3	
			Personal Income Tax - Follow up compliance assistance mission to Antigua		1	
			Personal Income Tax: additional detailed compliance assistance		1	
			Tax Administration		7	
			Tax Administration - Collection enforcement training in Antigua		2	
			Tax Administration			2
			Tax Administration Mission		1	
			Tax Administration mission to Antigua		3	
			Tax Administration mission to Antigua & Barbuda		1	
			Tax Administration mission to Antigua (VAT)		1	
			Tax administration mission to Antigua and Barbuda			1
			Tax Administration: IT Management reporting for ABST			1
			Tax Administration: Operational assistance with Personal Income Tax			3
Tax Administration: Personal Income Tax follow-up					1	
Tax Administration: Post ABST implementation support - basic audit training					1	
Tax Administration: Post ABST implementation support - cross checking system			1			
Tax Administration: Post ABST implementation support - taxpayer services			1			
Tax Administration: Annual Audit Program and Risk Assessment Mission			1			
Tax Administration: basic excise training and set up of self-assessment operatic			1			
Tax Administration: Revenue sharing assessment			1			
			VAT Mission to Antigua	1		
Tax Policy	HQ		Personal Income Tax Review		1	
No sector defined	HQ		VAT Revenue Sharing Workshop	1		
FAD Total				27	19	
LEG	AMLLAW	HQ	Participate in USDOJ Trng Wkshop on AMLCFT	1		
	FSC	HQ	Participate in Workshop on Dvlpmnt Handbook for Fin. Investigations & Prosc	1		
			TA on VAT Law		1	
LEG Total				2	1	
MCM	CapMarket Dev & I	CARTAC	Credit Analysis Training	1		
MCM Total				1	0	
Other	No sector defined	CARTAC	BOP Data Series Revision			
			CARTAC Programme Extension Document	1	4	
		HQ	TA Country-Specific Missions			
			Debt Problems of High Indebted Non-HIPC Small States		1	
			TA Country-Specific Missions	1		
			Technical Assistance for CARTAC	3		
Other Total				5	5	
STA	BOP and External S	HQ	Balance of Payments Statistics: Including Trade Statistics		1	
	National Accounts	CARTAC	CARTAC: National Accounts - STE: Strengthening tourism statistics		1	
STA Total				0	2	

Appendix II. Antigua and Barbuda: Relations with the World Bank Group

(As of August 2, 2007)

The World Bank's Management presented to its Board the Eastern Caribbean Sub-Region Country Assistance Strategy (CAS), on September 13, 2005. The World Bank Group's strategy for the four years covered by this CAS (FY 2006–09) supports the sub-region's development agenda through two main pillars: (1) stimulating growth and improving competitiveness; and (2) reducing vulnerability, by promoting greater social inclusion and strengthening disaster risk management.

The CAS, which covers the period FY 2006–09, does not include any lending to Antigua and Barbuda under the base case scenario. However, during the implementation period, the country could benefit from participation in the Catastrophe Risk Insurance Facility financed through on-lending, possibly through the Caribbean Development Bank. Antigua and Barbuda could also benefit from a GEF-funded Mainstreaming Adaptation to Climate Change Environmental Protection project, which seeks to assist in the incorporation of climate change concerns in sector and regional planning for the OECS nations. Additionally, Antigua and Barbuda will benefit from recently completed, ongoing and planned analytical and advisory activities to support the CAS' two main pillars including the following activities: "Towards a New Agenda for Growth"-OECS growth and competitiveness study, Caribbean Air Transport Rationalization report, a Caribbean Skills and Curriculum Study, a report on Institutions, Performance and the Financing of Infrastructure Services in the Caribbean (recently completed), Caribbean Financial Sector and Regulation report, Caribbean Social Projection Strategy Review (draft recently completed), a regional study on Crime, Violence and Exclusion (recently completed) and an OECS private sector financing study (recently completed). Under the High Case lending scenario, US\$10 million is planned for investment lending and/or Development Policy Lending to support policy reform efforts in the areas of growth and competitiveness (including interventions on Public Sector Modernization and Public Utilities Reform).

