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FINAL REPORT

Compete Caribbean OECS Project

Private Sector Assessment and Donor Matrix Report for Antigua and Barbuda

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Original version: August 2013

Updated by Stefano Pereira, 2015

This report was prepared by The Special Studies Unit (SSU), Sir Arthur Lewis Institute of Social and Economic Studies (SALISES), University of the West Indies, Cave Hill Campus, Barbados with funding from the Compete Caribbean Program, a regional private sector development, technical assistance initiative financed by the Inter-American Development Bank (IDB), Canada, and the United Kingdom Department for International Development (DFID), supports projects in 15 Caribbean countries. Projects in the OECS countries are implemented in partnership with the Caribbean Development Bank.

BENCHMARK/COMPARATOR COUNTRIES:

Benchmark countries used in this report include all 15 beneficiary countries of the Compete Caribbean Program, as listed below, in addition to Malta, Mauritius, the Seychelles, and Palau.

1. Antigua and Barbuda
2. The Bahamas
3. Barbados
4. Belize
5. Dominican Republic
6. Dominica
7. Grenada
8. Guyana
9. Haiti
10. Jamaica
11. St. Lucia
12. St. Kitts and Nevis
13. St. Vincent and the Grenadines
14. Surinam
15. Trinidad and Tobago

PROJECT TEAM

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Special Thanks to Ms. Annette Greene for her assistance in compiling the report for Antigua and Barbuda

ACRONYMS AND ABBREVIATIONS

CARICOM	Caribbean Community
CDB	Caribbean Development Bank
CIDA	Canadian International Development Agency
CIDA	Canadian International Development Agency
CROSQ	CARICOM Regional Organisation for Standards and Quality
CSME	Caribbean Community Single Market and Economy
DFID	United Kingdom Department for International Development
ECCU	Eastern Caribbean Currency Union
EU	European Union
FDI	Foreign Direct Investment
GDP	Gross Domestic Product
HDI	Human Development Index
IADB	Inter-American Development Bank
ICT	Information and Communication Technology
IFC	International Financial Corporation
IMF	International Monetary Fund
OECS	Organisation of Eastern Caribbean States
PRGF	Poverty Reduction and Growth Facility
PSA	Private Sector Assessment
PSD	Private Sector Development
RCA	Revealed Comparative Advantage
RCF	Rapid Credit Facility of the IMF
UN	United Nations
UNDP	United Nations Development Program
USAID	United States Agency for International Development
VAT	Value Added Tax

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Executive Summary

The private sector assessment (PSA) for Antigua and Barbuda draws on analysis of primary data from interviews with key stakeholders from the domestic private and public sector as well as interviews with regional and international agencies. In addition, secondary data was utilised to describe the state of the country at both the micro and macro levels.

Threats to Private Sector Development in Antigua and Barbuda

Antigua and Barbuda demonstrates a number of strengths in relation to the potential for growth in the private sector; however, there are also a number of issues which could threaten to derail any future growth in the private sector. Although the overdependence of the Antigua and Barbuda economy on tourism can be considered a weakness as regards vulnerability to the performance of economies in other jurisdictions, the country has a well established reputation in tourism and has the appropriate environment. In addition, the country also performs quite well globally in terms of human development, labour representation and protection, income levels and inflation; although the level of poverty is still worrisome, unemployment is estimated to have increased substantially in recent years, and Government's debt is above the average for comparator countries.

A notable strength highlighted from the research was the relative ease of doing business in the country where the country outperforms all others in the region with the exception of St. Lucia; however, the country underperforms in relation to accessing finance, ease in dealing with customs, and trade regulations. In addition, transportation was also noted as a hindrance as it pertains to intra-regional travel and freighting. Some of these issues are highlighted in the table below where the four biggest obstacles to business in Antigua and Barbuda were considered to be related to cost issues (tax rates, electricity, and access to finance (interest rates)) and process issues (customs and trade regulations and access to finance (bureaucracy)).

Table A: Biggest Obstacles to Business in the OECS (Enterprise Survey, 2010)

Biggest Obstacle	ANT	DOM	GREN	SKN	SLU	SVG
Tax rates	**18.2**	**8.6**	**17.6**	**20.0**	6.0	**11.0**
Customs and trade regulations	**16.1**	0.9	2.1	5.2	4.0	9.9
Access to finance	**15.3**	**44.0**	**12.8**	**20.9**	**35.0**	**20.6**
Electricity	**13.0**	**29.7**	2.7	**15.2**	**22.4**	**10.6**
Crime, theft and disorder	7.9	**3.6**	10.2	**13.4**	5.1	**11.3**
Corruption	7.7	0.0	1.4	3.5	0.9	1.5
Political instability	6.1	0.0	**12.3**	0.5	0.2	10.2
Practices of the informal sector	4.8	3.1	8.4	5.8	2.7	7.8
Transportation	3.9	3.5	4.1	3.4	**10.7**	1.0
Business licensing and permits	2.7	0.0	0.0	0.0	0.0	0.3
Tax administration	2.4	0.0	5.7	1.4	0.0	2.6
Inadequately educated workforce	1.3	2.1	**15.4**	10.0	**7.4**	**12.8**
Access to land	0.7	0.0	3.9	0.7	0.0	0.0
Courts	0.0	0.0	0.8	0.0	0.0	0.3
Labour regulations	0.0	4.4	2.9	0.0	5.6	0.0

Comment [SP1]: Update with 2014 ProteQin results

In addition to these umbrella issues, a number of specific issues also emerged from the background research. These issues included:

- The need for legislation to protect creditors;
- The lack of a credit bureau;
- High interest rate spreads and high collateral requirements;
- Limited intra-regional transportation options.

The in-country research (interviews, consultation and document review) supported the background findings and added several other issues:

- Lack of effective representation for private enterprises by private sector associations
- Lack of effective consultation by Government with the private sector
- Lack of representative long term national strategic plans for private sector growth
- A 'silo' mindset in the public sector in relation to agencies and departments operating in their own interest rather than to a specific strategic plan;

A Long Term Action Plan for Private Sector Growth

The analysis of both primary and secondary data identified a number of pertinent issues affecting the development and growth of the private sector in Antigua and Barbuda. One of the most critical recommendations to emerge is the need for greater dialogue between key stakeholders and representatives of labour, the private sector and Government. This led to the development of the priority of the Action Plan as:

- Action 1: **Establishment of a Tripartite Committee (government-employer-labour)** to identify the needs of all bodies and guide and oversee private sector development strategies.

At the same time, there are some specific issues that the private sector will need to address in relation to the formation of representative bodies at the national level. At present there is no single voice for the private sector, although there exists a Business Alliance which largely represents tourism associations. The Alliance will need to seek a wider membership to more effectively represent the views of the private sector as a whole. It is recommended that once representative bodies of labour and the private sector are organised, that this tripartite group be tasked with implementing the other elements of the action plan below:

- Action 2: **Rationalisation and streamlining of public sector's business support framework** through the work of the Tripartite Committee to ensure a revised system that addresses both the needs of the private sector (access to finance and reduced costs) as well as wider obligations of Government.
- Action 3: **Development of a National Strategic Plan that mainstreams private sector development** in the country. This plan should include a human resource plan. Through the lobbying efforts of Government, the plans for the development of the private sector should also be included in any regional strategic plans at the level of the OECS/ECCU and CARICOM.
- Action 4**: Reduce the cost of finance** through the reduction of transactional and operational costs in financial institutions by the use of technology and monitoring of efficiency levels; the reduction of risk and risk-averseness through the establishment of a credit bureau and a collateral registry; and the introduction of alternative financial products and greater competition in the financial sector.

- Action 5: **Increase the capacity of businesses** to access finance through the provision of support (technical assistance and training) for the adoption of accepted business practices (recordkeeping) and the skills to develop business plans for funding and strategic planning.
- Action 6: **Provide incentives for energy conservation and frameworks for the exploitation of renewable/alternative energy in the area of solar and wind energy**. Incentives and support in this area will act as both a cost-reduction tool as well as an opportunity for investment and enterprise development in the renewable/alternative energy sector.
- Action 7: **Conduct a broad-based assessment of transportation and trade systems** to identify opportunities for: productivity improvements in customs and immigration; implementation of more efficient taxes on travel; introduction of alternative transport options (e.g. the establishment of a ferry service); and the establishment of a single airspace for the OECS.

An overview of the recommendations and related action plans are shown in Table B.

The various elements of the Action Plan seek to provide a conducive environment for private sector development in Antigua and Barbuda, however, this does not suggest that the implementation of the Action Plan in and of itself will automatically lead to growth of the private sector; there must also be entrepreneurial action in exploiting opportunities in the local, regional and global market. This is especially in light of anecdotal evidence that emerged during interviews throughout the region that the private sector demonstrated a lack of interest in looking *'beyond their borders'* and instead seek to grow only domestic market share.

In Antigua and Barbuda, and across the region, the private sector is *relatively* under-developed and limited in its ability to cope with current neo-liberal developments given a long period of protection. Any interventions should therefore seek to assist the private sector, with the assistance of the public sector, to build domestic market opportunities as well as special and differential treatment for export goods in the short- to medium-term, rather than fully expose it to the rigours of international competition. Lessons should also be learnt in relation to drawing on the strengths of the region rather than seeking, as in the past, to attract investment based on low-cost labour which subsequently led to the attraction of *footloose* enterprises that relocate to competitors as cost levels change. In this vein, the Caribbean needs to exploit those resources for which it has an advantage and a brand, suggesting a concentration on alternative energy (geothermal, solar), specialist agricultural products (such as nutmeg in Grenada) and agro-processing, eco-tourism, edu-tourism (drawing on human resources in the region), heritage tourism, health and wellness (both product-specific and related to tourism), and financial services, among others.

In addition to drawing on the locational advantages that exist in the region, attention should be paid to the specific recommendations that have consistently emerged from research in the region which speak to: niche market development; moving up the value chain; development of strategic alliances and joint ventures for knowledge and technology transfer; and the development of clusters, both vertical and horizontal. While activities in these areas are not specifically mentioned in the Action Plan due to their specificity, they should remain as options during the development of the strategic plan for private sector development and growth in Antigua and Barbuda.

Table B: Recommendations and Actions Matrix for Antigua and Barbuda

Critical Themes	Main Critical Issues	**Actions**	Details	Responsibility of…
General Political and Governance Issues	Limited dialogue between stakeholders representing Government, labour and the private sector 'Silo-mindset' in business support organizations in the public sector Lack of long term strategic development planning Lack of information sharing by the private sector Lack of utilization of technology.	**1. Establishment of a Tripartite Committee** **2. Rationalisation and streamlining of public sector's business support framework** **3. Development of a National Strategic Plan that mainstreams private sector development**	As noted by Fashoyin (2004) there is a need for: Members to be independent and representative Willing to consult and negotiate Demonstrate mutual trust and respect	Government to initiate
			Need for communication at the Tripartite Committee level to determine the specific external needs of enterprises in relation to the business environment (finance, technical assistance) while meeting the wider obligations of Government.	Government in conjunction with Tripartite Committee
Access to Finance	High Transaction and Operating Costs Informational Asymmetries Alternative Financing Options	**4. Reduce the cost of finance** **5. Increase capacity of business to access finance**	To address the issues of access to finance, several specific steps can be taken: Introduction of technological advances; Monitoring of efficiency rate of financial institutions to identify areas for improvement; Establishment of credit bureaus and collateral registries; Introduction of alternative financing options such as equity financing, Greater competition in the financial sector, particularly the strengthening of domestic institutions; Provision of technical assistance and training to the private sector in relation to increasing formality, the adoption of accepted business practices, and the skills to secure funding.	Eastern Caribbean Central Bank; Business support organisations
Cost of Doing Business	Cost of electricity	**6. Provide incentives for energy conservation and frameworks for the exploitation of alternative energy options in the area of solar and wind energy.**	Provision of incentives and support to help reduce energy costs through conservation as well as for investing in the sector. To facilitate investment in the sector, Castalia Strategic Advisors (2012:7), note that there is a need to: *'Resource assessments: wind, waste; Regulatory reform: require least-cost planning including renewable, allow low cost recovery through tariffs of efficiently incurred investments; Tenders to develop, procure, or contract utility scale solar and wind; Standard Offer Contract for distributed RE' (p.9).*	Government
Trade and Transportation Issues		**7. Conduct a broad-based assessment of transportation and trade systems**	Need to identify opportunities: for productivity improvements in customs and immigration; implementation of more efficient taxes on travel; introduction of alternative transport options (e.g. the establishment of a ferry service); and the establishment of a single airspace for the OECS.	Government and the OECS

Compete Caribbean Private Sector Assessment Report for Antigua and Barbuda

August 2013

1. Introduction

1.1. Background

Compete Caribbean is a private sector development program funded by the IDB, DFID and CIDA which works with Governments and the private sector to promote economic growth and enhance competitiveness across the Caribbean region. The Private Sector Assessment (PSA) and construction of Donor Matrices for countries in the region is but one element of the overall program.

The overall objectives of the Compete Caribbean program in the OECS include:

a) Building a more robust and sustainable private sector through the elimination of remaining restrictions to the free flow of goods, services, capital and people within the countries of the Caribbean Single Market and Economy;
b) Providing opportunities for forging closer private sector linkages across OECS member countries;
c) Shifting from protection to adjustment support to help disadvantaged countries, regions and sectors, manage the process of intra-regional liberalisation; and
d) Facilitate private sector development within a more open trading environment.

The program is expected to be delivered within three components as follows:

1. ***Component 1*** provides a review and diagnostic of the status of private sector development in the OECS region. This component focuses on:
    a. A review of existing studies and reports on private sector development and competitiveness for the participating OECS member countries in the last 5 years, as well as an evaluation of the recent performance of the private sector in each of the six independent OECS member countries; and
    b. The identification and evaluation of obstacles to effective private sector development;
2. ***Component 2*** focuses on the development of private sector development strategies and action plans to include the development of a draft private sector development action plan for each of the six independent OECS member countries, and for the OECS sub-region as a whole, and the identification of possible opportunities for collaboration by CDB and IDB in supporting the development of the private sector in the region.
3. ***Component 3*** focuses on consensus building among key stakeholders on future actions under the recommended private sector development strategy and facilitation of national and regional workshops to present findings and action plans.

There are two main elements of the PSA project which are a Private Sector Assessment Report (PSAR) and the construction of a Donor Matrix (DMX). The DMX is to provide an inventory of donor projects related to private sector development and identify duplication and omissions. The main aim of the PSAR element of the project is to identify market failures that are affecting the development of the private sector at a national and at a regional/sub-regional level, and to identify priority areas for intervention. There are two main elements of the PSA:

> *First, it compiles and analyzes information from different sources in order to provide a snapshot of the state of the private sector in the country, and second, it brings the*

information to relevant stakeholders- such as firms in the economy- to establish priorities on all the identified issues affecting the future growth in the private sector.

The Caribbean Development Bank is the executing agency for the PSAs and DMXs for six of the OECS countries which include: Antigua and Barbuda, Dominica, Grenada, St. Kitts, St. Lucia and St. Vincent and the Grenadines.

In late 2012, the research team conducted interviews across the OECS with key stakeholders including government ministries and agencies concerned with private sector development, private sector associations, civil society and individual business enterprises. These interviews were conducted with a view to ascertaining the primary constraints to private sector development and potential solutions to the issues identified.

The following report highlights the main results to emerge from and analysis of primary and secondary data collected as well as the views expressed in national consultations organised by SALISES in Grenada and Antigua and Barbuda, and by the Caribbean Growth Forum in Dominica, St. Kitts and Nevis, St. Lucia and St. Vincent and the Grenadines. The details of the methodology adopted for the research is shown below.

1.2. Methodology

The private sector assessment (PSA) draws on primary data analysis from interviews with key stakeholders from the domestic private and public sector as well as interviews with regional and international agencies. In addition, secondary data was utilised to describe the state of the country at both the micro and macro levels. The specific methodology for the PSARs had three (3) core components:

1. Analysis of secondary data and documentation from the following sources:
    a. Enterprise Surveys/Doing Business Surveys
    b. Central Government Fiscal Accounts
    c. World Development Indicators
    d. CARICOM Secretariat/OECS Secretariat
    e. Miscellaneous Country Surveys
2. Interviews/Consultations with key stakeholders:
    a. International Donor Agencies
    b. Regional/Sub-Regional Agencies
    c. Country-Specific Agents including business associations, representatives of labour and relevant public sector bodies. Specific businesses and finance providers were also included.
3. Identification of Main Thematic Issues affecting PSD and Identifying Priorities from the results of interviews and national consultations.

The interviews and national consultation conducted in Antigua and Barbuda included the main business support organisations and sector associations in both the public and private sectors (Antigua and Barbuda Investment Authority; National Development Foundation; Employers Federation; Coalition of Service Industries; Hotel Association; and the Antigua and Barbuda Chamber of Commerce and Industry), representatives of labour, finance providers and representatives, including the Development Bank, regional agencies, and private enterprises. A listing of key stakeholders from interviews and consultations is included in the Appendices.

In addition to these specific elements of the research, the development of the PSA Reports was assisted by the information to emanate from consultations organised under the Caribbean Growth Forum banner.

> *The Caribbean Growth Forum (CGF) is a joint initiative by the Compete Caribbean Program, the Inter-American Development Bank, the World Bank, and the Caribbean Development Bank. It is supported by the Canadian International Development Agency, the United Kingdom's Department for International Development, CARICOM Secretariat, and the University of the West Indies.*
>
> *The CGF is a facilitated methodology for public-private dialogue around issues central to private sector development and growth. It brings a non-traditional approach to the greatest challenge currently faced by the region – creating sustainable and inclusive growth. The Forum also aims to facilitate an action oriented dialogue around key policy reforms needed across three thematic areas:* ***Investment Climate, Skills and Productivity and Logistics and Connectivity****.*
>
> *Many Caribbean territories have a very good starting point with draft or completed national growth strategies. Therefore, the aim is to identify the priorities within the three pillars of the CGF that can contribute to these national strategies. In this respect, the CGF's methodology has been designed to result in a consensual, concrete action plan with specific responsibilities and timelines, and it has built in transparency and accountability mechanisms to make sure that, over time, results are delivered.*
>
> *The CGF is part of the donor agencies' commitment to support the Caribbean and develop and implement inclusive growth policies that generate jobs and opportunities for all.*[1]

The CGF's consultations and subsequent working groups provided useful information to add to, and corroborate, the findings of the current PSA.

1.3. Report Structure

The rest of the Private Sector Assessment is structured as follows. Initially, Section 2 provides a general overview of the country. This is followed by a description of its relationship with the OECS and the ECCU in Section 3. Section 4 then presents the macroeconomic context of the country in relation to domestic economic variables and the productive sectors, and the country's position in the international economy with respect to trade and foreign direct investment.

Section 5, the main section of the report, outlines the main characteristics, issues and challenges of the private sector including the support for private sector development, the state of the private sector, a review of primary and secondary data on the private sector and a summary of the main issues affecting its development. This is followed by the development of an action plan for private sector development in the country. Section 6 presents the main conclusions of the PSA and provides some general recommendations.

The Appendices to the report include relevant details to complement the main report as well as the Donor Matrix Report for the country. The Donor Matrix Report describes the relevant members of the donor community, local stakeholders, information sources, opportunities for enhancing the design and execution of programs and opportunities to address priority gaps.

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[1] http://caribgrowth.competecaribbean.org/about-the-cgf

2. Country Overview

Antigua and Barbuda is a lower-middle income small mini-archipelago within the Eastern Caribbean archipelago measuring just 440 km^2. At the end of 2011, the population was estimated at 81,800 persons, with a population growth rate of about 1.4% per annum. Antigua and Barbuda's Human Development Index (HDI) score in 2011 was 0.76 giving it a ranking of 67th out of 187 countries. The country's score is above that for the region, largely reflective of the relatively high life expectancy (73 years) and level of education. Antigua and Barbuda is a member of the Eastern Caribbean Currency Union (ECCU), which is fixed to the US dollar at $1 (Eastern Caribbean Dollar) to $0.37 (US Dollars).

The global slowdown has severely affected Antigua and Barbuda's economy through its impact on tourist arrivals, FDI inflows and remittances, and fiscal revenue. Real GDP contracted by 7% in 2009 after expanding on average by about 6% during the previous 5 years. Following a spike in 2008, inflation has remained in the low single digits despite a 20 percent increase in fuel prices and higher consumption taxes. The recession and associated fiscal crisis coincides with mounting problems in the financial sector—the collapse of the Stanford Group (the largest private conglomerate) and of the Trinidad-based CL Financial Group. Locally incorporated banks with large exposure to the government have experienced a decline in deposits, which stabilized toward the end of the year.

