



# Repositioning Antigua and Barbuda for Dynamic, Sustainable, and Resilient Growth

*A Report by the Technical Drafting Sub-Committee to the  
Economic Recovery Committee*

*AUGUST 2020*

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*You are the future of Antigua and Barbuda and if that future is to be prosperous, if it is to be meaningful, much will depend on you. The future calls for discipline and for dedication. There is no ideal more noble, no task more rewarding, than to work for your own country's development.*

*-- Rt. Hon. Dr. V. C. Bird, First Prime Minister of Antigua and Barbuda*

*Master of Our Own Destiny, Independence Address*

*Antigua Recreation Grounds*

*November 1, 1981*

# FOREWARD

*by the Honourable Gaston A. Browne, Prime Minister  
and Minister of Finance and Economic Empowerment*

The COVID-19 Pandemic has gravely impacted all economies, big and small. But small ones have been worst affected, particularly those reliant on the tourism industry.

Recognizing that Antigua and Barbuda would be among the countries most harmed economically by this global phenomenon, my government decided to formulate a multi- sectoral Economic Recovery Plan (ERP) with two purposes:

(i) to manage the challenges posed by the novel coronavirus to our national health and to our economic wellbeing; and

(ii) to create the conditions for rapid growth and development after the current epoch of COVID-19.

## **Public health**

In relation to public health, my Government's urgent priority was to protect the health of all our people, regardless of age, ethnicity, social standing, political stripe, or religious affiliation.

We immediately expanded and modernized the public health infrastructure. In short order, and through the dedication of scarce financial resources, we built an Infectious Disease Centre that is fully equipped with ventilators, personal protective equipment, medicines, and other medical facilities. Additionally, a building (on Nugent Avenue) was completely retrofitted into a modern medical amenity, augmenting the facilities of the main Mount St John's Medical Centre. Significantly, our total hospital bed count has been increased to three per thousand persons of our population – one of the highest in the Caribbean area.

We also introduced strict protocols to contain and combat the coronavirus, including closing our borders, introducing a curfew, prohibiting large gatherings, insisting on the wearing of masks and on adherence to hand sanitization etiquette. These protocols, while they curtailed our traditional social habits, saved the lives of many persons, and protected many more from grave illness. Antigua and Barbuda has excelled as one of the countries with the smallest number of deaths and the lowest number of infected cases.

This preservation of the health of our people, positioned us to have a robust work force once the pandemic subsides and economic activity resumes. Today, we are a far better health resilient nation than at any previous time in our history.

## **Toward health independence**

One of the important lessons learned from the impact of the pandemic is that the provision of health services cannot rely on flying patients to overseas hospitals for specialist treatment. The closure of borders and the grounding of airlines ruled out this option, and, in similar circumstances, could do so in the future. Subsequently, my Government has devised plans to construct a renal unit and a cardiac centre as soon as funds are available to do so. Health independence is now an important objective, and a vital part of insulating the nation from crippling, externally generated events.

## **The impact of external factors on the Economy**

Since the abandonment of the sugar industry in the early 1970s and with the advent of trade agreements in North America that hurt the viability of our nascent export manufacturing industry, Antigua and Barbuda developed services industries on two pillars: tourism and financial services, particularly off-shore banking.

Successful competition with bigger countries in Europe, led to anti-competition efforts by the European Union (EU) and the Organization for Economic Cooperation and Development (OECD), including 'blacklisting' and threats of trade, aid and investment sanctions. Effectively, these measures decimated our export financial services sector.

These circumstances, coupled with poor conditions for agriculture, especially severe and lengthy periods of drought, pushed the economy in the direction of concentration on the tourism industry for which the nation is rich in natural attributes. Over time, tourism became our major foreign exchange earner and source of direct and indirect employment. However, the blessing of the industry in good times became a limitation in bad times, accentuated by the effects of the COVID-19 pandemic.

As our nation looks to the future, post COVID-19, tourism has to be re-imagined and restructured, and the economy has to be diversified in creative and innovative ways.

## **Human Resource Development**

A key factor in the creativity and innovation - necessary for all aspects of economic diversification and growth - is the development of our human resources. Hence considerable emphasis will be placed on education and training at many levels, including trades, such as electricians, plumbers, carpenters and bricklayers; professionals like doctors, nurses, teachers, engineers, accountants and auditors; specialists in computer and information technology, finance and management.

The consolidation and expansion of the Five Islands Campus of the University of the West Indies is critical to this objective. So, too, is the upgrading of secondary schools and the broadening of the curricula to teach much needed skills.

Scholarships abroad for higher education in fields not now available in Antigua and Barbuda, will remain part of the Government's strategy to develop the capabilities of our people. Beneficiaries of scholarships at taxpayers' expense will be obliged to work in Antigua and Barbuda in the public and private sectors to contribute their knowledge to the font of national expertise.

## **Reimagining tourism**

An important lesson learned from the COVID-19 pandemic is the vulnerability of the tourism industry to global economic decline, and the resilience of richer persons. This points to the necessity, in the short-term, to focus attention on the high-end tourism market

– in other words, on persons who value holidaying in the Caribbean and can afford to do so even at times of economic crunch.