The previous CAS, which covered the period FY 2002–06, did not include any lending to Antigua and Barbuda.

Appendix III. Antigua and Barbuda: Relations with the Caribbean Development Bank

(As of September 30, 2007)

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

- Assisting in the development and implementation of macroeconomic, social and sectoral policies geared towards achieving sustainable economic growth;
- Developing infrastructure to encourage private sector investment;
- Improving the human resource skills base to promote economic growth and diversification;
- Directly and indirectly lending funds to the agriculture, tourism and manufacturing sectors; and
- Helping in emergency disaster rehabilitation.

Antigua and Barbuda: CDB Assistance by Sector
(Cumulative 1970-2006)

Sector	In millions of US dollars	In percent of total
Agriculture	3.5	7.1
Micro and Small Enterprise	1.0	2.0
Manufacturing	5.7	11.5
Tourism	1.9	3.8
Power and Energy	0.3	0.7
Transportation	6.7	13.6
Housing	3.5	7.1
Education	19.7	40.0
Multi-sector	7	14.2
Total	49.3	100

Source: CDB

Major projects currently under implementation include:

- A consolidated line of credit to the Antigua and Barbuda Development Bank to help in its lending to the housing, education, and micro and small enterprise sectors.
- A basic education project to upgrade the learning environment in secondary schools, strengthen institutional arrangements in the Ministry of Education and improve the delivery of education services.
- An airport and seaport security improvement project to help in upgrading security at the international airport and deep-water harbour to meet new international standards.
- A loan to support the transformation of the intra-regional airline LIAT (1974) Ltd. to profitability by increasing operational efficiency and strengthening its institutional capabilities.

Over the years, institutional weaknesses have resulted in delays in the timely completion of several projects under implementation. As at the end of July 2007, undrawn balances totalled US\$28.2 million. Of this undrawn balance, the loan to support the transformation of LIAT (1974) Ltd. accounted for US\$21.8 million.

Appendix IV. Antigua and Barbuda: Statistical Issues

(As of December 19, 2007)

Antigua and Barbuda has participated in the General Data Dissemination System (GDSS) since October 2000. Data provided to the Fund are broadly adequate for surveillance purposes, although staff's analysis was affected by the shortcomings with real sector, fiscal, and balance of payments data outlined below. Recommendations of an April 2007 data ROSC mission assessing monetary and financial statistics compiled by the Eastern Caribbean Central Bank (ECCB) are also outlined.

1. Real sector statistics

GDP is compiled in current and constant (1990) prices using the outdated methodologies prescribed in the 1968 *System of National Accounts*. Compilation has been hampered by the absence of trade data, which has had a serious impact on the estimation of value added in some sectors, especially construction and wholesale and retail trade. The Central Statistical Office (CSO) has restarted compilation, with merchandise trade data extracted from data files provided by Customs since the fourth quarter of 2004. The Caribbean Regional Technical Assistance Centre (CARTAC) plans to work with the ECCB in developing a program to improve the compilation of national accounts through the development of a supply and use table as a precursor to rebasing the national accounts.

The consumer price index uses expenditure weights derived from a Household Income and Expenditure Survey conducted during February 1998–January 1999. However, the survey and price collection exclude Barbuda. There is no comprehensive labor force survey and thus little coverage of the labor market developments. An Annual Wages and Hours Worked Survey for the private sector was conducted in 2003, though the coverage of Barbuda was limited. Results of the 2001 population census have been analyzed and published.

2. Government finance statistics

Annual and quarterly data on central government finances published by the ECCB are compiled broadly in line with the methodology set out in the 1986 *Government Financial Statistics Manual*. For several years however, Antigua and Barbuda has not been reporting government finance statistics to the Fund for inclusion in the *GFS Yearbook* and *IFS* publications. The authorities participated in a December 2007 regional workshop introducing the *GFSM 2001* methodology (particularly for compiling cash based fiscal statistics) to ECCB member states.