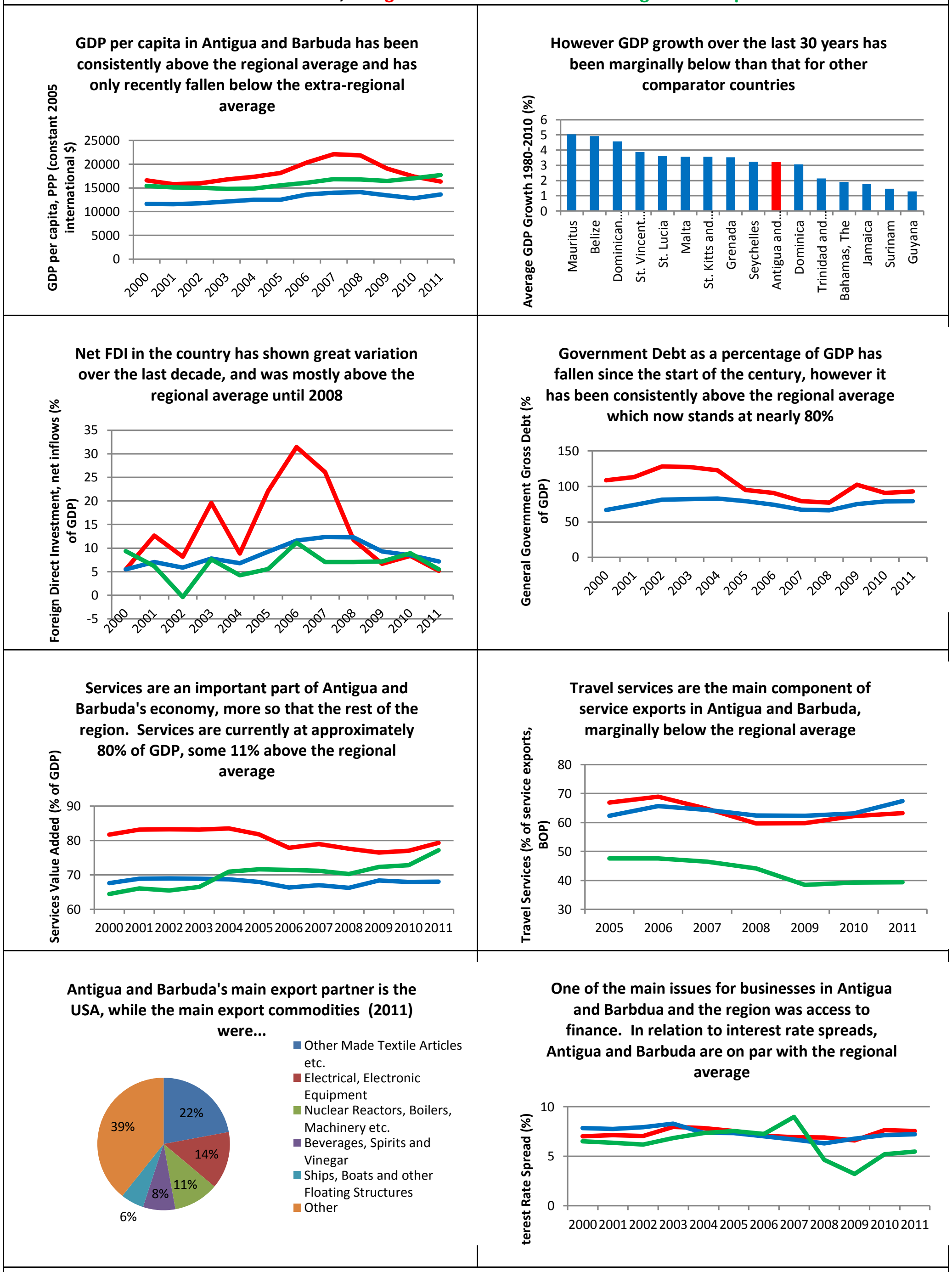
Real GDP growth, driven by tourism and construction, has declined since 2006 and at a faster rate than in other ECCU countries. The external current account deficit narrowed, reflecting a decline in FDI. Private sector credit slowed, following a period of strong growth accompanied by a sharp decline in private investment. The fiscal deficit rose to abnormally high levels owing to a drop in revenue and a sharp rise in expenditure particularly in capital outlays and transfers. As a result, public debt remains high despite debt forgiveness in 2005. Figure 1 outlines some indicators of Antigua and Barbuda's economy in relation to its strength and the structure of the private sector.

2.1. Governance

Like most Caribbean islands, the colonial past of the island plays a fairly important role in relation to present cultural, social, political and economic characteristics. Antigua and Barbuda is an independent Commonwealth realm with Queen Elizabeth II as its head of state, represented by a Governor-General. Antigua and Barbuda has a bicameral legislature, consisting of the seventeen-member House of Representatives, responsible for introducing legislation, and the seventeen-member Senate, which reviews and gives assent to proposed legislation. Representatives are elected by popular vote in general elections that are constitutionally mandated every five years but may be called earlier. Senators are appointed by the Governor General on the recommendations of the Prime Minister and the Leader of the Opposition.

Figure 1: Snapshot of Antigua and Barbuda and Comparator Countries

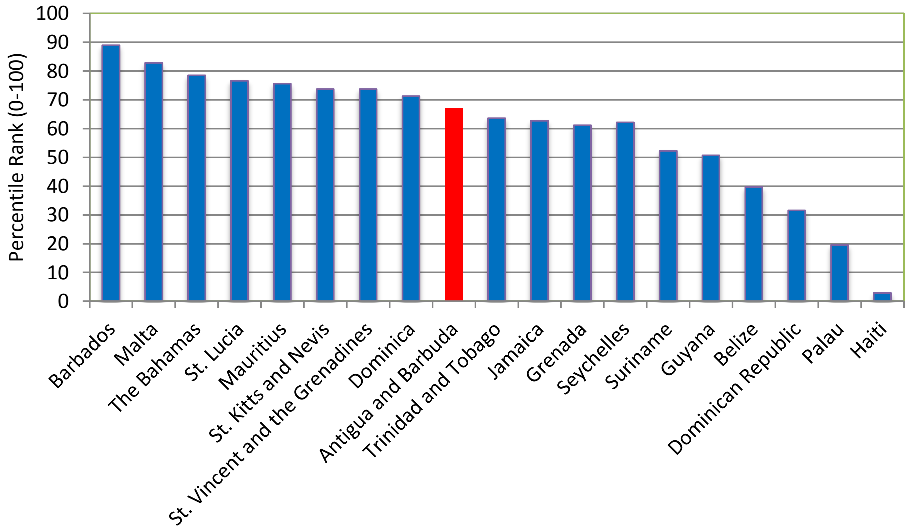
Small Caribbean States, Antigua and Barbuda and Extra-Regional Comparators



Small Caribbean States include: *Antigua and Barbuda; The Bahamas; Barbados; Belize; Dominica; Grenada; Guyana; Jamaica; St. Lucia; St. Kitts and Nevis; St. Vincent and the Grenadines; Surinam; Trinidad and Tobago.* ***Extra-regional comparators include:*** *Malta, Mauritius, the Seychelles, and Palau.*

The Worldwide Governance Indicators Project of the World Bank and the Brookings Institution (Figure 2) suggests some strength in the area of 'Government Effectiveness'. The indicator captures the perceptions of the quality and independence of public services and civil service, the quality of policy formulation and implementation and the credibility of the government's commitment to these policies. In 2010, the score for 'Government Effectiveness' in Antigua and Barbuda was in the 60th-70th percentile for all countries evaluated and above the median for the group of comparator countries.

Figure 2: Governance Effectiveness for Antigua and Barbuda versus Comparators (2010)



Source: Worldwide Governance Indicators

In relation to gender, there are no legal barriers to female participation in politics in Antigua and Barbuda. Since Independence in 1980, one woman has served in Parliament, Dr Jacqui Quinn-Leandro, who was first elected in 2004 and is also in the 15 member cabinet (see Table 19). However, there are 5 female members of the Senate out of a total of 17. While women are not excluded from political parties, the low levels of female representation in both the upper and lower Houses of Parliament is indicative that more needs to be done to support gender equity in relation to political leadership.

The Division of Gender Affairs is the Government's key focal point for the implementation and monitoring of policies and programmes pertaining to Gender and Development. The island is a signatory to numerous treaties and conventions in relation to gender equity. These include: the Convention on the Elimination of All Forms of Discrimination Against Women (1990), the Beijing Declaration and Platform for Action (1995), the Inter-American Convention on the Prevention, Punishment and Eradication of Violence; the notion of gender equity is also enshrined in the island's constitution.

2.2. Environment

Antigua and Barbuda is located towards the north-eastern end of the chain of Lesser Antillean islands at 17^{0}North and 62^{0}West. Antigua is the larger of the two islands at 281 square km, and

Barbuda is 161 square km. The country's climate is tropical-marine, with seasonal or diurnal variation and a constant northeast trade wind. Given the location of Antigua and Barbuda, the country is subject to hurricanes and storms as well as to periodic droughts.

The country is mainly low-lying limestone with limited volcanic areas. The highest point is Mount Obama, formerly known as Boggy Peak, at 402m. Annual average temperature ranges from a low of 23^0C to a high of 30^0C. Antigua has a coastline that is deeply indented and allows it to market itself as the island with a beach for every day of the year due to the 365 beaches on the island.

One of the reasons for the relatively insignificance of agriculture in Antigua and Barbuda, despite the suitable climate, is that the sandy soil covering the majority of the island can only sustain scrub vegetation. There are however fertile areas in the centre plain of the island due to volcanic ash.

Antigua and Barbuda's environmental policy framework is overseen by the Ministry of Agriculture, Lands Housing and the Environment through the Environment Division. There are several pieces of legislation related to the environment including:

- Beach Control Protection Act
- Dumping At Sea Act
- Fisheries Act
- Forestry Act
- Litter Act
- Marine Areas (Preservation and Enhancement Act)
- Maritime Areas Act
- National Parks Act
- Noise Abatement Act
- Oil Pollution of Marine Areas Act
- Pesticide Control Act
- Plant Protection Act
- The Physical Planning Act
- The Public Health Act

Antigua and Barbuda is also a signatory to a number of international conventions related to the environment; these include:

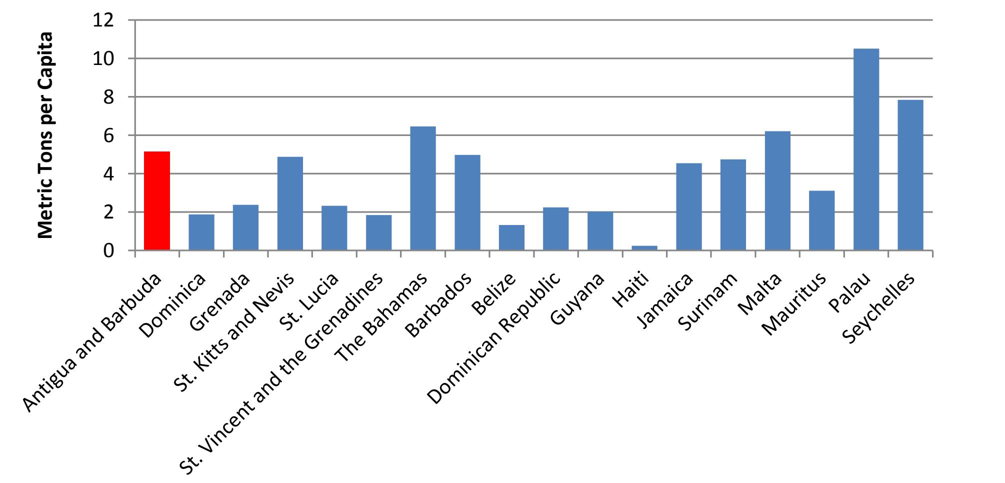
- Basel (movement of hazardous waste and their disposal)
- Kyoto Protocol
- UN Convention to Combat Desertification In Those Countries Experiencing Serious Droughts and/or Desertification Particularly Africa
- Biological Diversity
- Protocol Concerning Pollution From Land Based Sources And Activities in the Wider Caribbean Region
- Protocol Concerning Specially Protected Areas and Wildlife
- Convention On The Prohibition Of Military Or Any Other Hostile Use Of Environmental Modification Techniques
- Agreement Establishing Caribbean Environmental Health Institute

The maintenance of the environment, especially the marine environment, is vital to the economy of Antigua and Barbuda given the reliance on tourism founded on the marine environment. Therefore, the economy and quality of life in Antigua and Barbuda are largely dependent on the capacity of its terrestrial and marine ecosystems to continue to provide ecosystem services; the provisioning from natural systems (seafood, wood and plants from gully ecosystems); seashore protection services of reefs and coastal vegetation; sand generation by reefs; non-extractive use services that support income generating activities such as snorkelling, SCUBA diving, hiking and sightseeing; and, finally, the creation of opportunities for recreation. The islands also have a number of national protected areas and heritage sites:

- Nelson's Dockyard National Park (beaches and tropical vegetation)
- Codrington Lagoon (one of the largest Frigate bird colonies in the world)
- Palaster Reef
- Salt Fish Trail Reef
- Cades Bay Marine Reserve
- Wallings Conservation Area
- Offshore Islands off North Sound

Given the country's high reliance on fossil fuels, CO_2 emissions per capita in Antigua and Barbuda are comparatively high at 5.2 tonnes per capita (Figure 3), the second highest in the region after The Bahamas. With few possibilities of expanding its own limited production of fossil fuels, the most effective alternative to achieving a balance between demand and supply is to (1) contain demand growth by increasing energy efficiency, and (2) expand production from alternative energy sources and natural gas.

Figure 3: Environmental Performance: CO2 Emissions for Antigua and Barbuda versus Comparators (2008)



Source: World Development Indicators

3. Antigua and Barbuda, the OECS and the ECCU

Antigua and Barbuda is a member of the Organisation of Eastern Caribbean States (OECS) and the Eastern Caribbean Currency Union (ECCU), the common currency framework for the OECS countries; this is with the exception of the British Virgin Islands which does not use the Eastern Caribbean Dollar. The Eastern Caribbean Dollar is issued by the Eastern Caribbean Central Bank (ECCB), the monetary authority for the OECS. Antigua and Barbuda represented 27% of nominal GDP for the OECS, the highest in the sub-region and also ranked 1st in GDP per capita, in 2010.

The OECS was established in 1981 with the signing of the Treaty of Basseterre, named after the venue of the signing of the treaty, the capital of St. Kitts and Nevis. The motivation for the formation of the body was to provide a formal structure for cooperation to deal with development challenges posed in the post-independence period. The OECS currently has nine members: Antigua and Barbuda; Commonwealth of Dominica; Grenada; Montserrat; St. Kitts and Nevis; St. Lucia; St. Vincent and the Grenadines; and Anguilla and the British Virgin Islands as associate members.

In June 2010, a Revised Treaty was signed, establishing the OECS Economic Union, a single economic space for the free movement of goods, people and capital and a framework for the harmonization of monetary and fiscal policies. The Revised Treaty allows for the adoption of *'…a common approach to trade, health, education and environment, as well as to the development of such critical sectors as agriculture, tourism and energy'*[2]. The organs of the OECS are shown in Appendix 1.

Of particular relevance to the development of the private sector in the region are the units under the Economic Affairs Division, specifically the Export Development Unit (EDU) and the Trade Policy Unit (TPU). The EDU is responsible for export development in manufacturing and non-traditional agriculture and the TPU provides assistance in formulation and implementation of trade policies and in the negotiation of trade arrangements. The EDU is currently working directly with officers in business development organisations across the region to facilitate interaction between them and actual enterprises in the region. Such proactive outreach programs are integral to enabling these development agencies in serving the needs of the private sector and act to allay the concerns expressed by international agencies during the PSA that the organs of the OECS were not as proactive as they could be.

Although the Revised Treaty of 2010 spoke to fiscal coordination and free movement of persons, these have not come to full fruition, while movement of capital has not obtained any significant scale economies at the regional level.

In relation to fiscal coordination, Schipke, Cebotari and Thacker (2013:5)[3] note:

> *'…faced with very high public debt, the region needs to put in place a mechanism to enforce fiscal discipline because the success of the common currency depends on simultaneously satisfying eight national budget constraints. As the experiences from the European Union demonstrate, cross-border spillover- especially via the financial sector- from the weakest member could undermine confidence and trigger a regionwide crisis.'*

[2] http://www.oecs.org/about-the-oecs/who-we-are/about-oecs

[3] Schipke, A., Cebotari, A. and Thacker, N. (eds.) (2013). The Eastern Caribbean Economic and Currency Union: Macroeconomics and Financial Systems. IMF: Washington D.C..

The undermining of confidence in these economies would indeed create a crisis, especially in relation to these economies' reliance on foreign investment and tourism.

In addition, the free movement of goods, labour and capital are the foundation of unions of this type to enable, in the long term, the realization of the benefits of integration, namely benefits of scale economies, rationalization of public services, and greater bargaining ability at international forums. However, given that private sector enterprises in the region indicate inadequately trained labour as a major constraint, it is questionable whether free movement of labour within the sub-region will pay any dividends to the receiving country, or the union as a whole, given that the economies are not structured in any significantly different ways, and therefore their labour force is likely to be comprised of the same types of skills and abilities.

A similar situation to what exists for labour could be said to exist in relation to finance. While Schipke, Cebotari and Thacker (2013) note that indicators at a macro level indicate that the financial sector in the OECS is well developed, and on par with Latin America and the rest of the Caribbean, Enterprise Surveys *'tell a different story'*(p.15). Enterprise Surveys and Doing Business indicators across the region show that a significant amount of firms in the OECS view lack of access to finance as a major obstacle to their business, while interviews conducted during the PSA for the region indicate that this is due to the cost of finance, collateral requirements and application procedures, issues ground in the lack of credit information as well as the capacity of enterprise owners in supplying information to creditors. Given that this issue is pervasive across the OECS, while theoretically regional integration should provide scale economies in financial provision, in reality the movement of capital within the union would simply replicate the problems experienced at the domestic level.

While these issues demonstrate that perhaps regional integration in the OECS/ECCU does not facilitate private sector development to the degree it should, their actual existence provides for a perception of stability at both the political and financial level, as well as poses the opportunity for growth in the future; that is, if issues related to skills in the labour force, fiscal coordination and scale economies in financial provision can be addressed, and if the private sector itself seeks to proactively exploit available opportunities in the wider region.

However, these issues cannot be taken without due consideration to the external effect of the global financial crisis. In seeking to address the downturn, the OECS/ECCU has implemented an eight point program which includes the following elements and main components:

1. Suitably adapted Financial programmes for each country:
    a. Aim: To identify the financing gaps of government and propose recommendations to close gaps and address structural issues in relation to the Balance of Payments (external sector), National Accounts (real sector), Fiscal Accounts (public sector) and Monetary Accounts (financial sector).
2. Fiscal reform programmes:
    a. Aim: To develop efficient revenue and expenditure systems, as well address the management of governments' cash flows, debt servicing and wages.
3. Debt management programmes:
    a. Aim: To facilitate the adoption of a structured approach to debt management to achieve optimal debt profiles and enhance sustainability. The debt target is 60% of GDP by 2020.

4. Public sector investment programmes (PSIP):
    a. Aim: To provide short- to medium-term fiscal stimuli for the ECCU in relation to 'Quick disbursing projects which will put people to work and stimulate economic activity to restore growth; and …provision of critical infrastructure for medium and long term development'[4].
5. Social safety net programmes:
    a. Aim: To review the social safety nets in the ECCU countries and the development of measures to achieve sustainable poverty reduction.
6. Financial safety net programmes:
    a. Aim: Restructuring and recapitalisation of the banking and insurance sectors as well as regulatory and supervisory strengthening.
7. Amalgamation of the indigenous commercial banks:
    a. Aim: To create economies of scale and scope, and operational efficiency in financial services in the ECCU.
8. Rationalisation, development and regulation of the insurance sector:
    a. Aim: To reduce the number of insurance companies in the region and strengthen the regulatory framework.

A brief review of the eight point plan reveals limited direct relevance to the development of the private sector with the exception of plans for public sector investment programs (PSIP) and the amalgamation of banks which, it would be hoped, would provide easier access to finance. While the points in the plan seek to provide an overall conducive environment for business in the long term, there appears to be limited attention to the immediate needs of the private sector at the regional and domestic level. This is not to say that the needs of the private sector are not being addressed, simply that the focus of policy at the regional level is more on the macroeconomic environment rather than on increasing productivity and private sector development.

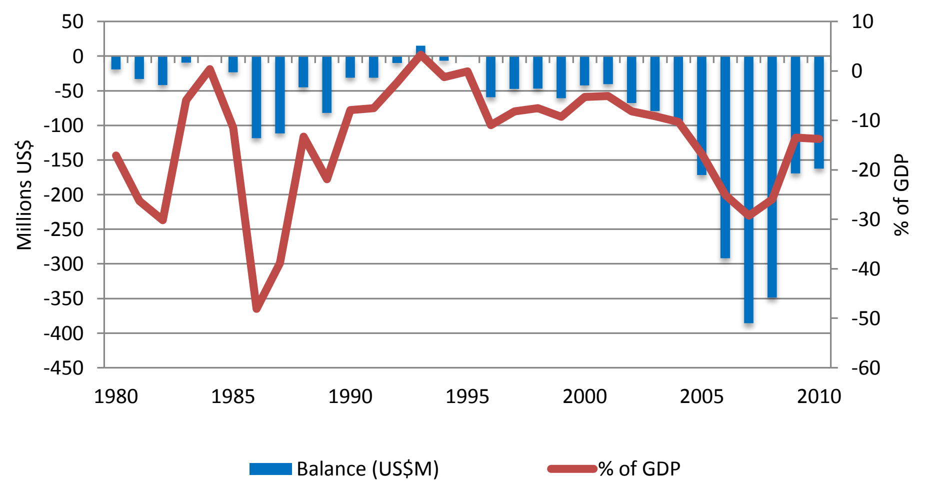
[4] http://www.eccb-centralbank.org/about/ann26_eight.asp

4. Macro Context of Antigua and Barbuda and the OECS

4.1. The International Economy

Antigua and Barbuda's external current account balance has deteriorated significantly during the latter half of the last decade. This reflects a decline in tourism related receipts and rising prices of energy and other commodity imports.

Figure 4: Current Account Balance for Antigua and Barbuda (1980-2010)

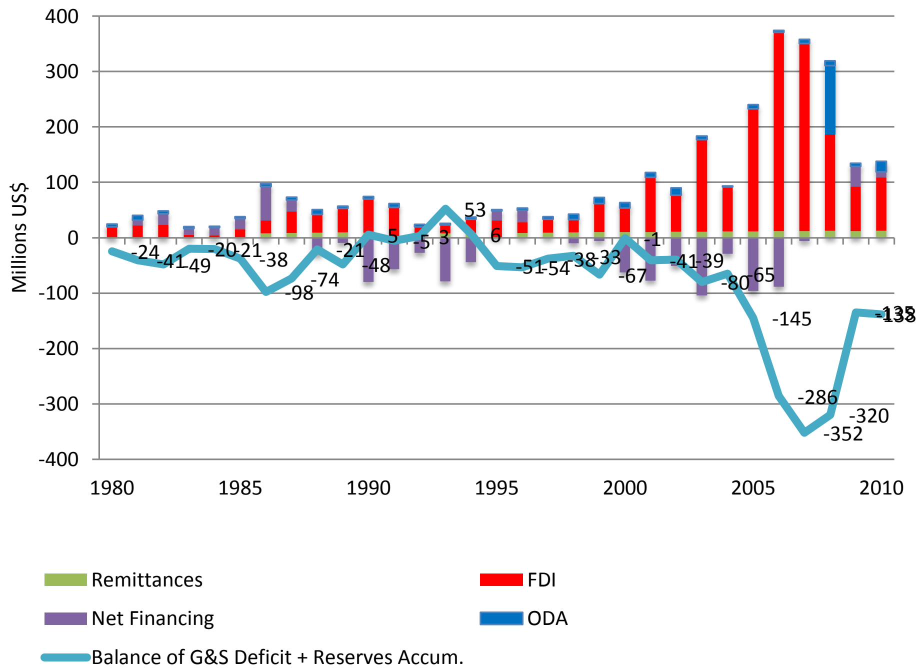


Source: World Development Indicators

The large current account deficits, reported since 2005, were largely financed by foreign direct investment (FDI) inflows, and to a lesser extent remittance flows and overseas development assistance (Figure 5). After reaching as high as US$359 million, 31.4% of GDP in 2006, FDI inflows have declined somewhat and were estimated at US$56 million (5.6% GDP) in 2011. Remittance flows are usually about US$12.5 million per year. The external indebtedness of the island has improved steadily, falling from around 77 per cent of GDP in 2003 to 47.5 per cent of GDP in 2010 and less than 10 per cent of exports of goods and services (Figure 6).