The Yachting industry has also emerged as more resilient than other aspects of tourism because of the smaller number of people aboard yachts (and therefore, the less risk of infections) and the wealth of the persons who favour yachting. Antigua and Barbuda has traditionally been an important place of choice

for the international yachting community, and greater focus will be given to its enhancement and expansion.

The pandemic also demonstrated that tourism need not be short-term vacations alone. Lock-down and 'working at home' protocols in Europe, North America and elsewhere demonstrated that, with effective and reliable telecommunications, large numbers of persons can work remotely in Antigua and Barbuda serving employers or clients anywhere in the world. This is a market that should continue to be developed, alongside traditional vacation tourism, since the persons, taking advantage of it, rent accommodation and vehicles, buy goods and services and contribute to the economy without competing with locals.

Medical and wellness tourism is another area that has great potential for Antigua and Barbuda, given the country's natural attributes of beaches, all-year sunshine, and warm temperatures, as well as its low tax regimes.

The opportunities for diversifying the tourism industry, through public and private sector partnerships, are considerable.

### **Diversifying the economy**

Export industries are increasingly in the services sector. Antigua and Barbuda is well placed to take advantage of such industries because of its reliable telecommunications and its favourable tax regimes.

New technologies, involving digital business and fintech, are already taking root. Opportunities abound for digital international industries such as software applications created and headquartered in Antigua and Barbuda and marketed worldwide.

To facilitate these developments, the Government will scale up investment in broad band services, making them generally affordable and specifically available for export needs.

The economic recovery plan also envisages the establishment of new industries, such as stem cells therapy and cannabis therapies, by private sector entities fortified by a favourable legislative framework and underpinned by a helpful business environment.

Our vision is to transform Antigua and Barbuda into a significant "services centre" in the Caribbean, providing a wide range of critical export services. This sector will be supported by seaport and airport facilities; sea and air transportation; telecommunications; banking and other financial services; and an educated and skilled workforce.

We also recognise the importance of food security and energy security. Agriculture will be encouraged, utilising modern technology to supply water efficiently. The objective is to produce a substantial amount of the food we consume, thereby making us more food secure and less dependent on imports. Fisheries will also receive enhanced attention to curb illegal, unreported and unregulated fishing by foreign entities in Antigua and Barbuda's waters, and to increase fish catches for our local market, including hotels.

In energy, we acknowledge that renewable energy sources are increasingly becoming the way of the future both to reduce CO2 emissions which contribute to Climate Change and sea-level rise, and to reduce the overall cost of electricity for household and business consumption.

The Government will encourage private sector investment in green energy and will itself utilise renewable energy sources in the short and medium-term build-out of electricity supplies.



The end purpose of these plans is to provide employment for the people of Antigua and Barbuda so that they can improve their standard of living and quality of life, as well as provide for their retirement and the future of their children.

### **Investment Opportunities**

The Government is intent on empowering the people of Antigua and Barbuda, creating every chance for them to own property and to benefit from investment in development projects.

The economic recovery plan provides opportunities for citizens and residents to invest in projects such as the West Indies Oil Company (already underway) the Willoughby Bay project and the Paradise Cove entrepreneurial zone, among others.

### **Conclusion**

Despite the challenges of COVID, we, the people of Antigua and Barbuda, must remain undaunted and resilient. We must seize the opportunities for education, training and learning; for creative innovation; for owning our own businesses; for earning dividends from investment; for making our country respected abroad; and for lifting-up ourselves with pride.

Our systematic implementation of the strategies and programmes in this plan will result in rapid post COVID growth and development to which we all aspire.

Let us therefore, work in harmony, as one nation, with a common vision and purpose to rebuild our country bigger and better. We have it within ourselves to achieve that noble purpose.

Blessings.

A handwritten signature in black ink, appearing to be 'G. H. ...', written in a cursive style.

## EXECUTIVE SUMMARY

Antigua and Barbuda continues to be negatively impacted by the COVID-19 global pandemic. The impacts have been quite severe as a result of the structure and features of the extremely Tourism-dependent, small, open economy. Pre-COVID-19 pandemic, the Country experienced robust Real Gross Domestic Product (GDP) growth of an average 5.3 percent from 2015 to 2019. With the arrival of COVID-19 cases the Country required the Government to take decisive actions including closing the borders to passenger traffic, declaring a national State of Emergency, and instituting a stay-at-home order for non-essential workers. These actions have significantly reduced revenues and employment and have led to increasing poverty and vulnerability. As a consequence, the International Monetary Fund (IMF), Caribbean Development Bank (CDB), and Eastern Caribbean Central Bank (ECCB) have all estimated that Gross Domestic Product (GDP) will contract between 10 percent and 20 percent in 2020.