3. **Monetary and financial statistics**

Monetary statistics are compiled by the ECCB on a monthly basis with a lag of eight weeks. In July 2006, the ECCB started reporting monetary and financial statistics to the Fund using standardized report forms; the associated data have been published in the *IFS Supplement* since September 2006. The depository corporations survey does not include the accounts of credit unions that accept deposits; the ECCB is taking steps to collect reliable data on credit unions.

An April 2007 data ROSC mission to assess monetary and financial statistics noted some recent improvements and identified some shortcomings in the ECCB's monetary statistics, which have a potential for detracting from the accurate and timely analysis of monetary and financial developments and formulation of appropriate policies. In particular, (i) the methodological soundness of monetary statistics can be improved by adopting internationally accepted concepts and definitions, expanding their institutional coverage, and revising the classifications of financial instruments and the basis for recording; (ii) the transparency of monetary statistics can be improved, for example, by releasing monetary data to all users at the same time and strengthening the validation of the disseminated data; (iii) the timeliness of the dissemination of the data on broad money and credit aggregates can be improved to meet best international practices; and (iv) the access to officially disseminated monetary data and metadata can be improved.

4. **External sector statistics**

Annual balance of payments statistics are provided to the Fund by the ECCB, but are not reported in the format recommended in the fifth edition of the IMF's *Balance of Payments Manual* (1993). The latest balance of payments data provided for redissemination in the *International Financial Statistics* refer to 2005. Partial provisional 2006 data have been produced by the ECCB and are expected to be finalized in early 2008.

The GDDS metadata (last updated in October 2002) identify priorities for improving the balance of payment statistics over the short term, including plans to improve merchandise trade statistics and visitor expenditure estimates for cruise passengers. Medium-term priorities include compiling quarterly balance of payments statistics and partial international investment position tables containing information on debt and monetary operations, both under the guidance of the ECCB.

TABLE OF COMMON INDICATORS REQUIRED FOR SURVEILLANCE
(As of December 19, 2007)

	Date of latest observation	Date received	Frequency of Data ¹	Frequency of Reporting ¹	Frequency of publication ¹
Exchange Rates	Fixed Rate	NA	NA	NA	NA
International Reserve Assets and Reserve Liabilities of the Monetary Authorities ²	Aug. 2007	09/15/07	M	Q	Q
Reserve/Base Money	Oct. 2007	12/14/07	M	Q	Q
Broad Money	Oct. 2007	12/14/07	M	Q	Q
Central Bank Balance Sheet	Oct. 2007	12/14/07	M	Q	Q
Consolidated Balance Sheet of the Banking System	Oct. 2007	12/14/07	M	Q	Q
Interest Rates ³	Oct. 2007	12/14/07	M	Q	Q
Consumer Price Index	March 2007	06/26/07	M	M	M
Revenue, Expenditure, Balance and Composition of Financing ⁴ General Government ⁵	December 2006	06/26/07	Q	Q	A
Stocks of Central Government and Central Government-Guaranteed Debt ⁶	December 2006	06/26/07	A	A	A
External Current Account Balance	December 2005	4/22/06	A	A	A
Exports and Imports of Goods and Services	December 2005	4/22/06	M	M	Q
GDP/GNP	December 2006	06/26/07	A	A	A
Gross External Debt	December 2006	06/26/07	A	A	A

¹ Daily (D), Weekly (W), Monthly (M), Quarterly (Q), Annually (A); Irregular (I); Not Available (NA).

² Includes reserve assets pledged or otherwise encumbered as well as net derivative positions.

³ Both market-based and officially-determined, including discount rates, money market rates, rates on treasury bills, notes and bonds.

⁴ Foreign, domestic bank, and domestic nonbank financing.

⁵ Central government only.

⁶ Including currency and maturity composition