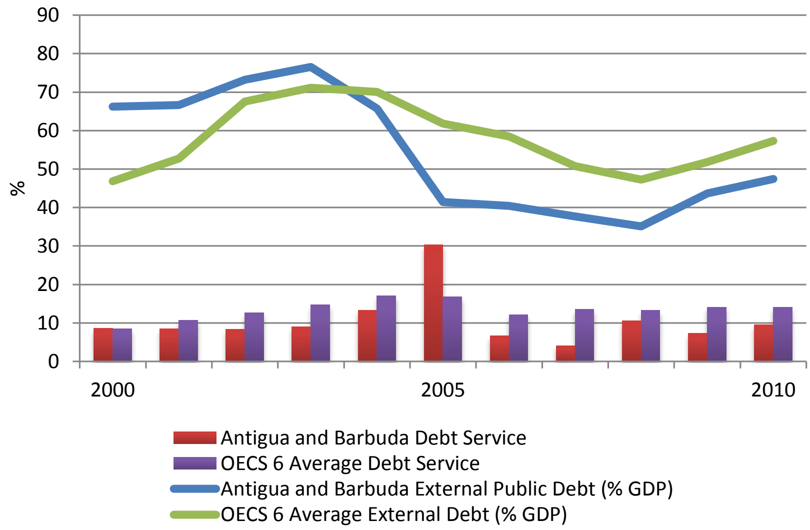
In small open economies, the real effective exchange rate is not a good proxy for external competitiveness. These economies tend to be very open to the rest of the world, given the lack of natural resources and limited self-sufficiency in food production. As a result, domestic prices tend to be largely driven by external factors beyond the control of the domestic authorities. In addition, as these economies tend to largely focus on the supply of services to other economies (e.g. tourism and international financial services), which are not very dependent on price, but on quality, the real effective exchange rate is not is good proxy for competitiveness of the island to provide these services. The limited utility of the real effective exchange rate to explain competitiveness changes is shown by the lack of correlation between the index and the external current account balance. Essentially, as the exchange rate is fixed, domestic prices are largely driven by external prices, not domestic market conditions. One would therefore not expect any relationship between the RER and the current account balance in fixed exchange regimes such as in the OECS.

Figure 5: External Accounts Analysis for Antigua and Barbuda (1980-2010)



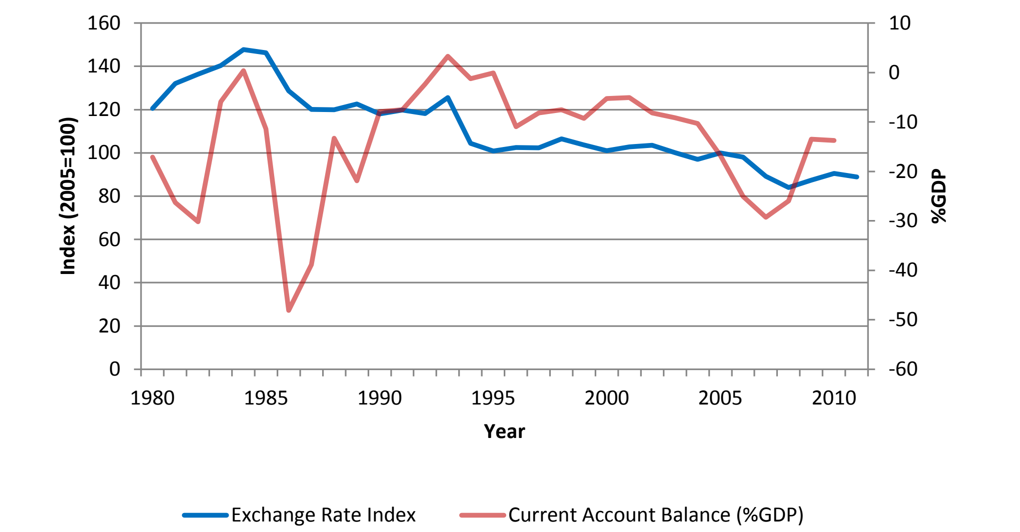
Source: World Development Indicators

Figure 6: External Debt and Debt Service for Antigua and Barbuda and the OECS 6 (2000-2010)



Source: IMF Article IV Consultations (Various Years)
Note: Debt Service measured as % of Goods and Services Exports

Figure 7: Real Effective Exchange Rate Index (2005=100) and Current Account Balance (%GDP) for Antigua and Barbuda (1980-2010)



Source: World Development Indicators

4.1.1 Trade

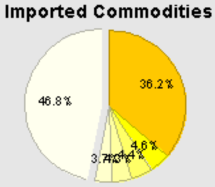
Figure 8 provides a snapshot of the trade pattern in Antigua and Barbuda. More than one third of all imports are energy related. Fluctuations in international oil prices therefore have a significant impact on the overall external current account for the island.

The USA is the largest trading partner, accounting for 35% of imports most of which are non-durable and durable consumer items. Trinidad and Tobago also shows up as a major source of imports. On the domestic exports side, textiles and electronic components are dominant and the main trading partner is again the USA.

Figure 8: Trade Snapshot for Antigua and Barbuda (2011)

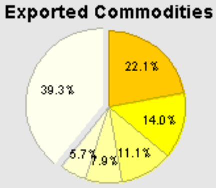
Top Imported Commodities in the selection

Code	Description	Trade Value
27	Mineral fuels, oils, distillation products, etc	$170,538,175
85	Electrical, electronic equipment	$21,522,638
22	Beverages, spirits and vinegar	$20,782,969
84	Nuclear reactors, boilers, machinery, etc	$20,344,782
02	Meat and edible meat offal	$17,284,415
	Other commodities	$220,623,449



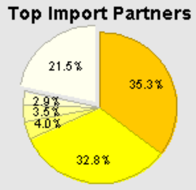
Top Exported Commodities in the selection

Code	Description	Trade Value
63	Other made textile articles, sets, worn clothing etc	$6,413,906
85	Electrical, electronic equipment	$4,060,103
84	Nuclear reactors, boilers, machinery, etc	$3,212,581
22	Beverages, spirits and vinegar	$2,291,605
89	Ships, boats and other floating structures	$1,641,656
	Other commodities	$11,408,543



Top Import Partners in the selection (View Map)

Partner Title	Trade Value
Areas, nes	$166,334,384
USA	$154,426,260
Trinidad and Tobago	$18,777,686
United Kingdom	$16,642,614
China	$13,487,725
Other partners	$101,427,759

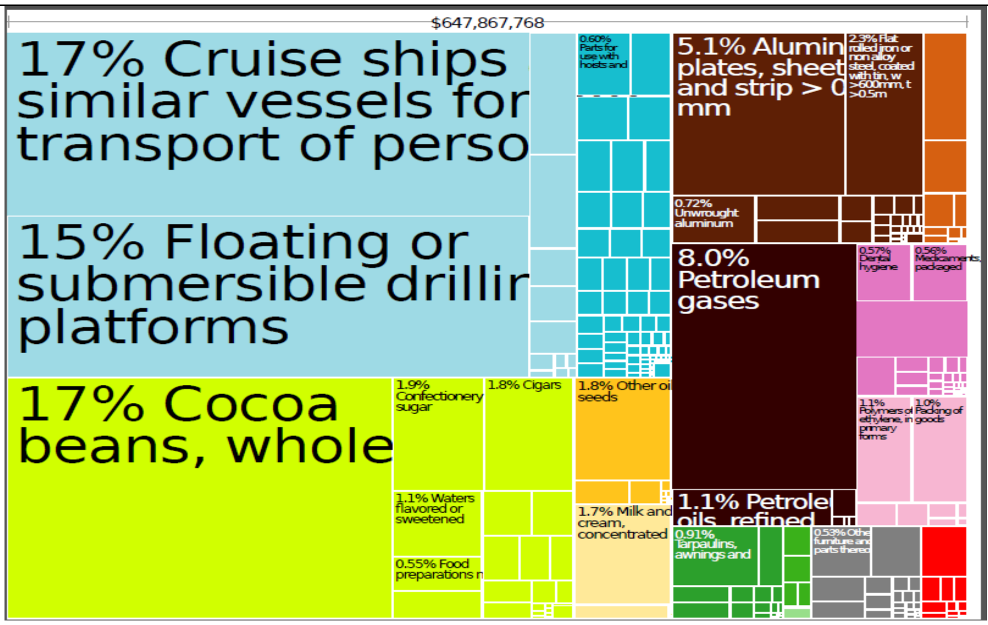


Top Export Partners in the selection (View Map)

Partner Title	Trade Value
USA	$11,066,966
United Kingdom	$2,419,173
Barbados	$2,158,436
Trinidad and Tobago	$1,993,754
Jamaica	$1,233,934
Other partners	$10,156,131

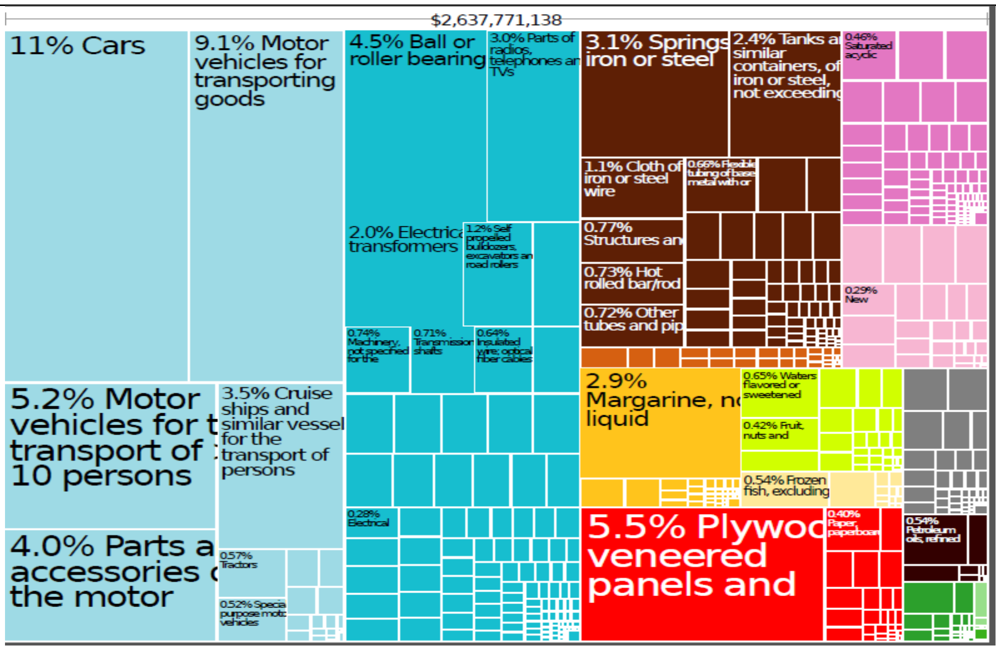
UN Comtrade Database

Figure 9: Treemap of Imports[5], Antigua and Barbuda 2010



Source: The Observatory of Economic Complexity

Figure 10: Treemap of Exports, Antigua and Barbuda 2010



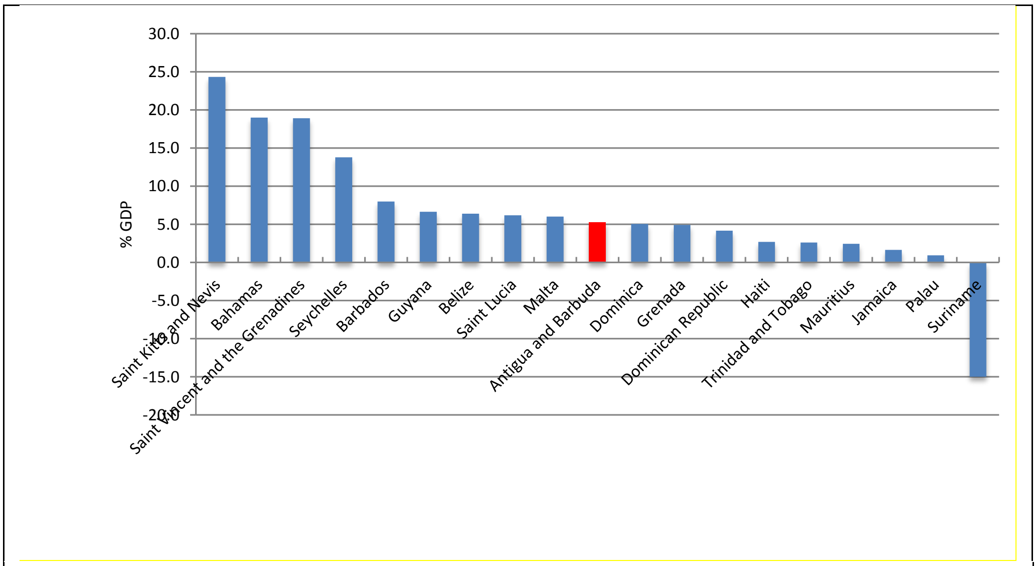
Source: The Observatory of Economic Complexity

[5] A treemap of imports/exports show various products' share of total imports/total exports. The product classification is based on the Harmonised Commodity Description and Coding System (HS) at the 4-digit level.

4.1.2 Foreign Direct Investments

FDI in Antigua and Barbuda is principally associated with tourism. In 2011, FDI was just over 5% of GDP, largely on par with most other small island states. Antigua and Barbuda faces a number of challenges in regards to attracting FDI, many of which are outside of the control of policymakers. Its small market size limits the amount of funds flowing into the island for market-seeking opportunities. The size of the economy and lack of natural resources also result in higher input costs and limited opportunities for natural resource seeking FDI. Given the profile of the island, it is likely that most FDI would continue to be tourism related or of the efficiency-seeking variety (e.g. international financial services). This would utilise some of the surplus labour but would also require some investment in the human resource capabilities of the island.

Figure 11: Inward FDI for Antigua and Barbuda and Comparators (2011)



Source: UNCTAD

While the macroeconomic environment is relatively stable, there are some social and political uncertainties that might impact on potential FDI flows. In relation to the macroeconomic environment, inflation is relatively low, and there are no restrictions on capital flows and limited exchange rate uncertainty.

In this regard, the Antigua and Barbuda Investment Authority (ABIA) has been playing an important role in relation to investment promotion of the country. The institution offers investment and trade information, investment incentives, investment facilitation, entrepreneurial/business skills training, small business support services, industrial facilities and policy advice. The entity attempts to act as a one-stop shop for potential investors. The entity can help investors prepare business plans and complete applications for various tax incentives and fast track applications for permits and licenses.

4.1.3 Analysis for the International Economy

Antigua and Barbuda's economy has been hard-hit by large exogenous shocks to tourism and tourism-related FDI inflows. These shocks have led to a marked decline in economic activity, weakened the balance of payments, and exacerbated an unsustainable fiscal position resulting from longstanding fiscal imbalances and an unmanageable stock of domestic and external arrears. The weak public finances, in turn, pose a serious threat to the prospects for a resumption of sustained economic growth and return to external stability. The authorities have implemented a three-pronged approach to restoring fiscal and debt sustainability, which comprises front-loaded adjustment measures, debt restructuring to eliminate arrears and provide for interest flow relief, and structural reforms to further strengthen the fiscal position and to address financial sector vulnerabilities.

Given the openness of the Antigua and Barbuda economy, international economic developments also have a significant impact on the domestic economy. There are three key potential external threats to future developments: (1) growth in more developed economies; (2) commodity prices; and, (3) FDI flows. Given the small size of the domestic market, most growth opportunities in small states are related to the international economy. Future prospects for tourism, for example, are largely driven by economic developments in key source markets. If low growth in these economies is protracted, the already weak tourism industry could be further affected. Remittance flows, an important component of the financing mix for the island, which are also intimately associated with economic developments in the above-mentioned larger economies, have remained steady in the 2005 to 2010 period.

Commodity prices have a significant impact on not only domestic prices but also on external current account sustainability. More than 30% of imports into Antigua and Barbuda, for example, are made of imports of petroleum-related products. Fluctuations in international oil prices can therefore affect the success of any economic adjustment program. Commodity prices also impact on the demand for travel to the island and can also increase the price of all imports as shipping costs rise.

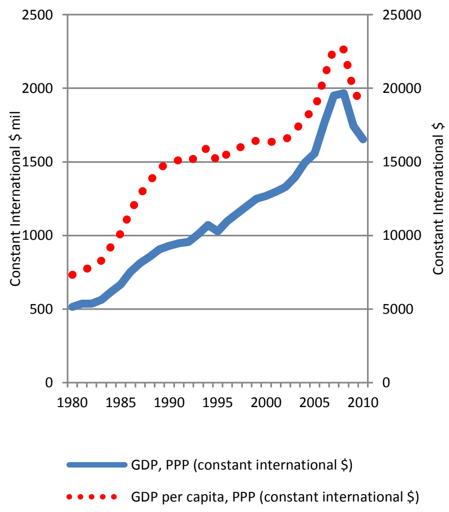
The relatively large current account deficit that Antigua and Barbuda has reported in recent years has largely been financed by FDI inflows. Should these flows continue to decline, the island will need to accumulate an even larger amount of external debt. FDI inflows also support growth in the construction industry. Any rebound in growth of this industry is therefore dependent on a rebound in FDI inflows.

4.2. The Domestic Economy

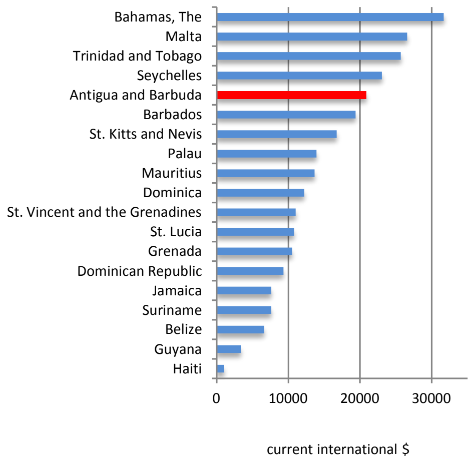
The size of the Antigua and Barbuda economy has grown modestly between 1980 and 2010. In 2010, real GDP was estimated at US$1.654 billion, just over 3 times its size in 1980. On a per capita basis, GDP for the island ranked 5th amongst comparator countries (US$20,954) with the Bahamas, Malta, Trinidad and Tobago and Seychelles out of the 18 comparator countries having a higher level of per capita GDP.

Figure 12: GDP Dynamics in Antigua and Barbuda

GDP Dynamics 1980-2010



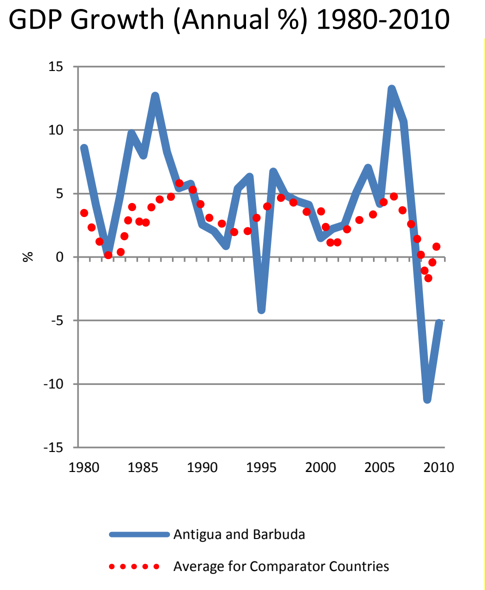
GDP Per Capita 2010, PPP (current international $)

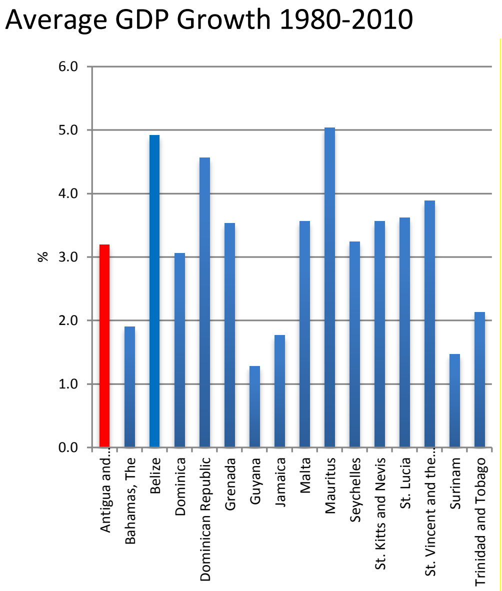


Source: World Development Indicators

Growth for the Antigua and Barbuda economy was also quite variable. Average growth for the island between 1980 and 2010 was 3.2% per annum. In recent years, the island has been significantly affected by the global crisis and the associated economic downturn that has resulted in a significant contraction in earnings from tourism, foreign direct investment (FDI) and remittances. In fact, since 2009 the economy has contracted by nearly 16% which represent a return to trend after the conclusion of the 2007 Cricket World Cup.