In response to the potential and deleterious effects of the pandemic on the economy, Prime Minister, Gaston Browne, moved quickly to establish an Economic Recovery Committee (ERC) to focus on identifying key treats and opportunities, and to identify areas of potential investments to stabilize and revitalize the domestic economy. The establishment of, and participation in the Economic Recovery Committee (ERC), is a recognition by all sectors within the society, that the nation faces a major challenge it did not create but nonetheless, solve through collaborative and cooperative efforts by all, regardless of any affiliation of any kind.

This report identifies the mechanisms that are critical for growth and the policies and programs that will enhance productivity across several economic sectors. The road to economic recovery is based on a two phased approach. Phase one (1): stabilization by instituting several initiatives aimed at arresting the rapid consequential economic decline due to the severe worldwide

shock to the sea and air transportation industry; building partnerships for stabilization through engagement with the banking sector and financial institutions to offer moratoria and special facilities to lessen the likely hardships that will result from the anticipated high levels of unemployment; and expanding the social safety net for the most vulnerable and hardest hit in the society. Phase two (2): Repositioning the economy for growth by maintaining a healthy population for a healthy economy; by redefining the role of the Ministry of Finance and the financial sector; creating a dynamic entrepreneurial environment; improving food security; improving the linkages between environment, energy, sustainability and resilience; establishing partnerships for stability; and defining the role of the Public Sector during the pandemic and beyond.

## I. INTRODUCTION

Antigua and Barbuda continues to be negatively impacted by the COVID-19 global pandemic. The impacts have been quite severe as a result of the structure and features of the Tourism-dependent, small, open economy. The country received confirmation of its first COVID-19 case on Friday, March 13, 2020. Immediately following this, the Government of Antigua and Barbuda took steps to mitigate the spread of this virus. Actions included closing the borders to passenger traffic for the period April–May 2020, declaring a national State of Emergency with an attendant curfew, and instituting a stay-at-home order for non-essential workers. These actions, coupled with a downturn in economic activity globally, have significantly reduced revenues and employment, and have led to increasing poverty and vulnerability; and put severe pressure on the country's fiscal and external balances. As at August 2020, Antigua and Barbuda recorded 92 laboratory-confirmed cases of COVID-19, fourteen (14) of which were active, with seventy-five (75) recoveries and three (3) deaths.

Before the COVID -19 pandemic, Antigua and Barbuda experienced robust Real GDP growth of on average five-point three percent (5.3%) from 2015 to 2019. This was achieved in a stable macro-economic environment with low inflation and a debt to Gross Domestic Product (GDP) ratio which was on a downward trajectory. The medium-term outlook, before COVID-19 was a continuation of this trend, with projected growth for 2020 of three-point five percent (3.5%). The World Tourism and Travel Council estimate that the contribution of Tourism to GDP in Antigua and Barbuda is sixty percent (60%), with a forty-four percent (44%) contribution to employment and forty percent (40%) contribution to foreign exchange earnings.

The Country's borders were re-opened to passenger traffic in June 2020; however, many countries' borders remained closed, including Canada, a major source market. Many persons

have lost incomes, and many more are uncomfortable with the new requirements for travel, including testing, masks, and quarantine. There is likely to be a very limited recovery in the Tourism Sector for the remainder of 2020 and into the medium term. This reality is compounded by the Cruise Industry's inability to set a projected date of service resumption at this time. In view of these realities, the International Monetary Fund (IMF), Caribbean Development Bank (CDB), and Eastern Caribbean Central Bank (ECCB) have all estimated that Gross Domestic Product (GDP) will contract by between ten and twenty percent (10% and 20%) in 2020.

The COVID-19 pandemic has compounded the fiscal challenges facing the country; there has been a significant reduction in revenue from the major taxes, including the Antigua and Barbuda Sales Tax (ABST); Customs Duties; Revenue Recovery Charge (RRC), and Import Duties. In May 2020, the revenue agencies collected only fifty-seven percent (57%) of the projected monthly tax revenue. Despite these revenue shortfalls, the Government is still required to meet critical expenses, including the extra-budgetary spending on health and infrastructural needs during the pandemic; financial support for those displaced by the pandemic, particularly the vulnerable; payment of wages and salaries of public servants; debt obligations; and other mitigating actions to keep the economy afloat. These efforts have widened the financing gaps to the extent that gross financing need is anticipated to be fifteen-point five percent (15.5%) percent of GDP for 2020, while the debt to GDP ratio is projected to increase to eighty-five (85%) percent by the end 2020, compared to pre-COVID 19 levels of sixty-nine (69%) percent.

Given the challenges and uncertainties surrounding the duration of the pandemic, concerted efforts must be made to ensure efficient spending and implement policies and programs that rationalize Government's expenditure, maximize revenues to ensure fiscal viability, minimize borrowing and debt, and ensure the economic viability of the economy to improve the livelihoods of citizens. The policies and programs will require entrepreneurship, innovations and

the cooperation of all, as efforts are made to evolve and capitalize on any advantages that exist in this environment, and exploit opportunities that will allow the country to return to a path of growth and development while still maintaining efforts to mitigate the spread and impact of COVID.