Figure 13: GDP Growth in Antigua and Barbuda (1980-2010)

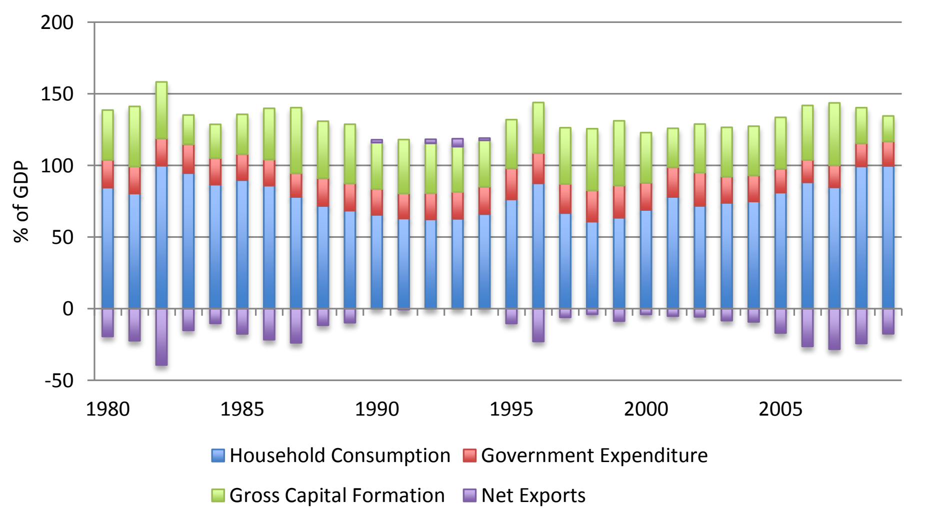




Source: World Development Indicators
Note: GDP Growth (Annual %) based on PPP (constant prices, international $)

Expenditure on GDP is largely driven by trends in household consumption. For most of the period the share of consumption in GDP has fluctuated around 77 per cent of GDP as can be seen in Figure 14. In recent years, however, the share of this category has risen, despite the slowdown in economic activity. In contrast, the share of gross capital formation, net exports and government expenditure in GDP has contracted in recent years, as Government revenue earnings have contracted significantly.

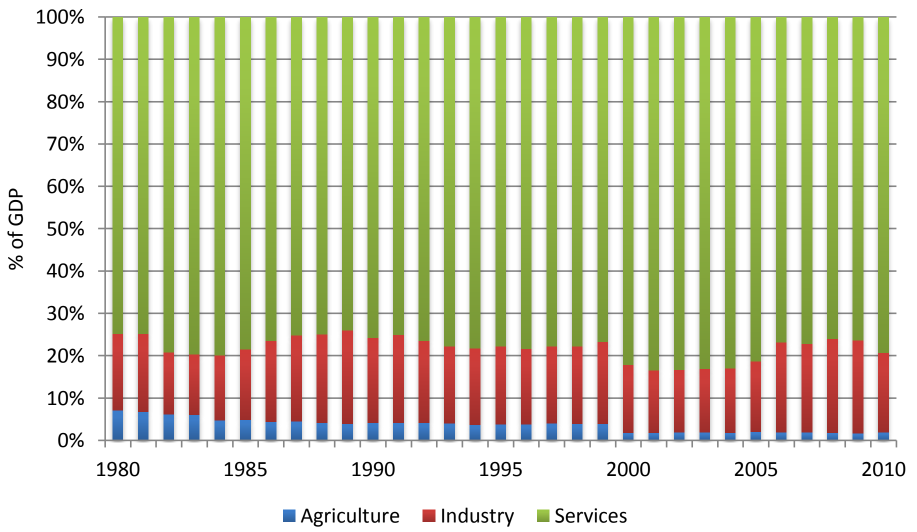
Figure 14: GDP Decomposition by Expenditure for Antigua and Barbuda (1980-2010)



Source: UN National Accounts Database

The economy of Antigua and Barbuda has depended significantly on tourism services. Unlike its neighbours, agriculture has never reached double digits during the review period; however its downward trend is consistent with the other islands. Incredibly, agriculture accounts for less than 2% of GDP in Antigua and Barbuda. As in recent years, the economy continues to depend largely on tourism to generate most of its growth. Tourism is largely dominated by arrivals from the United Kingdom, the United States and the rest of the Caribbean, and is therefore dependent on the economic fortunes of these source markets. The island also has a vibrant yachting segment that supports overall tourism development. The international financial sector is largely made up of firms involved in Internet gaming and international business.

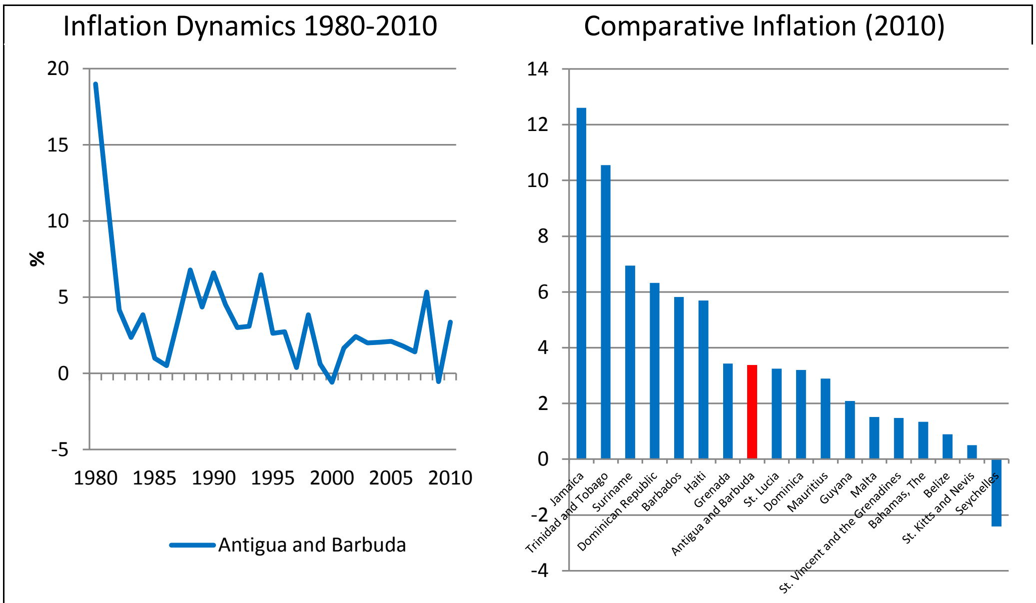
Figure 15: GDP Decomposition by Industry for Antigua and Barbuda (1980-2010)



Source: UN National Accounts Database

Inflation in Antigua and Barbuda tends to be relatively low. The average annual rate of inflation was 1.9% compared to 8.5% in a group of its peers (Figure 16). In 2010, the average annual change in prices was 3.4%, largely due to higher prices on food, energy and household furniture and equipment. Food prices rose on account of higher prices for meats, dairy products and vegetables, while energy prices were largely influenced by international oil prices.

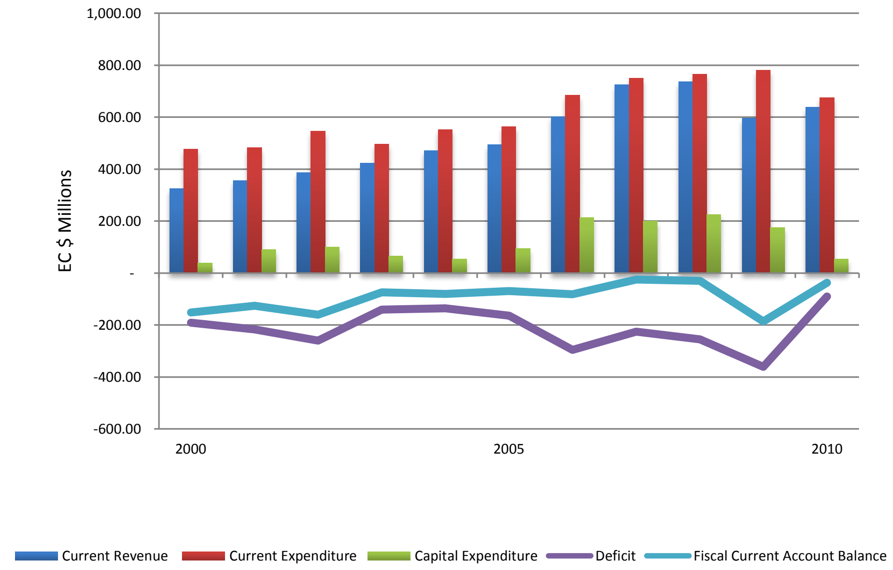
Figure 16: Inflation Data for Antigua and Barbuda (1980-2010)



Source: World Development Indicators

After numerous years of accumulated arrears to domestic and external creditors, the fiscal situation turned critical in 2009 as the recession led to a 20% decline in tax revenue. Meanwhile, recorded primary expenditure rose by 4.5% of GDP due to higher-than-budgeted current outlays as well as improved coverage of outstanding payments. The overall fiscal deficit widened from 6% of GDP in 2008 to about 19% in 2009. Faced with limited financing options, the Government's accumulated arrears amounting to about 9% of GDP to domestic and external creditors, bringing the total stock of arrears to about 53% of GDP, or 45% of the outstanding public debt. The authorities implemented revenue measures in mid-2009 amounting to about 1.5% of GDP on an annualized basis to begin to address the deterioration in the fiscal position. These included raising petroleum product prices, by an average of 20% (about 1.5% of GDP), while introducing a flexible and market-based petroleum-product pricing mechanism.

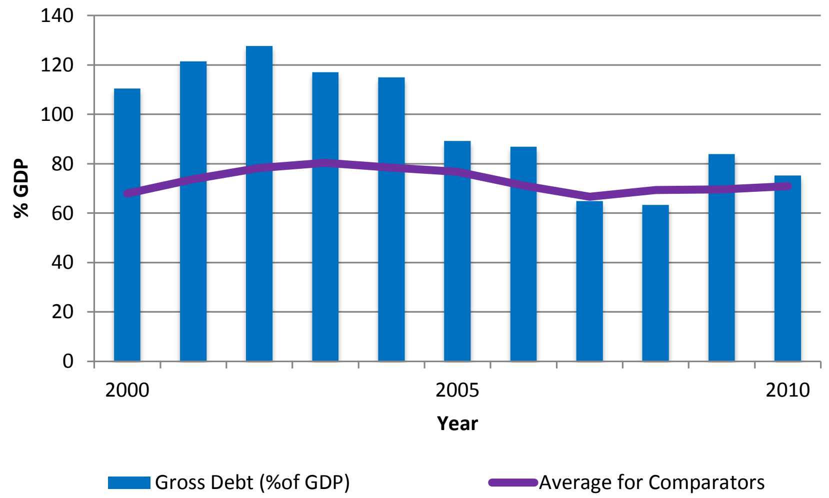
Figure 17: Fiscal Deficit for Antigua and Barbuda (2000-2010)



Source: Central Government Fiscal Accounts

Antigua and Barbuda's debt/GDP profile has largely exceeded the average of comparators over the review period. Debt forgiveness in 2005 brought the ratio below 100% of GDP and fell to a low of 63% in 2008 before the economic recession hit the country's economy resulting in an increase of 20% in 2009.

Figure 18: Gross Government Debt for Antigua and Barbuda versus Comparators (2000-2010)



Source: IMF WEO Database

In turning from macroeconomic indicators to the state of the labour market, there is a severe lack of labour market data in the OECS, with the exception of St. Lucia. For Antigua and Barbuda, the only data available since the turn of the century are from the National Census of 2001, and the 2007 Country Poverty Assessment; the reported unemployment rate for 2001 was 8.4% while the unemployment rate in 2007 for household heads was 2.7%. However, the 2007 unemployment rate was in the same year as a peak in economic activity surrounding the Cricket World Cup and should not be considered as representative.

Given the current economic crisis it would be expected that the unemployment rate is significantly higher than the 2007 figure. Indeed, the revised Antigua and Barbuda Social Protection Assessment (2010/2011) of the World Bank opines that unemployment must have deteriorated from the above figures with the global crisis in general and its effect on some financial institutions in particular. Other events include the loss of some 1200 jobs at the 2008 collapse of the Standford Group. The report also quotes figures from the Antigua and Barbuda Social Security Board that state a 1% and 13.3 % decline in employment in 2008 and 2009 respectively reflecting a loss of 4957 jobs for the period, countered by some reversal in 2010 over 2009 as evidenced by a 19.2% increase in contribution income. It would therefore be expected that the unemployment rate in Antigua and Barbuda is in line with recent figures for comparator countries, as shown in the figure below, with the burden of unemployment falling mainly on females and the youth.

Table 1: Unemployment Data for Comparator Countries (Various Years)

Country Name	**Data Year**	**Total Unemployment (%)**	**Female Unemployment (%)**	**Male Unemployment (%)**	**Youth Unemployment (%)**
Bahamas, The	2011	**13.7**	13.7	13.6	na
Barbados	2011	**11.2**	12.5	9.8	na
Belize	2007	**8.5**	13.0	5.9	na
Dominican Republic	2010	**12.4**	16.4	9.34	na
Guyana	2011	**21.0**	25.74	17.24	46.0
Jamaica	2011	**12.7**	17.2	9.6	30.1
St. Lucia	2007	**14.0**	18.5	10.0	na
Trinidad and Tobago	2008	**4.6**	6.2	3.5	10.5

Source: World Development Indicators

In relation to the employed labour force, the majority of employment is situated in the private sector (employees and self-employed) which accounts for 64% of employment. Government and statutory corporations account for 28% of employment.

Table 2: Distribution of Labour Force by Gender and Type of Worker (%)

	Male	**Female**	**Total**
Paid Employee - Government	18.7	31.3	25.4
Paid Employee - Statutory	2.4	2.6	2.5
Paid Employee - private	54.4	49.9	52.0
Self employed without employees	11.7	5.6	8.4
Self employed with employees	5.5	2.4	3.8
Unpaid family worker	0.0	0.1	0.1
Other	0.7	0.1	0.4
Not Stated	6.7	8.0	7.4

Source CPA 2007

Table 2 shows the distribution of employment by sector. As noted previously, it is clear that services in general dominate the economy of Antigua and Barbuda accounting for 68% of employment in the country. As with contributions to GDP, Agriculture and Fishing only account from 2.5% of employment.

Table 3: Distribution of Employed by Industry (2005/2006)

Sector	Distribution (%)
Agriculture & Fishing	2.5%
Manufacturing	1.3%
Construction	10.5%
Wholesale and Retail	3.5%
Hotel and Restaurant	8.3%
Transportation	2.6%
Services	35.8%
Administrative	11.4%
Education	5.9%
Other	13.7%
Not Stated	4.6%

Adapted from Living Conditions in Antigua and Barbuda: Poverty in a Services Economy in Transition – CDB 2007

The Country Poverty Assessment (2007) for Antigua and Barbuda notes that while the service sector does provide a large amount of employment, the quality of this employment may not be sufficient to sustainably raise households out of poverty given that:

> *"Hotels and Restaurants accounted for a slightly higher proportion of employment in the poorest quintiles than in quintile V. Those at the lower end of the spectrum would have faced the travails of seasonality of employment of the sector: while it is labour intensive, the period April to November tends to be a lean period in the resort industry. Significant numbers of women are employed in this sector, and at its lower end, so that their experience of poverty could be more intense and harsher in the low season." (p.83)*

4.2.1 Analysis for Domestic Economy

Following many years of protracted fiscal imbalances, the current global economic and financial crisis has severely affected Antigua and Barbuda's economy, given the heavy reliance on tourism and foreign direct investment (FDI), which have declined in the difficult external environment, and remittances from abroad,. Significant contractions in economic activity in 2009 and 2010 have contributed to further severe pressures on the fiscal and balance of payments positions. Inflation has remained relatively low despite higher fuel prices and consumption taxes.

The state of the public finances and debt profile remains the most critical element to economic stability and growth. Until that situation is resolved the central Government cannot credibly stimulate the economy without doing further harm to the wider economy.

For labour, despite limited pressures from inflation, it is expected that unemployment would be significantly higher than prior to the crisis, and given the reliance on services and tourism, it appears that there is currently limited opportunities for sustainable reductions in the poverty rate without further development and growth in the private sector which accounts for 64% of employment in the country.

4.3. The Productive Sectors

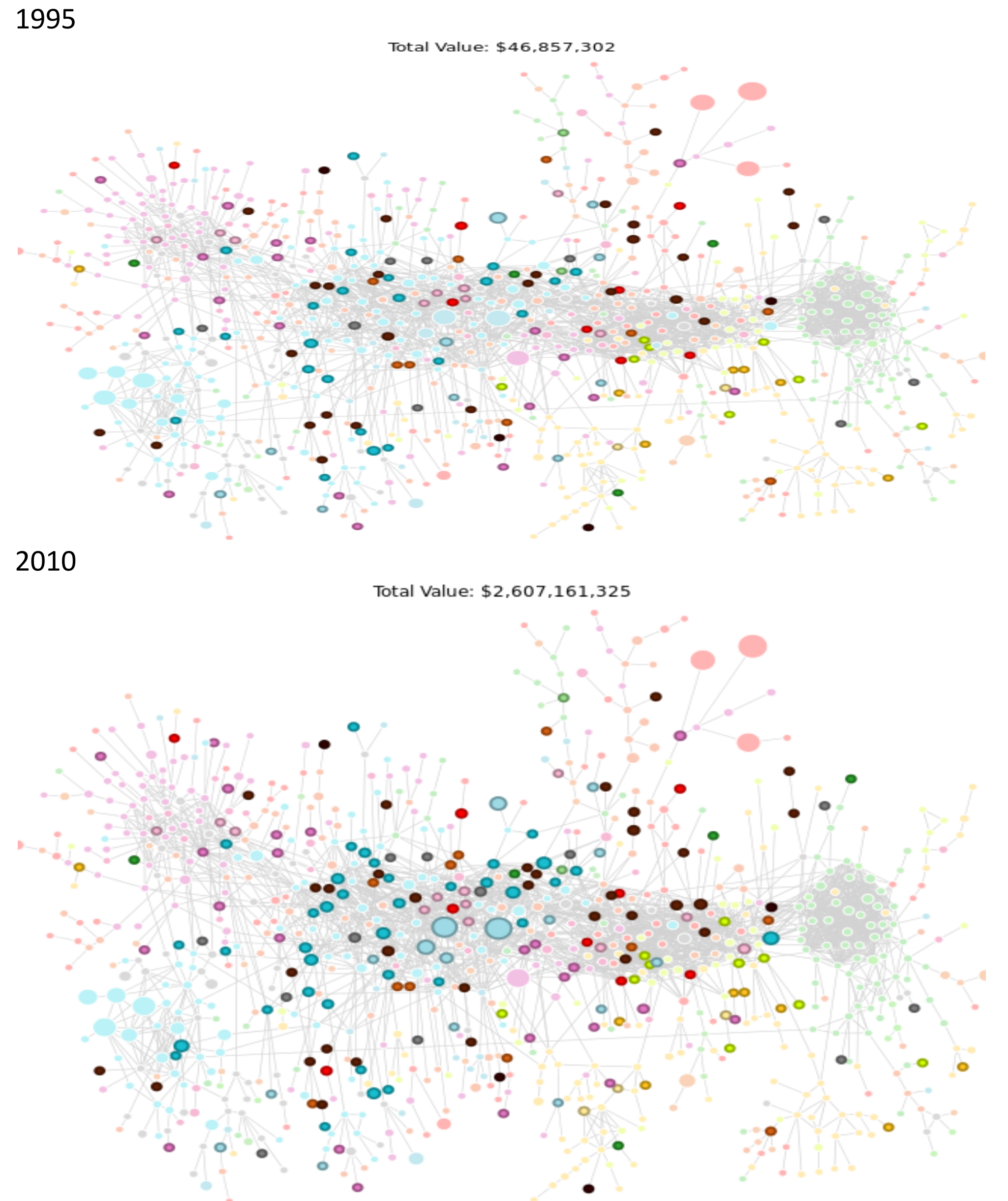
Antigua and Barbuda has traditionally depended on tourism to spur growth and development on the island. In recent years, this has been expanded to include the health and wellness industries as well as medical education and medical tourism services. Education in particular has grown every year since 2001; in recent years, the industry has been the only segment of the economy that does not seem to have been significantly affected by the global economic downturn. Most of this growth was due to activities on the American University of Antigua, which started as an offshore medical university training individuals for medical careers in the USA.

4.3.1 Industry and Agriculture

Antigua and Barbuda's export production structure has changed somewhat during the period 1995 to 2010; however, the country still tends to export goods that are not unique/complex. The product space maps show that there have been some developments in the core and some expansion in the periphery (see Figure 19[6]) of the product space. In reviewing the export data utilised to construct the maps, the data in Table 4 shows that the top 10 exports have changed from primary products (products on the periphery and including crude petroleum oil, rice, and raw cotton) dominating the top 10 and accounting for 38% of all exports, to no primary products in the top 10 in 2010. In 2010 the structure of the top 10 exports was mainly in the core, in higher value added areas.

[6] *'The product space map is a view of the network of relatedness of products that countries trade. The layout remains fixed for which the country's export basket is overlayed with a thick black border on the products that they were exporting in the given year'* http://atlas.media.mit.edu/about/. An interactive version of the Product Space Maps for Exports is available from http://atlas.media.mit.edu/

Figure 19: Product Space Map (Exports) for Antigua and Barbuda 1995 and 2010



Source: The Observatory of Economic Complexity

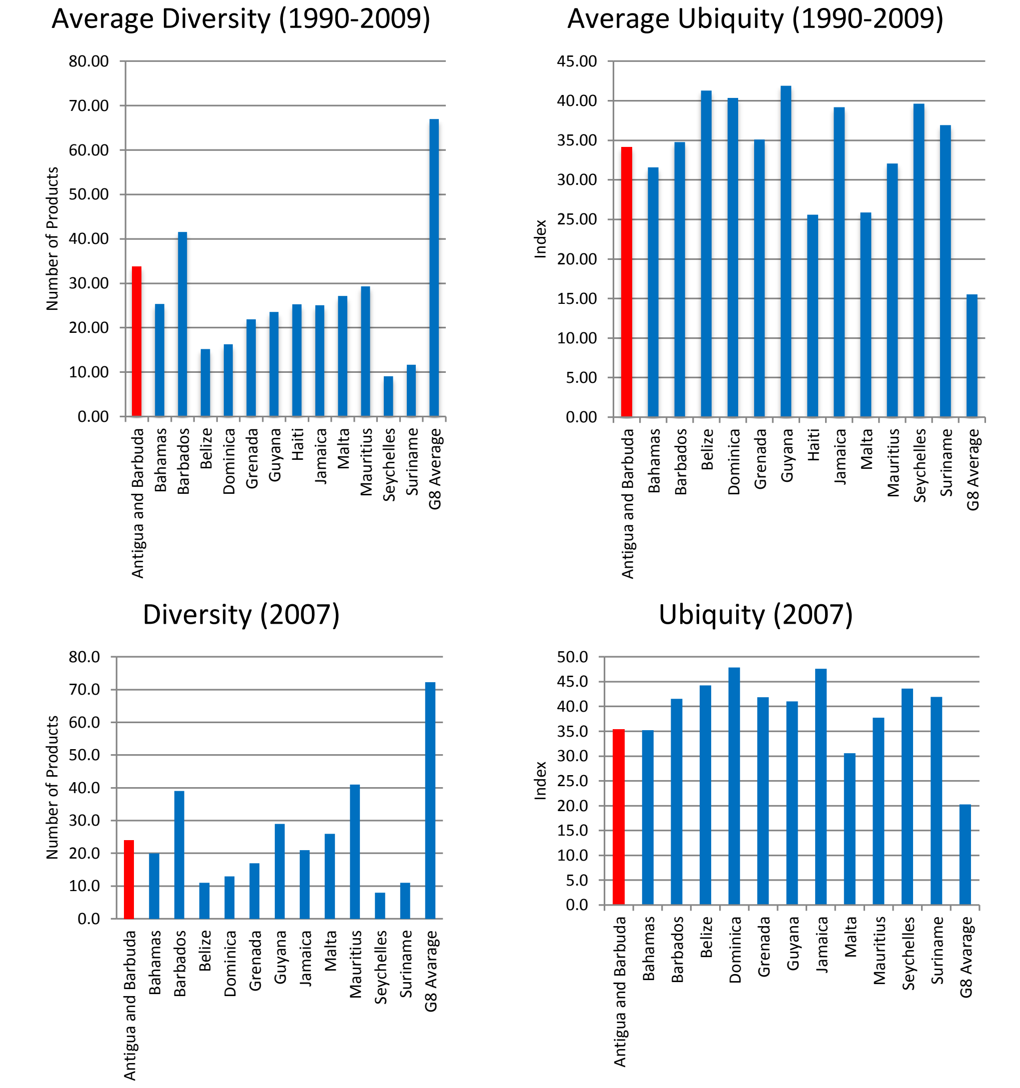
Table 4: Top 10 Exports for Antigua and Barbuda 1995 and 2010

1995 Top 10 Exports	**Share**	**2010 Top 10 Exports**	**Share**
Petroleum oils, crude	29.75%	Cars	10.80%
Petroleum oils, refined	25.46%	Motor vehicles for transporting goods	9.03%
Rice	5.64%	Plywood, veneered panels and similar laminated wood	5.39%
Cotton raw	2.87%	Motor vehicles for the transport of > 10 persons	5.15%
Yachts	2.81%	Ball or roller bearings	4.47%
Cotton seed oilcake	2.74%	Parts and accessories of the motor vehicles	3.96%
Unwrought aluminum	2.35%	Cruise ships and similar vessels for the transport of persons	3.49%
Other clock or watch parts	2.31%	Springs of iron or steel	3.11%
Reception apparatus for radio broadcasting	1.90%	Parts of radios, telephones and TVs	2.94%
Mineral or chemical fertilizers, mixed	1.71%	Margarine, not liquid	2.91%

The diversity of the island's exports can also be gleaned by looking at the diversity and average ubiquity indices for the island (Figure 20). The diversity is the number of products for which a country has a revealed comparative advantage (RCA) of more than 1. The figure shows that over the period 1990 to 2009 that Antigua and Barbuda, on average, had 34 export products with an RCA greater than 1 and in 2007[7] specifically, 24 products with an RCA greater than 1. In general, this was higher than most comparator countries and about half the average for developed countries. The average ubiquity index measures the extent to which the exports of a country are unique: the higher the value, the less unique a country's exports (i.e. many other countries also export this good). In line with our previous results, Antigua and Barbuda tended to export goods for which many other countries were also exporting.

[7] 2007 is used in this case as it was the most recent year for which data was available for all comparators.

Figure 20: Diversity and Average Ubiquity for the Caribbean



Source: Competitiveness Forum

It should however be noted that goods exports are a marginal part of the Antigua and Barbuda economy at approximately 4% of GDP, which is characteristic of the OECS in general. As the table below demonstrates, that for all of the OECS countries, with the exception of St. Lucia, goods exports do not exceed 9% of GDP, while the larger natural resource based countries in the region have goods exports which range from 34% in Belize to 54% in Trinidad and Tobago.

Table 5: Goods Exports as Percentage of GDP

Country Name	Goods Exports (% of GDP)
Trinidad and Tobago	54.25
Suriname	47.72
Malta	42.83
Seychelles	41.12
Guyana	39.15
Belize	34.02
Mauritius	23.27
St. Lucia	19.92
Dominican Republic	13.07
Barbados	10.48
Jamaica	10.38
Bahamas, The	8.91
Haiti	8.49
Dominica	8.20
St. Vincent and the Grenadines	6.61
St. Kitts and Nevis	5.44
Antigua and Barbuda	**3.99**
Grenada	3.94

Source: WDI
Calculations based on Goods Exports (BOP, current US%) and GDP (current US$)

4.3.2 Services

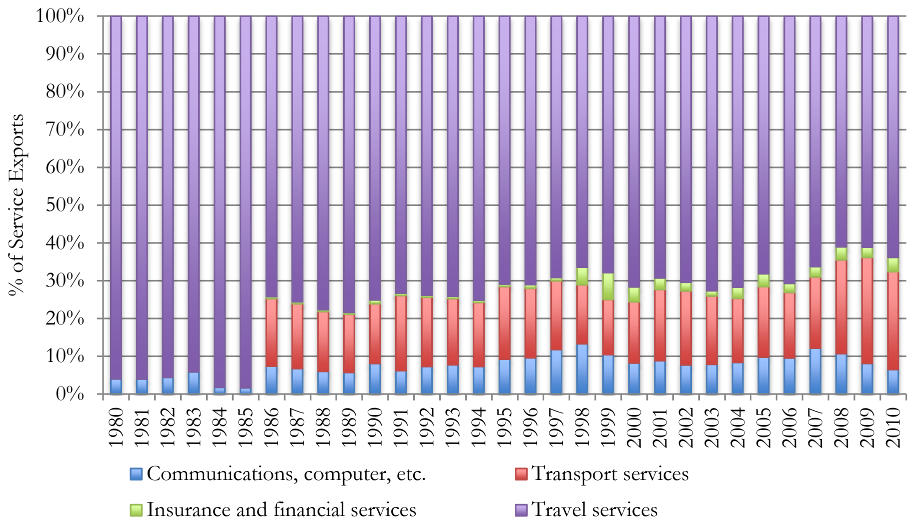
Tourism is the main driver of activity in the services sector of the economy. Figure 21 plots the decomposition of the various components of the services industry for the period 1990 to 2010. On average, tourism services accounted for just about three-quarters of service exports, with communications services accounting for most of the remainder. Travel services are the only category of services trade where the island has a trade surplus. For all the other segments of services trade payments for these services far exceed earnings.

In specifically addressing tourism, the World Travel and Tourism Council (2013)[8], estimates the direct contribution[9] of travel and tourism to the economy of Antigua and Barbuda as 18.5% of GDP in 2012, and 18.8% of employment, or approximately 5,000 jobs.

[8] http://www.wttc.org/site_media/uploads/downloads/antigua_and_barbuda2013.pdf

[9] The WTTC defines 'direct contribution' as spending in relation to travel and tourism by residents, businesses and government, and visitor exports on tourism related commodities (accommodation, transportation, entertainment and attractions) in relation to GDP, and for employment, jobs provided in these industries (accommodation services, food and beverage services, retail trade, transportation services, and cultural, sports and recreational services.

Figure 21: Decomposition of Service Exports for Antigua and Barbuda (1980-2010)



Source: World Development Indicators

4.3.3 Analysis for the Productive Sector

Antigua and Barbuda relies heavily on the fortunes of the tourism sector as the key foreign-exchange earning industry. However, the sector has been coming under pressure and has contracted significantly in recent years due in part to ongoing uncertainty in the international economy. The Government has redoubled its efforts to enhance the tourism product and to develop a health and wellness industry in collaboration with the tourism sector. There is very little activity in agriculture or manufacturing but some efforts have been made recently to boost both agriculture and manufacturing production through the provision of specific incentives offered to both domestic and international investors to develop enterprises within these sectors. The Antigua and Barbuda Investment Authority is the agency responsible for overseeing the new policy.

The 2010 budget speech also identified a number of areas with the most promising growth prospects: health and education services, energy development, agro-processing and information and communication technologies. These industries will be supported by various institutional developments in the area of a Special Business and Facilitation Committee, an additional Civil Court and a separate Registrar of Lands and Deeds. As a result of these structural innovations, there has been a reduction in the time and cost it takes to do business.

5. Characteristics, Issues and Challenges of Private Sector Development in Antigua and Barbuda

5.1. Goal of Private Sector Development in Antigua and Barbuda

The main Ministry in Antigua and Barbuda responsible for private sector development is the Ministry of Finance, the Economy and Public Administration. The Ministry oversees various departments of relevance to private sector development including the departments of Industry, Commerce, International Trade, Free Trade and Processing Zone, and Economic Planning and Development. The Ministry also oversees the Antigua and Barbuda Development Bank (ABDB) which provides financing to the productive sectors and small and micro enterprises. The ABDB also provides financing for mortgages and student loans.

The Government of Antigua and Barbuda, through the Investment Authority Act 2006, has also established a regime for the development of the private sector. The Antigua and Barbuda Investment Authority (ABIA) has four operational areas that interface directly with the private sector:

- Investment Promotion Area – This area focuses on both domestic and foreign investors.
- Facilitation Department – This focuses on due diligence and assessment of business plans along with the size of investment and job creation opportunities.
- Enterprise Development Department – This section focuses on the delivery of training courses to small enterprises. Some 20 courses are offered across a number of areas.
- Business Climate Enhancement.

The Government of Antigua and Barbuda has implemented a National Economic and Social Transformation (NEST) Plan to deal with the current economic crisis. This Plan to deal with the fallout from the global economic crisis is to be superseded by a Medium-Term Strategic Development Plan (MTSDP), once approved by stakeholders. The main components of the MTSDP are:

- Fiscal Balance
- Education for All
- Enhancing the Social Development Agenda
- Preserving the Environment and Building a Stronger Physical Infrastructure
- Economic Sustainability
- Development of ‘Antigua and Barbuda- the Best Brand’

In relation to PSD, the Government of Antigua and Barbuda, as indicated in the Budget of December 2012, will focus on:

- Creating a business and investor friendly environment
- Tourism
- Agriculture
- Investment for growth and development

It appears from a review of Government’s activities to promote PSD, that the focus is two-fold, to promote economic growth in its own right, as well as to create jobs.

5.2. State of the Private Sector

The industrial structure of Antigua and Barbuda is dominated by services; Hotels and Restaurants, Wholesale and Retail Trade, Real Estate, Renting and Business Activities, Transport, Storage and Communications, and Financial Intermediation which together accounted for nearly 65% of GDP, while manufacturing and agriculture together only account for 3.4%.

Table 6: Contribution to GDP by Sector in Antigua and Barbuda (2012)

Sector	Share (%)
Hotels & Restaurants	15.54
Wholesale & Retail Trade	14.26
Real Estate, Renting and Business Activities	13.14
Transport, Storage and Communications	11.89
Financial Intermediation	9.81
Construction	8.84
Public Administration, Defence & Compulsory Social Security	8.75
Education	5.33
Electricity & Water	4.47
Health and Social Work	3.08
Manufacturing	2.34
Other Community, Social & Personal Services	1.81
Agriculture, Livestock and Forestry	1.05
Mining & Quarrying	0.95
Fishing	0.86
Activities of Private Households as Employers	0.52

Source: ECCB (2013)

The private sector in Antigua and Barbuda is largely driven by services, however the median firm size is quite small; the Enterprise Survey (2010) notes that approximately 62% of firms employ less than 20 persons with most of the remainder (34%) employing between 20 and 99 persons. Given the small size of firms it is therefore not surprising that many of these firms would choose either a sole proprietorship or partnership as their ownership structure (70%). There is insignificant ownership of firms by the public sector and less than 10% of all firms are foreign owned.

Table 7: Distribution of Employment by Industry (2005/2006)

Sector	Distribution (%)
Services	35.8%
Other	13.7%
Administrative	11.4%
Construction	10.5%
Hotel and Restaurant	8.3%
Education	5.9%
Not Stated	4.6%
Wholesale and Retail	3.5%
Transportation	2.6%
Agriculture & Fishing	2.5%
Manufacturing	1.3%

Adapted from Living Conditions in Antigua and Barbuda: Poverty in a Services Economy in Transition – CDB 2007

The best information available on the employment characteristics is from the Enterprise Surveys (2010). Based on a representative sample survey of firms in Antigua and Barbuda, the average small business employed 10 full-time persons and 1 part-time individual. Ownership by gender was quite uneven with 25% of small firms had some type of female ownership while 44% of permanent full-time workers were female. Approximately 77% of the private sector can be classified as providing some type of services and this is also reflected in the employment profile, although this information is prior to the recent crisis (see Table 7).

Small companies largely dominate the private sector in Antigua, with dominant firms in critical areas of activity including tourism services and utilities. The dominant position of firms in these industries is not surprising given the levels of capital required to operate at a profitable scale. The Enterprise Survey (2010), however, identifies a number of challenges facing small firms on the island. These include tax rates, customs and trade regulations, access to finance, and electricity as major constraints to doing business. Strategic initiatives targeted at addressing these issues should support the further growth of small enterprises on the island. Foreign direct investment also appears to be a good option for financing business growth and development, and the process of investing in Antigua and Barbuda appears relatively easy. However, major constraints to doing business flagged by these companies included corruption and the courts system and these would need to be addressed to support further investment on the island.

5.2.1 Large and Fast Growing Sectors

The industrial structure of Antigua and Barbuda is dominated by services, while construction plays an important role in contributing approximately 9% to GDP and approximately 10% to employment. However, while private residential construction saw some improvement in 2012, public sector and private non-residential construction has waned. Though tourism has also shown signs of growth, it is still subjected to trends in major source markets. It is expected that tourism will remain the main foreign exchange earning sector in Antigua and Barbuda in the immediate future. The growth in Hotels and Restaurants is demonstrated particularly by growth in Restaurants which grew at an average rate of 6% over the period 2008 to 2012 (see Table 8).

Table 8: Average Growth in Selected Sectors (2008 to 2012)

Economic Activity	Average Growth (%)
Restaurants	5.96
Electricity	5.72
Agriculture, Livestock and Forestry	4.60
Electricity & Water	4.05
Crops	2.83
Insurance	2.58
Real Estate, Renting and Business Activities	2.39

Source: ECCB (2013)

The hotels plant comprises a number of all-inclusive properties on the island and more foreign direct investment is being put into the sector. The expansion of the American University of Antigua fits the strategic goal of marrying tourism with international medical tourism and education on the island. Naturally, the growth prospects for this sector will depend heavily on the economic circumstances in the United Kingdom and United States.

Construction in Antigua and Barbuda is largely driven by infrastructural investments in the local hotel plant followed by domestic housing programs and transportation. The industry's contribution to total value-added was estimated at just over 15% during 2006-2009 when the country was preparing to host the ICC Cricket World Cup in 2007, expansion of existing guest accommodation as well as the construction of medical education facilities. However, since 2009 its contribution has dropped to around 9% consistent with pre-crisis and pre-World Cup levels. Most of the firms in the industry are privately owned and cater primarily to the domestic market. The main construction firms operating on the island include Beijing Construction Company.

Wholesale and retail trade in Antigua and Barbuda is one of the single largest sectors in the economy. Total value-added for the sector in 2011 was estimated at around 14% of GDP, but was as high as 18% in 2008. The industry is highly competitive and largely price driven due to the existence of many small traders operating beside larger established entities. The wholesale sector is dominated by Hutchinson's (owned by the Goddard Group of Companies, Barbados) and Frank B Armstrong (Barbadian owned). The retail sector is dominated by Pastry's Limited trading as Epicurean Supermarket, the largest single retailer having within the operation, a deli, pharmacy, liquor, stationery, toys, and plants in two locations.

Real estate, renting and business activities contributed approximately 10% toward the country's GDP over the period 2006-2010. This reflects the activities associated with construction, hotels and restaurants and the other ancillary business services needed in the economy. In 2011 and 2012 the ECCB estimates that this sector increased its contribution to over 13% of GDP despite the slowdown in the wider economy.

While the largest sector in the Antigua and Barbuda economy is tourism, the 2010 Budget Speech identified a number of areas with the most promising growth prospects: health and education services, energy development, agro-processing and information and communication technologies (ICTs). These industries will be supported by various institutional developments in the area of a Special Business and Facilitation Committee, an additional Civil Court and a separate Registrar of Lands and Deeds. As a result of these structural innovations, there has been a reduction in the time and cost it takes to do business.

Tourism continues to the focal point for economic growth in Antigua and Barbuda and still receives most of the domestic and foreign direct investment. However, with the slowing in the world economy, many hotels have already closed and others are on the brink of collapse. Nevertheless there is tremendous scope for growth in the sector if hoteliers, tour operators, and other stakeholders are able to broaden the source markets in the north as well as well to significantly develop markets from the south over the next 10 to 15 years. Though some of the existing infrastructure is quite dated and would require some refurbishment, any investment made to the further upkeep of these structures should be focused on ensuring the hotel capacity and utilization is at its maximum all year round rather than relying solely on winter tourism from the North Atlantic.

5.2.2 Business Supportive Institutions Structure

There are several organisations related to private sector development, both private entities and public sector agencies. Table 11 provides a summary of the main institutions, their mission and the political influence of the organisation.

The main Ministry in Antigua and Barbuda responsible for private sector development is the Ministry of Finance, the Economy and Public Administration. The Ministry oversees various departments of relevance to private sector development including the departments of Industry, Commerce, International Trade, Free Trade and Processing Zone, and Economic Planning and Development. The Ministry also oversees the Antigua and Barbuda Development Bank (ABDB) which provides financing to the productive sectors and small and micro enterprises. The ABDB also provides financing for mortgages and student loans.

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- Enterprise Development Department – This section focuses on the delivery of training courses to small enterprises. Some 20 courses are offered across a number of areas.
- Business Climate Enhancement.

In the private sector, there are several representative associations and support organisations.

- National Development Foundation
- Employers Federation
- Coalition of Service Industries
- Hotel and Tourism Association
- Antigua and Barbuda Chamber of Commerce and Industry

There is presently no umbrella private sector representative in Antigua and Barbuda although the Business Alliance does represent the interests of its members that include the Employers' Federation, the Antigua and Barbuda Tour Operators Association, the Hotels and Tourism Association, the Cruise Tourism Association and the Airline Association. Given the dominance of tourism in the Antigua and Barbuda economy, this alliance would probably be the most comprehensive of all of the representative associations, despite not representing wholesale and retail trade, the next largest contributor to GDP in the country.

5.2.3 Donors and Other International Entities

Like most developing economies, particularly Small Island Developing States, Antigua and Barbuda requires developmental assistance from donors and international entities. The current economic crisis not only highlighted the economy's lack of diversification within various sectors, particularly agriculture, but its increasing dependency on donors and international entities to fund sectoral projects. As seen in Table 12, key donors and international entities include the Caribbean Development Bank, Compete Caribbean, the Canadian International Development Agency, the

European Union, United States Agency for International Development (USAID), the United Nations Development Program (UNDP), the International Bank for Reconstruction and Development- the World Bank and bilateral arrangements with territories such as France, Japan, Kuwait and Taiwan – China. An overview of some of the key entities at the regional level is shown below, while a full exposition is located in the Donor Matrix (DMX) covering both national and regionally relevant programs and projects.

The activities of donors are driven from both internal and external sources. While some agencies base the identification of priority areas from an internal analysis of country or region-specific data, others base the allocation of funds on the strategic/political objectives of the source country or region. Other donors indicated that priority areas are based on country demands, and not on any covert strategic or political objective. While donors indicate for the most part that the needs of the receiving country are paramount, they do note that there are several main areas that greater support is needed, including support for regional integration, trade facilitation and logistics, access to finance and greater public sector dialogue. It should also be noted that the issue of gender is taken into consideration in all projects, sometimes implicitly, but for the most part the issue of gender is explicitly included.

One of the main issues of concern in recent times was lack of donor coordination; however, duplication of donor efforts is being addressed, as seen with the Compete Caribbean program and the Caribbean Growth Forum (CGF). There was still some concern of duplication with the CGF and the Private Sector Assessments (PSAs) of Compete Caribbean. In addition, most agencies interviewed indicated that there is formal coordination with other donor agencies, while informal coordination is seen with country-specific agencies and NGOs in receiving countries. Some donors noted that there was the need for greater collaboration with the CARICOM Secretariat and the OECS Secretariat.

The majority of active projects are focussed on the Business Support, Finance (access to finance), the Business Environment in general or a combination of these objectives. For projects focussed on these objectives, there are 32 active or recently completed donor funded projects in Antigua and Barbuda specifically, and 12 operating at the OECS level. Of these projects, at the country level, the majority are focussed on the Business Support/Institutional Structure (38%) and the Business Environment (34%). The largest areas in terms of funding are the Business Environment (US$19million) and Business Support/Institutional Structure (US$15 million). Notably, Access to Finance by itself only accounts for 16% of projects, and 3% of funding; despite that the main issue raised by enterprises was access to finance as the biggest obstacle to their business. In terms of the sector focus, this is fairly evenly spread with services dominating at 28%.

At the OECS level, for projects in these areas which are operating at the sub regional level, the service sector is the focus, accounting for 42% of projects. In terms of the number of projects and value, the Business Support/Institutional Structure objectives dominate with 42% of projects and funding in excess of US$31 million.

In terms of gaps in support; access to finance has been noted as a major obstacle to business development in the region, yet projects specifically targeting this area at the sub regional level only account for 17% of projects, and less than US$2 million in funding. At the domestic level in Antigua and Barbuda, access to finance only accounts for 16% of projects, and 35% of total funding in these areas.

Table 9: Main Objectives and Sector Profiles of Donor Projects in Antigua and Barbuda and the OECS

	Objective	Share (%)	Agriculture (%)	Industry (%)	Services (%)	Value of Active Projects (US $'000)
Antigua and Barbuda	Business Support/Institutional Structure	37.5	6.3	3.1	9.4	$ 15,350
	Access to finance	15.6	6.3	6.3	6.3	$ 1,250
	Business Environment	34.4	3.1	9.4	3.1	$ 19,049
	Business Support/Finance	12.5	3.1	3.1	9.4	$ 3,457
	TOTAL	100.0	18.8	21.9	28.1	$ 39,105
OECS	Business Support/Institutional Structure	41.7	8.3	8.3	8.3	$ 31,140
	Access to finance	16.7	8.3	8.3	16.7	$ 1,940
	Business Environment	25.0	8.3	8.3	8.3	$ 14,190
	Business Support/Finance	16.7	8.3	8.3	8.3	$ 2,060
	TOTAL OECS	100.0	33.3	33.3	41.7	$ 49,330

Taking the region as a whole, access to finance is only the main focus of 14% of projects, and a joint focus with Business Support for 13% of projects. However, within these categorisations, 22% of funding is directed to Access to Finance, while 21% of funding is targeted at both Access to Finance and Business Support.

Table 10: Overview of Main Donor Projects by Objective, Sector and Value[10]

Objective	Active/Recent Completed Projects	Average Share (%)	Agriculture Projects (% of total)	Industry Projects (% of total)	Services Projects (% of total)	Total Value of Main Projects (US$'000)
Business Support/ Institutional Structure	67	27.0	6.3	7.9	10.8	$ 107,738
Access to finance	36	14.1	5.9	6.7	10.6	$ 104,390
Business Environment	91	33.5	9.0	10.1	19.0	$ 155,733
Business Support/ Access to finance	35	12.9	4.8	5.2	7.0	$ 96,996
Total	229	-	26.0	30.0	47.4	$ 464,857

As indicated in the table above, the greatest number of projects relate to the Business Environment, accounting for on average 34% of projects at a total value of US$156 million. In terms of sector concentration, 47% of projects are focussed on services.

[10] Note that some percentages do not sum to 100% due to rounding during aggregation.

Table 11: Institutional Analysis: Background of Business Support Institutions

Name	Type and Brief History	Report to…	Vision, Mission and Goals (assessment)	Sector	Person in Charge and Title	Political Influence	Partner Organisations
Antigua and Barbuda Chamber of Commerce and Industry	Industrial association that lobbies on the behalf of its members. It is the oldest and largest private sector organization on the island with a recorded history back to the 1920s.	Members		All	Ms. Holly Peters, Executive Director	Medium	None
Antigua & Barbuda Hotel Association	An industrial association that lobbies on the behalf of members of the tourism sector (hotels, guesthouses, restaurants, airlines, tour and dive companies, and others).	Members	The association promotes co-operation, understanding and closer association amongst management of hotels, guest houses, and other related businesses catering in any way to the comfort and wellbeing of the tourist industry.	Tourism		Medium; has to be invited to participate in policy formulation	Antigua & Barbuda Tourism Authority Antigua & Barbuda Marine Association
Antigua & Barbuda Development Bank	Established in 1971 as a statutory development finance institution and commenced operations in 1974 to provide among other things, medium and long-term development financing to the productive sectors.	Government	The bank's mandate also requires that it assists the Government of Antigua & Barbuda to achieve its national development objectives specifically as it relates to expanding the nation's output and productive capacity, generate or save foreign exchange and creating employment through sustainable growth.	Private sector	Mr. Donald Charles, General Manager	High	National Development Foundation
Antigua & Barbuda Coalition of Services Industries	The Antigua and Barbuda Coalition of Service Industries (ABCSI) is a private sector driven, trade-in-services organization launched in February 2011 by the Government of Antigua and Barbuda. The organization's primary aim is to advance trade opportunities in the services industry by identifying and promoting market intelligence and technological innovation.		To cultivate the global competitiveness of Antigua and Barbuda's Services Sector by exploiting international market potential.	Services	Julianne Jarvis	Medium	

Table 12: Institutional Analysis: Donors and International Organisations

Name	Budget	Identifying Priorities	Potential Collaborators	Gaps in Support	Gender and PSD Integration	Formal Coordination	Informal Coordination	Country Partnerships	Projects Under Consideration	Views of Donor Duplication	Monitoring and Evaluation Efforts
(DFID) Department For International Development	DFID's projects run under cycles. They are currently in the 2nd year of (2011-2015) cycle, where 75m pounds are allotted to the Caribbean. The program runs under thematic areas i.e. Economic Growth (27.5m pounds), Climate Change, Governance and Security.	DFID's team identifies problems i.e. development issues, debt burden, competitiveness, regional integration then bid for funds from government for 4 year cycle.	Some coordination with OECS Secretariat.	Need for more work on trade facilitation and freight and trade logistics in OECS. Regional Integration, Non-Tariff Barriers, Clearer Political Targeting.	Gender is involved in each project implicitly	There is an aid coordination structure (Private Sector Donor Working group) which CIDA heads.	Everything is undertaken through cooperation with others i.e. IDB, CARTAC and CART fund (CDB)	A lot of projects and work done with local stakeholders done via CART fund (CDB)	DFID has 5.6m pounds unallocated currently. Would like to focus on strengthening financial sector, regulation and competitivenes s in poorer countries in Caribbean including Guyana and Belize.	The level of duplication is moderate and varies somewhat by sector, what helps mainly is that not many donors are in the Caribbean; they also have Donor coordination structures in placed.	DFID uses a program called LOGFRAMES to gauge projects and determine outputs i.e. jobs created, outcome of project, workshops, activities carried out, average Caribbean business indexes etc.

Name	Budget	Identifying Priorities	Potential Collaborators	Gaps in Support	Gender and PSD Integration	Formal Coordination	Informal Coordination	Country Partnerships	Projects Under Consideration	Views of Donor Duplication	Monitoring and Evaluation Efforts
Caribbean Development Bank	CDB allocated US$22.5 million to 11 financial intermediaries (development banks) in 2012. In addition, CDB is administering 600k to a project devoted to strengthening the capacity of testing laboratories in the Caribbean to Reduce Technical Barriers to Trade	Current priorities include: • Enhancing Disaster Risk Management and Safeguards/Strengthening Environmental Sustainability • Economic Growth, Inclusive Social Development • Support for Education and Training • Improving the environment for private sector development • Improving Productivity and Competitiveness in Agriculture	-	Strengthen the capabilities of testing laboratories in CARIFORUM Member Countries so they can provide reliable, competent, internationally recognised, and affordable testing services to exporters.	Gender Equality Policy adopted in 2009 and related Operational Strategy. Seeking to ensure that policies, programmes (including PSD) and practices are responsive to gender equality issues.	CDB works closely with all the bilateral and multilateral partners in the region; IADB, DFID, European Union, World Bank, IMF, CARTAC and other bi-lateral and multilateral partners.	-	The CDB works to serve the needs of its BMCs. The OECS member states are also BMCs.	-	-	Results matrix.

Name	Budget	Identifying Priorities	Potential Collaborators	Gaps in Support	Gender and PSD Integration	Formal Coordination	Informal Coordination	Country Partnerships	Projects Under Consideration	Views of Donor Duplication	Monitoring and Evaluation Efforts
Compete Caribbean Program	US$40m for the Caribbean in areas such as Knowledge Management, Business Climate. Compete operates in a competitive process where businesses can submit proposals. In 2014, CC funded the design of a single window mechanism for investment.	Background reports and analysis of information from World Reports, Country Budgets from governments & investment agencies. Compete is demand driven		Competitiveness Council, Public Sector Dialogue and Reform of the Business Climate is currently on the agenda but can only take place if the country has an appetite for such reforms	Every single project must have gender consideration involved. However, certain gender specific indices are hard to obtain from OECS.	Formal coordination and special initiatives with most donors i.e. CDB, DFID, CIDA	Informal coordination with World Bank, CARICOM, other NGOs like Branson Center Foundation, U.S State Dept		Antigua Customs Reform & Investment Attraction. One of the projects in Dominica was to do a growth strategy in partnership with EU. Updated Strategies presented with local stakeholders.	Donor coordination group and the outcome of donor matrix helps with Compete Caribbean's objective to minimize duplication	Results Matrix and Mid-term evaluation to determine outcomes and impact

Name	Budget	Identifying Priorities	Potential Collaborators	Gaps in Support	Gender and PSD Integration	Formal Coordination	Informal Coordination	Country Partnerships	Projects Under Consideration	Views of Donor Duplication	Monitoring and Evaluation Efforts
CARICOM Regional Organisation for Standards and Quality (CROSQ)	Funds come from 2 sources: 1.Gov'mts of 15 members 2. Donors who support most of CROSQ programs. Budget based on a formula CARICOM uses (i.e. per capita GDP). No specif. budget allotted on a country basis, more regional.	Political (key trade issue that affect member states & these guide standards for production (i.e. flour, honey, furn.) in the region). Important research needed include Demand Surveys in the private sector to understand what equipment needed and calibration services needed from CROSQ to facilitate trade. As a result, there have been the development of the 10TH European Development Fund Caribbean Regional Indicative Programme Economic Partnership Agreement Technical Barriers to Trade Component EPA-TBT) This a 7.8m Euro initative implemented in partnership with Dominican Institute for Quality (INDOCAL).	There is potential to work with UNIDO	The 10th EDF is going to be the core for what they want to do through the EPA-TBT component to facilitate intra- and inter-regional trade as well as international competitivenes s and sustainable production of goods and services within the CARIFORUM states for the enhancement of social and economic development..T he main thing is to evolve from not just standards institution, but to put together committees to help with Accreditation and Metrology.	Most projects under the CARTfund (CDB) maintains that gender be included, however most efforts are in building up standard bureaus and gender still needs to be properly defined for CROSQ projects.	CDB CARTfund and own funds, Germany and IDB funds helped with RQI1 (quality, infrastructure and awareness). Now working with PAHO and CDC working with accreditation. UNDP as well.	CARIB Export, CIDA, CTO.	Regional program, works with governments where local stakeholders benefit.		There are areas for better synergy and this is improving. Need to cooperate more within the CARICOM Secretariat.	CROSQ has been functioning under a strategic plan from 3 years ago, where it was determined that they had met those objectives. Different CROSQ projects use different evaluations, mostly done through LOGFRAME.

Name	Budget	Identifying Priorities	Potential Collaborators	Gaps in Support	Gender and PSD Integration	Formal Coordination	Informal Coordination	Country Partnerships	Projects Under Consideration	Views of Donor Duplication	Monitoring and Evaluation Efforts
Caribbean Export	Funding mostly from the EU with counterpart member states, DFID, German Development Agency, and CIDA, also contributing.	Sectors with opportunities for growth are focus in relation to professional services, investment in distributive services, creative industries, agro-processing, energy, specialist tourism, among others.	Currently work with a range of international, regional and domestic agencies.	-	-	Governments, Business Support Organisations, CARICOM, OECS, EU, DFID	-	Governments and local stakeholders	All projects which meet remit: enhancing competition via investment promotion agencies, direct assistance to firms, small grants to key sectors; trade and export development; trade and investment relations etc.	-	Utilise both internal and external evaluators.

Name	Budget	Identifying Priorities	Potential Collaborators	Gaps in Support	Gender and PSD Integration	Formal Coordination	Informal Coordination	Country Partnerships	Projects Under Consideration	Views of Donor Duplication	Monitoring and Evaluation Efforts
Canadian International Development Agency (CIDA)	CIDA handles approximately 80% of financial assistance provided by the Government of Canada. Funds are provided via grants and contributions rather than loans.	CIDA's priorities are determined by the Canadian Government and currently focus on: Sustainable Economic Growth; and Entrepreneurship and Connecting Markets.	Already collaborating with main stakeholders.	Due to differences in laws and requirements in each country, regional integration is a challenge.	Gender is core to all of CIDA's efforts (cross-cutting issue).	Formal coordination is seen with the Compete Caribbean Program which involves IDB, and DFID.	-	-	CIDA as an entity is currently being subsumed within the Ministry of Foreign Affairs. Current projects however include: Eastern Caribbean Leadership Program; Entrepreneurship for Innovation; Canada-Caribbean Leadership; Regional Integration and Trade; and Caribbean Local Economic Development.	Can be reduced through better planning and coordination and through better reporting on project results to inform the development of future projects.	A log frame methodology is utilized in the planning and execution phase of projects in order to specify indicators to track project progress.

Name	Budget	Identifying Priorities	Potential Collaborators	Gaps in Support	Gender and PSD Integration	Formal Coordination	Informal Coordination	Country Partnerships	Projects Under Consideration	Views of Donor Duplication	Monitoring and Evaluation Efforts
European Union Delegation to Barbados and the Eastern Caribbean	EU Delegation operates under EDF cycles every 5 years. Under the current cycle (2008-2013), funds are allotted both Regionally and Nationally. EU delegation determines the national allocation via the country strategy paper (CSP), located on EU's website.	Joint process between country development priorities & E.U. It has to be linked globally & with national initiatives. C.P.M. (Country Portfolio Meetings) held annually where project officers look at social and economic status from governments	EU works with DOMex in Dominica, St. Lucia, St. Kitts, OECS Secretariat [OECS Export Development] Caribbean Export also.	All projects fit for EPA, EU not in a position to provide loan financing but are looking to assist banking sector. There is need for more loans and funding to private sector in Caribbean. Banks are too risk averse; need for Guarantee fund and Credit Bureaus	The Country Strategy Paper identifies allocation, and each project has a Financial Agreement. This implicitly targets women through developmen t of Micro and Small Businesses	Donor groups meet each other at Donor presentation level. There are framework agreements with UNDP, World Bank, FAO.	Fluid, transparent among agencies	Deal with Investment Agencies, Chambers of Commerce, mostly quasi-government Institutions	EU has financing agreement for; Integration &Trade in OECS (8.6m Euros), Harmonisation, Tourism sector, agriculture & health food safety systems, export capacity development, 28.3m Euros to Carib Export for Regional Private Sector Development Program 3.1m of CARIFORUM 47.1m EPA funds for services.	Some challenges; take for e.g. Compete Caribbean is conducting national initiatives & ITC conducting export interventions ; results are almost the same & some projects need to be run sequentially. Private Sector Donor Group coordination helps.	Each project in financial agreement has provision for mid-term evaluation & EU contracts evaluators. EU also uses ROM [Results Oriented Monitoring] to evaluate project design, effectiveness, relevance and sustain. Court of Auditors come for large EU projects

Name	Budget	Identifying Priorities	Potential Collaborators	Gaps in Support	Gender and PSD Integration	Formal Coordination	Informal Coordination	Country Partnerships	Projects Under Consideration	Views of Donor Duplication	Monitoring and Evaluation Efforts
IFC	No budget for OECS, but have strategic priorities and needs to address, and modify approach and find money to meet those needs. Most services in OECS are Advisory Services and Trade Facilitation, Logistics, Credit Bureaus	Because the majority of projects in the OECS are Advisory services, work with clients (government institutions, financial institutions) to provide services that are needed i.e. Trade Logistics, Credit Portfolio Management		IFC is flexible, and works with clients to meet their needs.	No specific outline for explicit gender efforts in projects, however gender is implied in projects and gender impact and outcomes i.e. females jobs provided	Most Donor organisations .	CIDA	Ministries of Finance, Grenada Investment Office of Investment Climate Reform, St. Lucia Min. of Commerce, Antigua ABIA, St. Kitts Min of Finance	Trade logistics and Tax implementation	Proportionally to what IFC have seen there is an importance in looking to fill the gaps where no one is providing assistance. IFC looks at gaps and tries to fill them.	For Investment Services IFC uses the Development Outcome Tracking System (DOTS) to assess financial performance, Economic & Environmental performance, Private Sector Impact. For Advisory Services they use Strategic Relevance, Efficiency & Effectiveness

Name	Budget	Identifying Priorities	Potential Collaborators	Gaps in Support	Gender and PSD Integration	Formal Coordination	Informal Coordination	Country Partnerships	Projects Under Consideration	Views of Donor Duplication	Monitoring and Evaluation Efforts
World Bank	For the OECS, the bank operates under a Regional Partnership Strategy for the region. 120 m US approved May 2010 for 4 years. Depending on country's income level they may get IBRD funds (middle income loans) or IDA assistance (lower income concessional loans & grants)	The Bank act only on the basis of government requests. The Bank aligns program and projects with government, however may suggest some areas government could look at.	To strengthen coordination with Donors in Barbados is a good area where World Bank could work. The Bank is one of the only Donors that do not have a regional office in Barbados.	The Bank is open to whatever provided 1) it comes from government 2) the Bank has resources and makes sure that project is sustainable (bank may not have enough for certain initiatives)	Gender is explicitly defined in World Bank's Regional Strategic Objectives and the Bank thinks that this is also crucial to developmen t in the region	CIDA, E.U., DFID, UNDP, CDB (one main partner). WB view CDB as a crucial a partner for projects, as they are very prevalent in the region and together can be more effective in helping countries	The informal platform is sometimes considered better. Sometimes setting up meetings with all Donors is difficult because of Donors availability. WB tries to keep constant dialogue with Donors.	There are some clear policies on where the Bank has to operate with governments and other stakeholders. Depending on nature of project, WB always takes into account the implication to private sector.	One of the main priorities is improving business competitivenes s. The bank tries to assist countries with broadband access (Telecomm.) and energy, and tries to adopt regional initiatives.	There are a number of interactions with Donors (DFID, CIDA, UNDP E.U Delegation, and CDB to avoid duplication. UNDP sets up periodic meeting with donors (every 3-4months)	Monitoring and evaluation is done every 6 months for each project. Task team leader has dialogue with the country and conducts an Implementatio n Status Report

5.2.4 Access to Finance

Access to finance is one of the foremost pre-requisites for facilitating entrepreneurs helping to bring conception into real gains. Sharma *et al*. (2012) noted that access to finance strongly influences private sector and economic growth, and it is pivotal to the finance-growth link. The World Bank maintained that when financial institutions and markets work well:

> *…they provide opportunities for all market participants to take advantage of the best investment by channelling funds to their most productive uses, hence improving income distribution and reducing poverty* (World Bank 2008).

The issue of easy or cheap access to financing and working capital is specifically important to Small Island Developing States (SIDS) like Antigua and Barbuda as the financial sector (i.e. commercial banking) is not as competitive and efficient as in major economies.

The financial sector in Antigua and Barbuda is dominated by 4 large foreign commercial banks (Canadian and Trinidadian owned), 3 indigenous banks and 6 credit unions representing nearly 26,000 members (44% penetration rate) in 2011. This penetration rate is the lowest in the OECS. The National Development Foundation and the Development Bank also provide credit facilities for microenterprises.

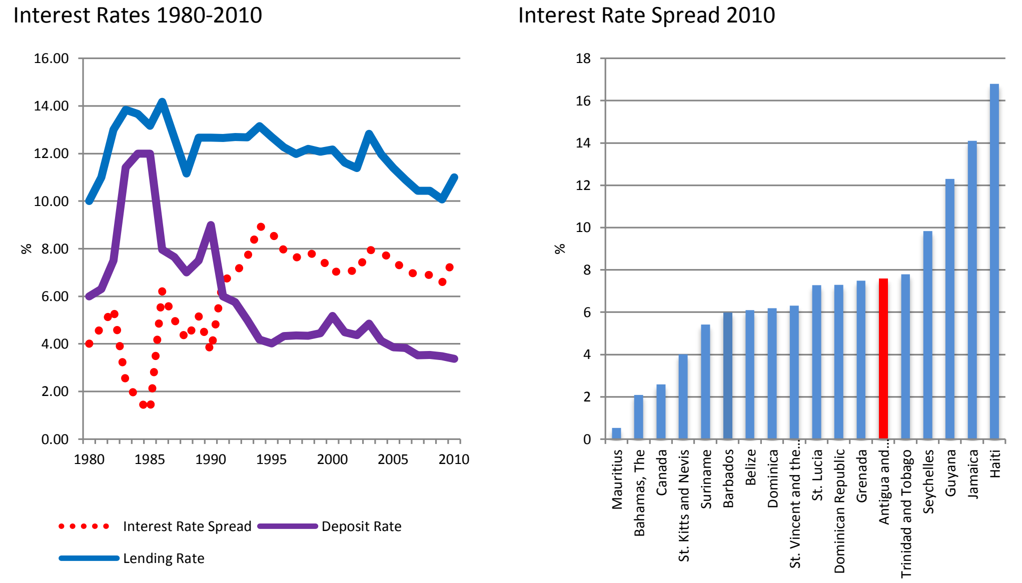
Table 13: Credit Unions in the Caribbean (Number and Penetration Ratio)

Country	Number of Credit Unions	Members	Penetration Ratio
Antigua & Barbuda	**6**	**25892**	**0.44**
Bahamas	10	39070	0.18
Barbados	35	157198	0.77
Belize	13	121889	0.64
Dominica	10	62683	0.88*
Dominican Republic	15	417862	0.07
Grenada	11	43849	0.62
Guyana	25	33499	0.07
Haiti	69	400379	0.07
Jamaica	42	920408	0.52
St. Kitts & Nevis	4	18523	0.53
St. Lucia	15	81022	0.74
St. Vincent & the Grenadines	9	56741	0.81
Suriname	25	24628	0.07
Trinidad & Tobago	130	499528	0.56

Source: World Council of Credit Unions (2013)
**Penetration ratio not available from WCCU. Ratio estimated from population estimates for 2011.*

Antigua and Barbuda's credit market is relatively inefficient when measured by the spread between lending and deposit rates. Although this spread can also be indicative of a lack of competitiveness in the financial market, this may not be the case in Antigua and Barbuda given the presence of a number of commercial banks (seven) and non-bank financial institutions (six) in the country. At roughly 8 percentage points, the island has one of the highest interest rate spreads among comparator countries, though the Seychelles, Guyana, Jamaica and Haiti had significantly higher interest rate spreads. Since the early 1990s, the interest rate spreads on the island fluctuated between 6 and 8 and have remained so even during the downturn, tending toward the higher figure since 2008.

Figure 22: Interest Rate Spreads for Antigua and Barbuda (1980-2010) and Comparators (2010)

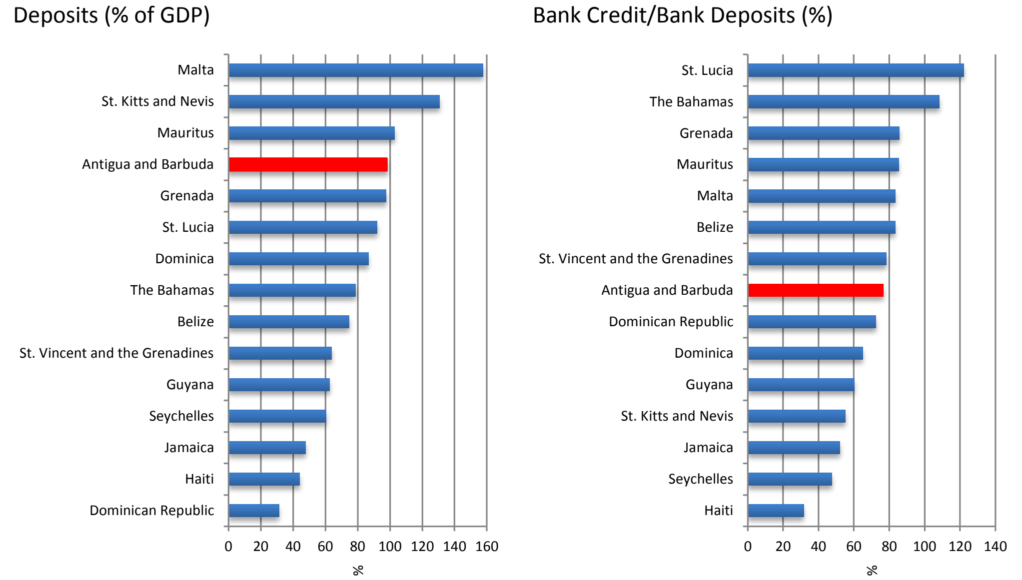


Source: World Development Indicators

In light of the importance of domestic firms in the economy, domestic savings play a key role to the availability of credit. At the end 2010, deposits were just over 98% of GDP, ranking 4th among the group of comparator countries. Similarly, bank credit as a ratio of bank deposits was 77%, the median when ranked among Caribbean comparators. This suggests that most savings in Antigua and Barbuda are utilised to finance credit.

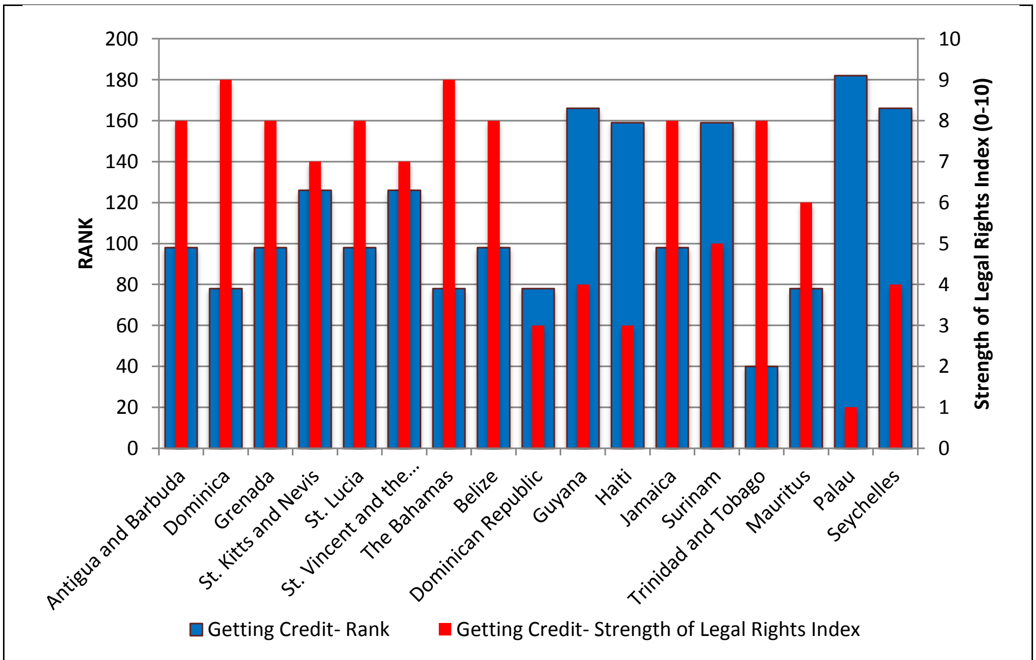
Internationally, the island was ranked 104 out of 185 for ease of accessing credit. This suggests that business finance (or the lack thereof) is both a supply and demand problem. On the supply-side, there is the perceived risk associated with supplying loans to the small business sector, while on the demand-side entrepreneurs and small businesses may lack the ability (e.g. record keeping, preparation of business plans, unfeasible projects) to access available lending facilities.

Figure 23: Domestic Financial Variables for Antigua and Barbuda versus Comparators (2010)



Source: World Development Indicators

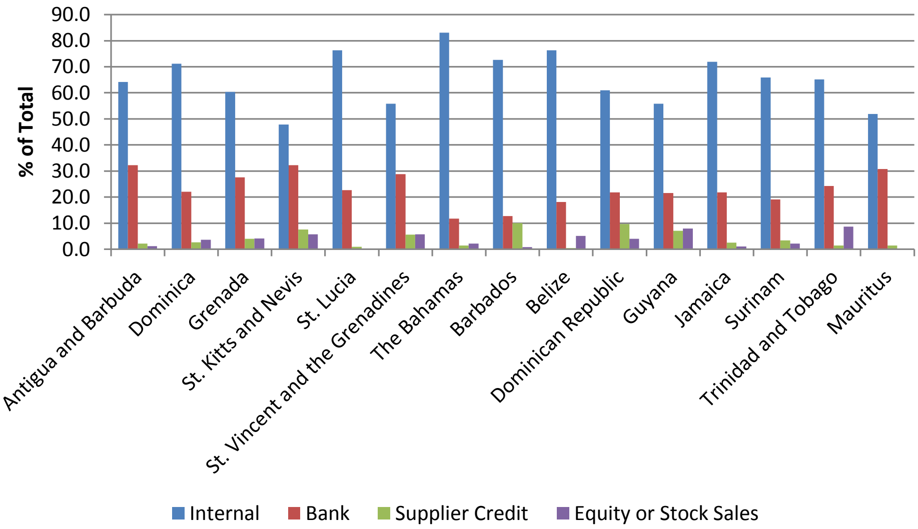
Figure 24: Doing Business Rankings for Antigua and Barbuda versus Comparators (2012) for Selected Indicators



Source: Doing Business 2012

One of the most influential theories of corporate leverage is the pecking order theory of capital structure (Myers, 1984). This theoretical framework suggests that firms prefer internal to external finance due to adverse selection. The data for Antigua and Barbuda on the surface fits this hypothesis with 60% of investment being financed by internally generated cash, and the remainder coming from debt except for insignificant amounts from supplier credit and equity (Figure 25). The overreliance on internal sources of finance has traditionally been seen as a constraint to firm growth as it limits the ability to exploit profitable investment opportunities (Moore, Craigwell, & Maxwell, 2005), this is particularly the case for younger and smaller enterprises.

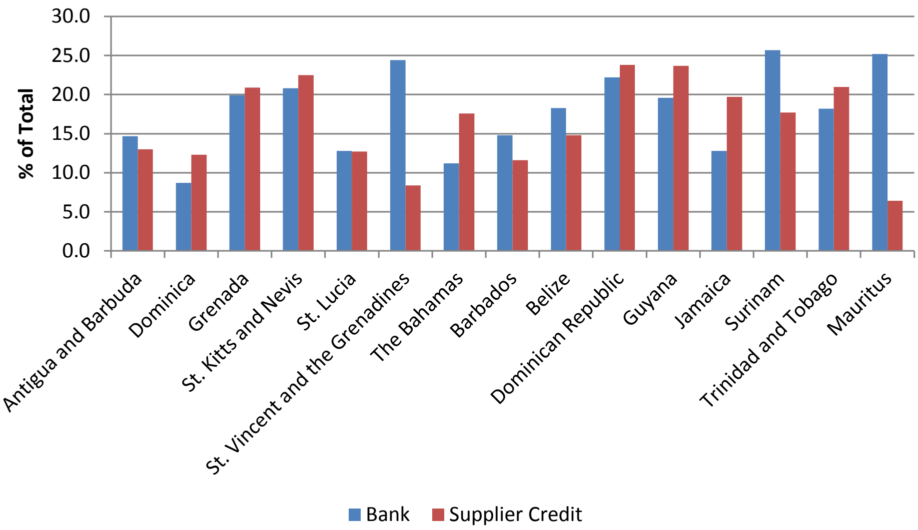
Figure 25: Sources of Finance for Investment for Antigua and Barbuda and Comparators (2010)



Source: Enterprise Survey

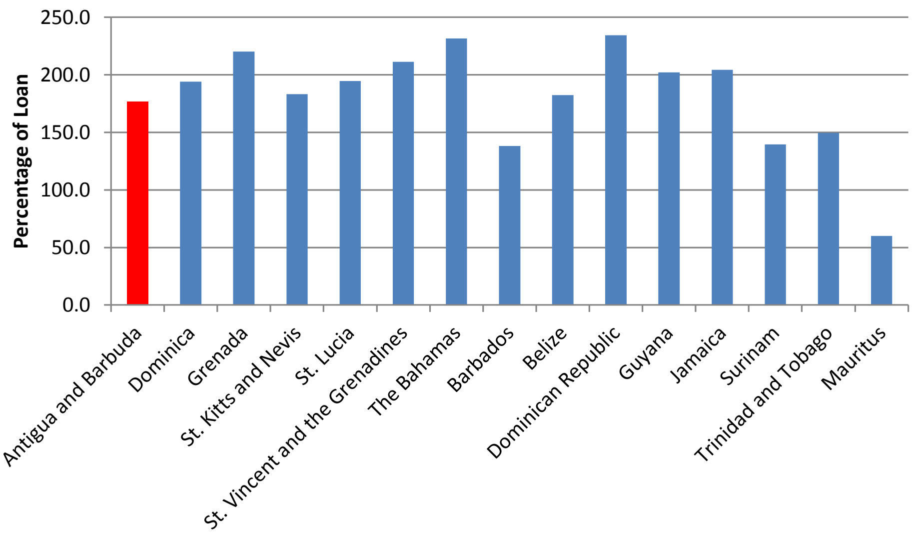
Besides investment opportunities, firms also require funds for working capital purposes, i.e. to meet day-to-day expenses. In general, banks and trade creditors each supply approximately one-seventh of working capital finance (Figure 26). These ratios are mid-range for the region, and when combined with the relatively larger interest rate spreads on the island could suggest that the cost of working capital financing may be somewhat burdensome for firms. The relatively even share in terms of working capital financing between bank and trade credit could also be indicative of the difficulty in obtaining bank credit. Indeed, Figure 27 suggests that Antigua and Barbuda has one of the lower collateral requirements among comparator countries at 177%. Despite this relatively lower requirement, 177% would still constitute a significant burden to any business. Only Barbados at 138%, Surinam (140%) and Trinidad and Tobago (150%) have lower collateral requirements in the Caribbean. These relatively high collateral requirements exist despite the relatively high level of penetration of banking services on the island: virtually every business in Antigua and Barbuda has a checking account and almost half utilise either loan or line of credit services (Figure 28).

Figure 26: Sources of Finance for Working Capital for Antigua and Barbuda and Comparators (2010)



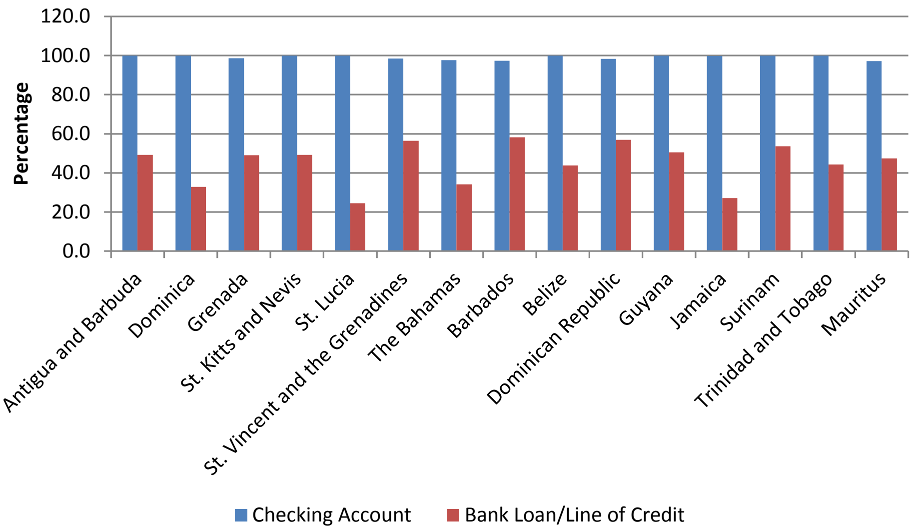
Source: Enterprise Survey

Figure 27: Value of Collateral Required for Credit for Antigua and Barbuda and Comparators (2010)



Source: Enterprise Survey

Figure 28: Firms with Access to Financial Services for Antigua and Barbuda and Comparators (2010)



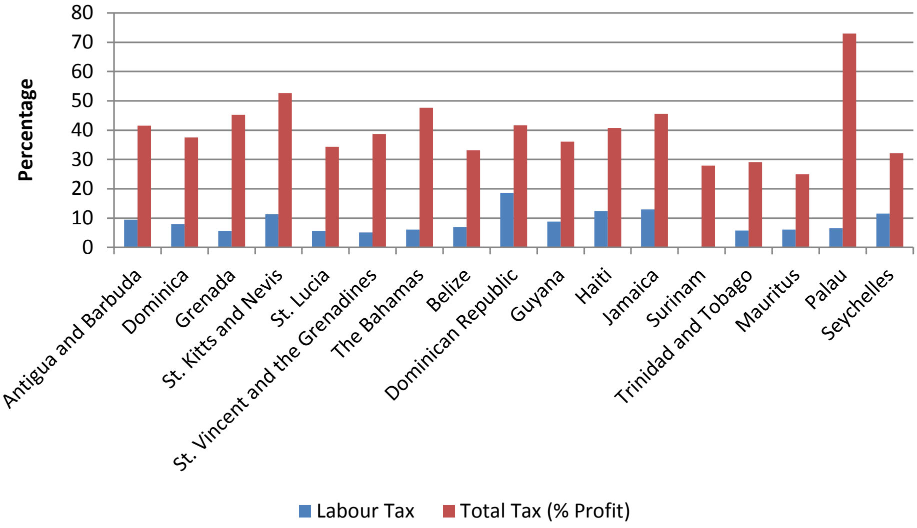
Source: Enterprise Survey

5.2.5 Corporate Taxation

Companies domiciled in Antigua and Barbados pay income taxes on all non-exempt income no matter the source. The rate of tax on profits for resident companies is 25% and companies are assessed based on all income earned during a given calendar year. There are capital allowances for depreciation as well as a wide variety of fiscal incentives for potential investors in tourism, manufacturing and a wide cross-section of other areas. There is no income tax on capital gains or dividends. There is, however, a property transfer tax of 4.5% of the value of the property sold. In 2006 Antigua and Barbuda introduced a value added tax of 15% on the sale of goods and services of 15%. For households, all individuals are allowed a deduction of EC$36,000, and are then taxed at 1% on the excess.

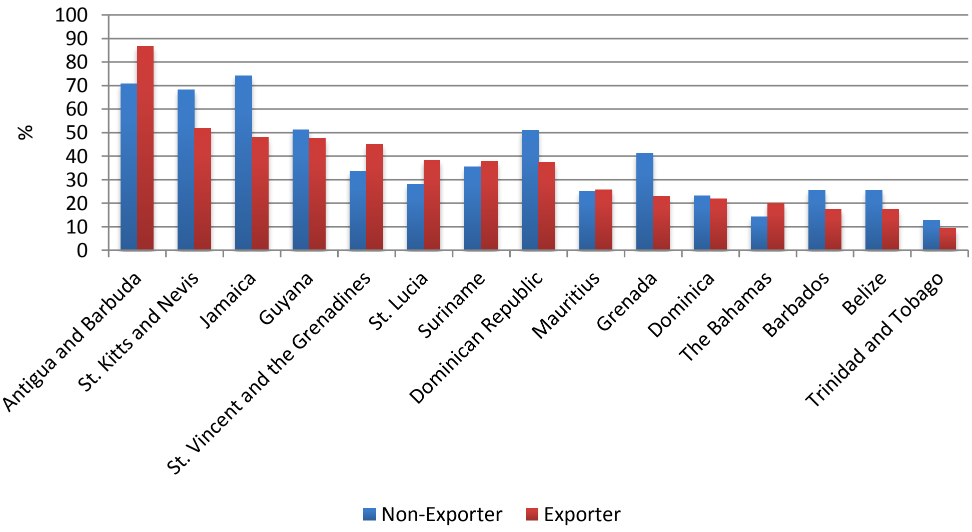
The Doing Business Survey calculates that the total taxes on profits on average firms sum to 41.5% when one takes into account taxes on profits, salaries, property transfer and vehicles (Figure 29). This rate was one the highest in the region behind only St. Kitts and Nevis (52.7%), the Bahamas (47.7%), Jamaica (45.6%), and Grenada (45.3%). The rate on corporate taxes is prohibitively high (Figure 30), particularly for exporters. This is an area that the authorities on the island can investigate further to find creative ways of eliminating or reducing the burden of this tax on doing business.

Figure 29: Corporate Taxes for Antigua and Barbuda and Comparators (2012)



Source: Doing Business 2012

Figure 30: Tax Rates as a Constraint to Doing Business for Exporters and Non-Exporters (2010)

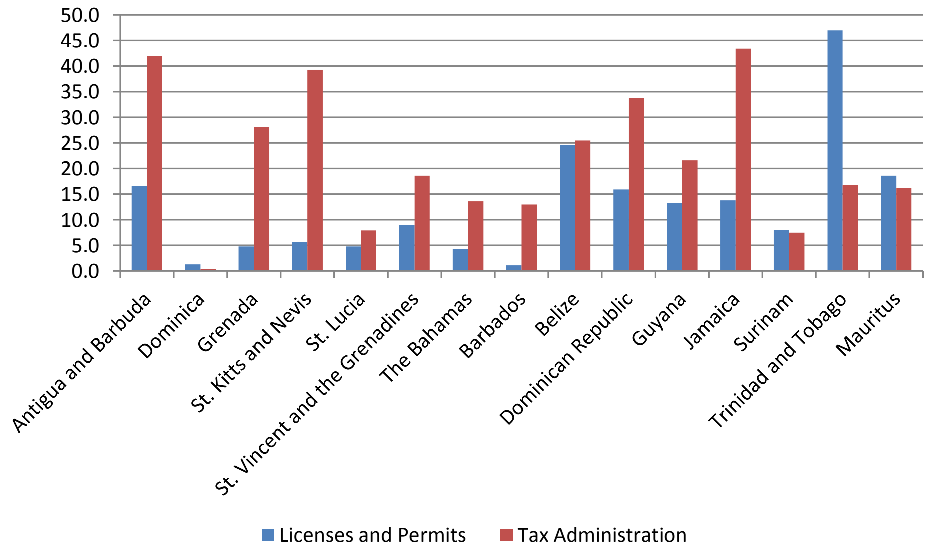


Source: Enterprise Surveys (2010)

The Enterprise Surveys conducted in Antigua and Barbuda reports that more than 2 in every 5 companies found tax administration a major constraint to doing business. This may be due to the number of payments required each year (57) as well as the relatively high rate of tax on businesses.

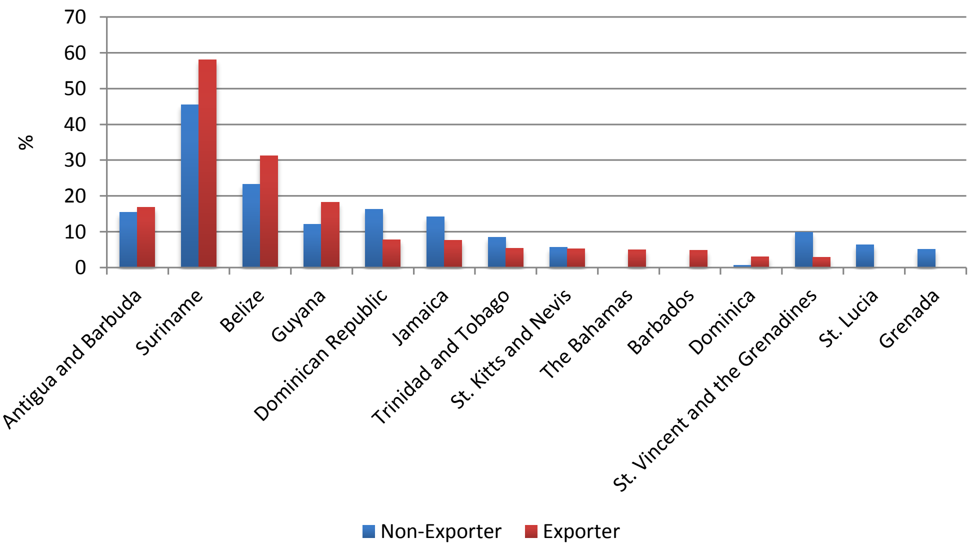
Obtaining licensing and permits appears to be a major constraint to doing business in Antigua and Barbuda (Figure 31 and Figure 32), even though the ABIA notes that the process of registering a business is as easy as 1, 2, 3: completion a registration form at Intellectual Property office, the name search is conducted whilst you wait, payment of EC$100 and within 2-5 working days the registrant receives the business registration certificate. Still, the results below illustrate that 17% of respondents to the survey indicated that obtaining licenses and permits was a major constraint to doing business, the third highest in the region after Trinidad and Tobago and Belize.

Figure 31: Major Constraints to Doing Business- Licenses and Permits and Tax Administration (2010)



Source: Enterprise Surveys (2010)

Figure 32: Business Licensing as a Major Constraint to Doing Business (2010)



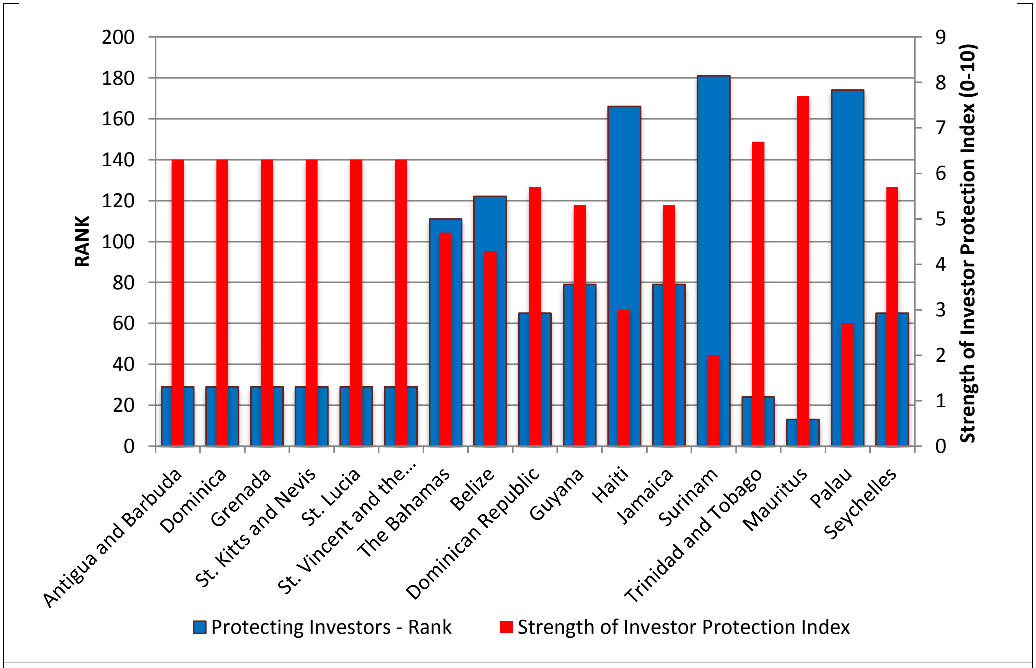
Source: Enterprise Surveys (2010)

5.2.6 Business Environment

Antigua and Barbuda has relatively strong investor protection legislation in place (Figure 33). The Constitution prohibits the compulsory acquisition of any investment enterprise or asset of an investor except in rare instances. The islands Investment Code Incentives Act also protects personal property and permits the acquisition and disposal of all property rights. The Patents Act, Trademarks Act as well as the Copyright Act protect intellectual property rights; the island is also a member of the World Intellectual Property Organisation, the Paris Convention, the Berne Convention and the Patent Cooperation Treaty. Cases falling under the Acts of Parliament are heard by the High Court, with appeals to the Eastern Caribbean Supreme Court and in the final instance the Caribbean Court of Justice. The island is also a member of the International Centre for Settlement of Investment Disputes.

There are, however, a couple of areas responsible for the relatively high strength of investor protection rank index, particularly in relation to the liability of directors. Under the current laws shareholders may hold the approving body (the CEO, members of the Board of Directors, or members of the Supervisory Board) or a single member liable in unfair or prejudicial buyer-seller transactions. The Court can also void a transaction upon a successful claim by a shareholder plaintiff, if rescission is available, when the transaction is unfair or entails a conflict of interest. In most other areas, the strength of investor protection is relatively high.

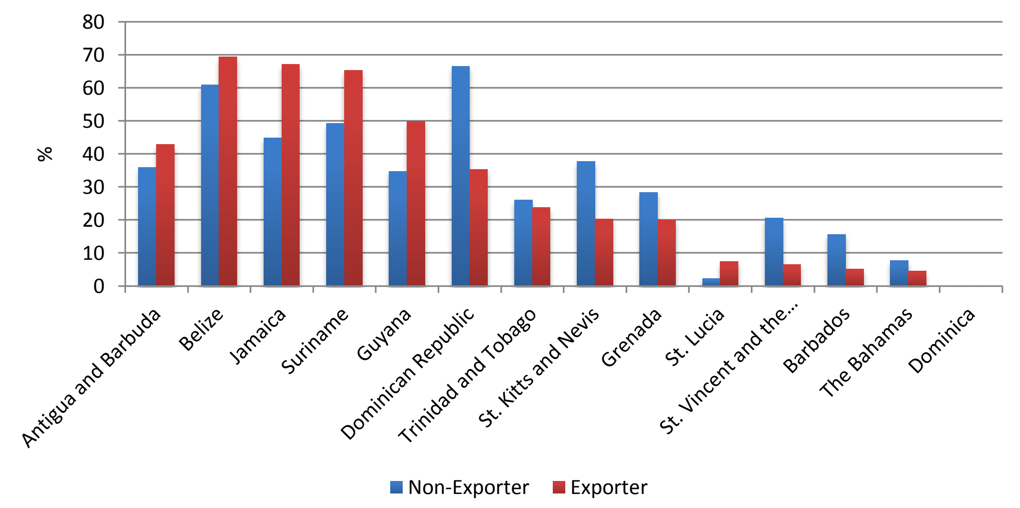
Figure 33: Strength of Investor Protection for Antigua and Barbuda versus Comparators (2012)



Source: Doing Business 2012

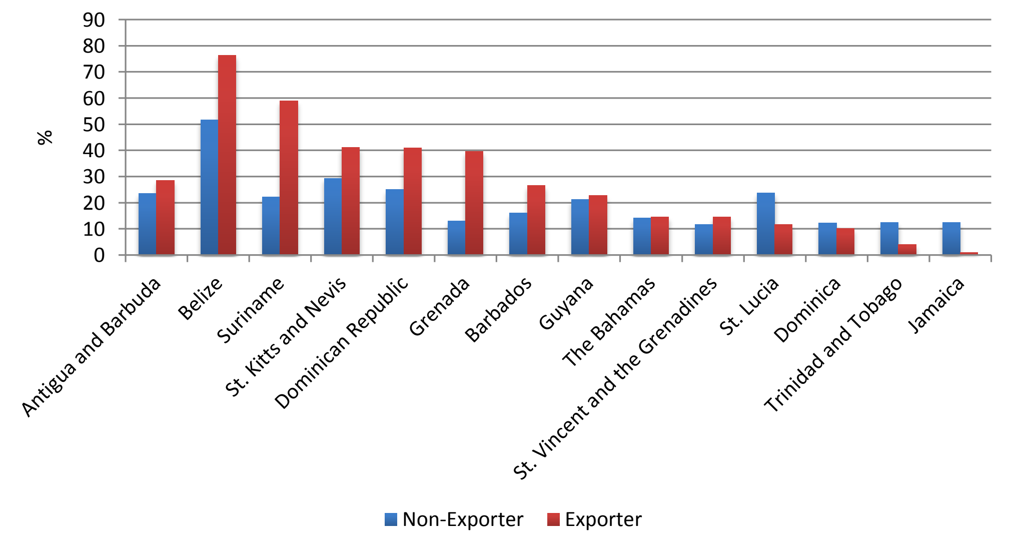
The island scored poorly in relation to the level of corruption (Figure 34). The Enterprise Surveys (2010) suggests that 1 in every 3 non-exporters and 2 in every 5 exporters believe that corruption is a significant constraint to doing business. The reported level of corruption is particularly problematic in the area of obtaining water connections and obtaining construction permits, perhaps indicative of the low rating in obtaining licenses and permits noted in the previous section. In addition, small firms were more likely to identify corruption as a constraint to doing business. Along with corruption, many exporters identify crime, theft and disorder as key constraints (Figure 35). One industry where this is particularly problematic is agriculture, where the small size of the land holdings makes crops relatively costly. While there is legislation in place to tackle the problem of crop theft, apprehending individuals is quite difficult and places a tremendous pressure on the island's relatively small police force.

Figure 34: Corruption as a Major Constraint to Doing Business (2010)



Source: Enterprise Surveys (2010)

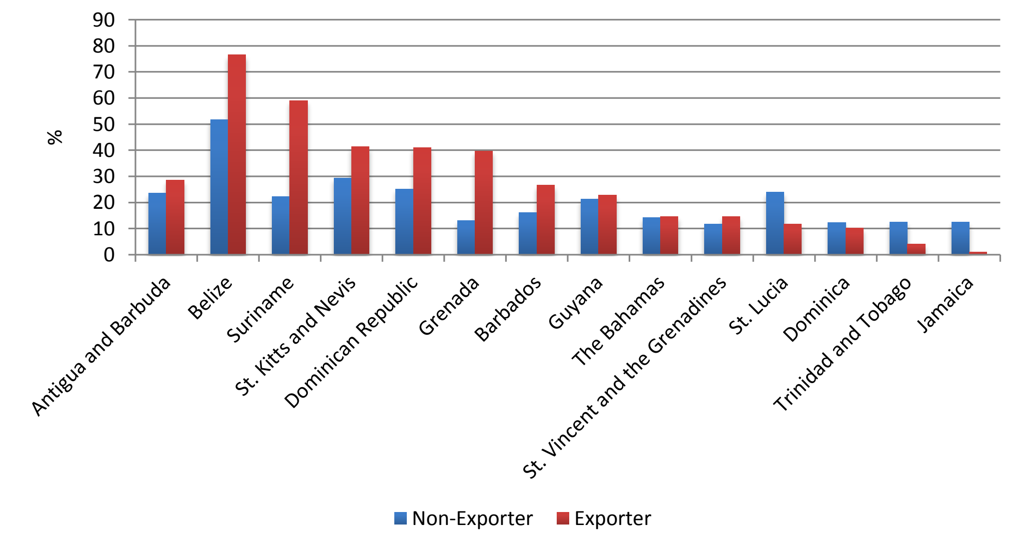
Figure 35: Crime, Theft and Disorder as a Major Constraint to Doing Business (2010)



Source: Enterprise Surveys (2010)

Competition can have both positive and negative effects on the ability to do business. It can encourage innovation and push firms to seek export markets, on the other hand, too much competition can act as a hurdle to doing business by leading to extreme price competition. Figure 36 suggests that most firms in Antigua and Barbuda see the practices of competitors in the informal sector as a hindrance to doing business, even though there seems to be a relatively low level of informality on the island. Firms surveyed in 2010 as part of the Enterprise Surveys in Antigua and Barbuda indicated that only 9% of firms were not formally registered when commencing operations and the duration was less than 1 year. It is somewhat surprising then that 78% of firms indicate unregistered or informal firms as key competitors compared to 62% for Latin America and the Caribbean and 56% for the World.

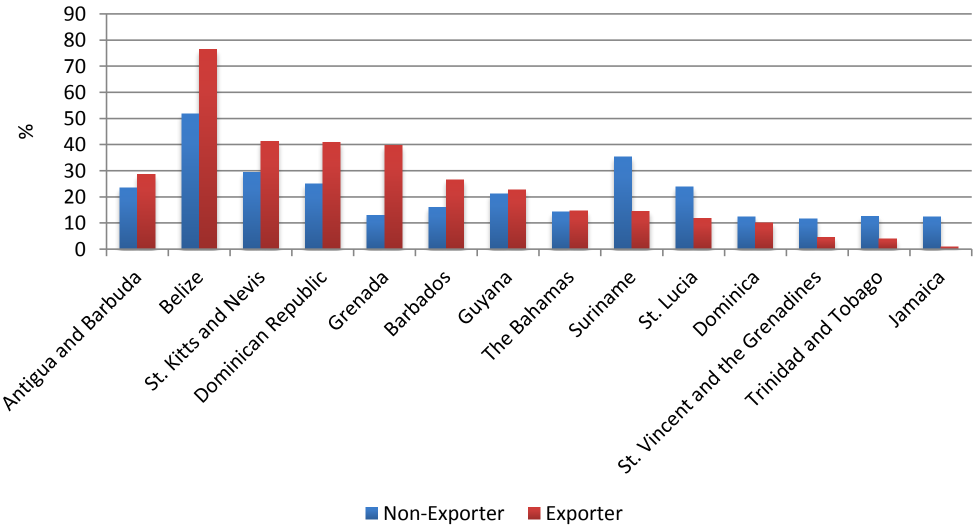
Figure 36: Practices of Competitors in the Informal Sector as a Major Constraint to Doing Business (2010)



Source: Enterprise Surveys (2010)

Many exporters also cited constraints in transportation as another hurdle to doing business (Figure 37). During interviews conducted with business persons on the island, the main issue related to intra-regional export and the lack of vessels that operate between islands. Indeed, it was noted that it was often easier to ship goods to Miami and then back to their target jurisdiction in the region.

Figure 37: Transportation as a Constraint to Doing Business (2010)



Source: Enterprise Surveys (2010)

5.2.7 Technology and Innovation

Companies in Antigua and Barbuda have full access to technological platforms that can enhance the efficiency of their enterprises. The island has three main telecommunications providers: Antigua Public Utilities Authorities (APUA), LIME and Digicel. APUA offers landline, mobile and Internet services. LIME, the largest telecommunications company on the island offers landline, Internet and mobile services. Digicel mainly focuses on the mobile market, but also provides Internet services through its mobile network.

Table 14: Technology Use by Manufacturing Firms in Selected Countries (%)

Variable	Using technology licensed from foreign companies	Internationally-recognized quality certification	Own website	Use of e-mail to interact with clients/suppliers
Antigua and Barbuda	**0.0**	**3.7**	**28.3**	**87.9**
Barbados	6.8	18.3	68.2	100.0
The Bahamas	20.1	31.1	50.1	89.5
Belize	16.7	0.7	27.8	85.0
Dominica	10.3	1.3	1.8	70.8
Dominican Republic	24.1	11.8	48.9	85.3
Grenada	15.2	32.6	42.5	80.6
Guyana	17.4	29.5	46.0	92.5
Jamaica	14.6	16.5	36.4	72.6
Mauritius	14.4	11.1	35.9	69.3
St. Kitts and Nevis	9.6	19.4	40.4	91.5
St. Lucia	0.0	0.6	15.4	53.9
St. Vincent and the Grenadines	24.6	20.9	32.3	82.2
Suriname	5.4	11.1	11.0	58.5
Trinidad and Tobago	2.2	16.9	30.8	81.2

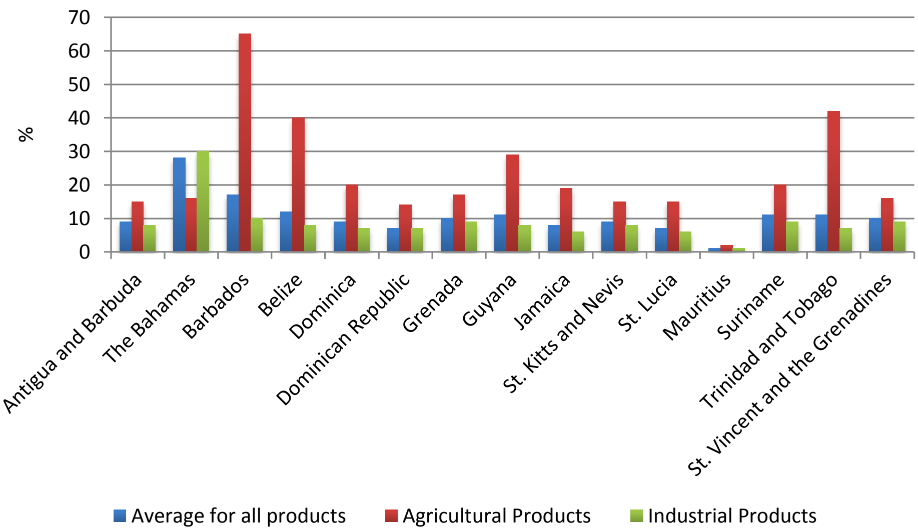
Source: Enterprise Survey (2010)

There is a relatively high level of technology use in most Antiguan enterprises. Given the level of Internet penetration, most enterprises use e-mail to interact with clients and suppliers (see Table 14). However, less than one-third of these companies have developed a web presence by investing in their own website. Only St. Lucia (15%), Suriname (11%) and Dominica (2%) have lesser web presence. The other area where the island lagged behind its peers was in the use of technology licensed from foreign companies. This could suggest that there are opportunities for greater collaboration with foreign companies.

5.2.8 Trade and FDI Policies

Tariffs are relatively low on most categories of goods imported into Antigua and Barbuda. This is perhaps not a major issue for Antigua and Barbuda given its heavy reliance on tourism and other services and the relatively small agriculture and manufacturing sectors. In this regard, low tariffs are unlikely to have a significant effect on the overall economy. The average applied tariff on all products in 2009 was 9%, in line with the average among the group of comparator countries. The level of protection offered to the agricultural sector is also relatively low, with the average tariff on these goods at 15%, the second lowest among the comparators with Mauritius tariffs standing at 2%. The level of protection offered to agriculture was more than four times lower than Barbados, and just under one-third that of Belize and Trinidad and Tobago. It should be noted, however, that some industries, particularly tourism, usually import most of their goods on a duty-free basis.

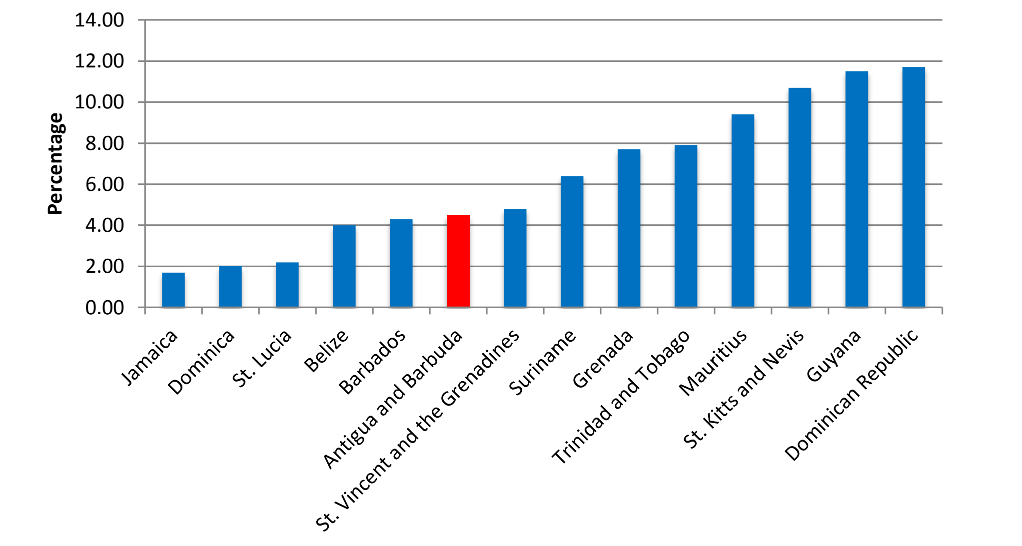
Figure 38: Market Map Average Tariffs (2009)



Source: Market Access Map (2009)

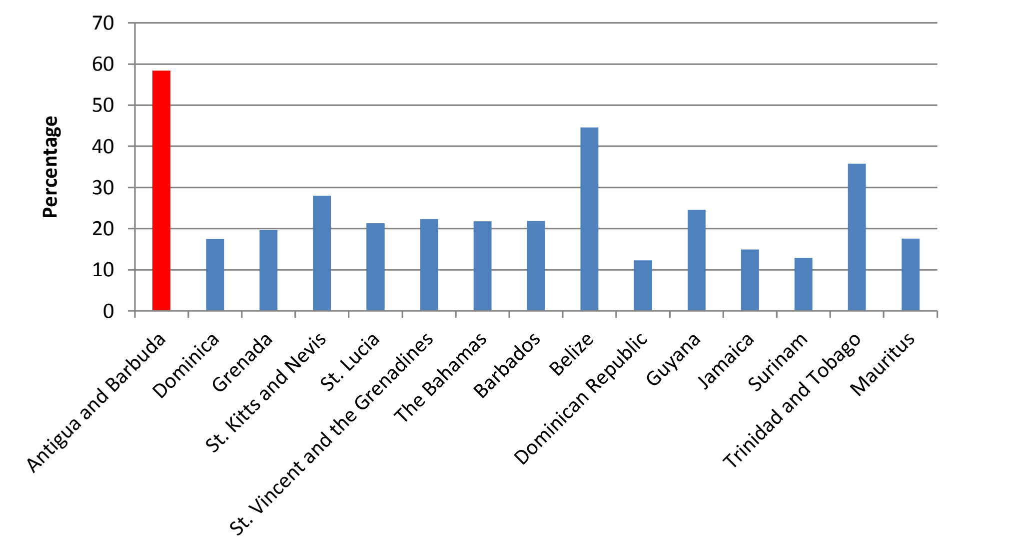
The island lagged behind most other comparator countries in the time it takes to deal with government regulations. Senior managers in Antigua and Barbuda reported that they spent almost 5% of their time dealing with government regulations compared just 2% in Jamaica, Dominica and St. Lucia (Figure 39). In addition, customs and trade regulations in Antigua and Barbuda were highlighted by nearly 60% of firms as a major constraint to doing business (Figure 40), the highest among comparators. Firms also expressed great concerns about the absence of a well-documented export regime and the customs department inability to facilitate the export process.

Figure 39: Senior Management Time Spent on Dealing with the Requirements of Government Regulations-Comparison across Selected Countries (2010)



Source: Enterprise Surveys (2010)

Figure 40: Major Constraints to Doing Business: Customs and Trade Regulations (2010)



Source: Enterprise Surveys (2010)

5.2.9 Labour Regulation

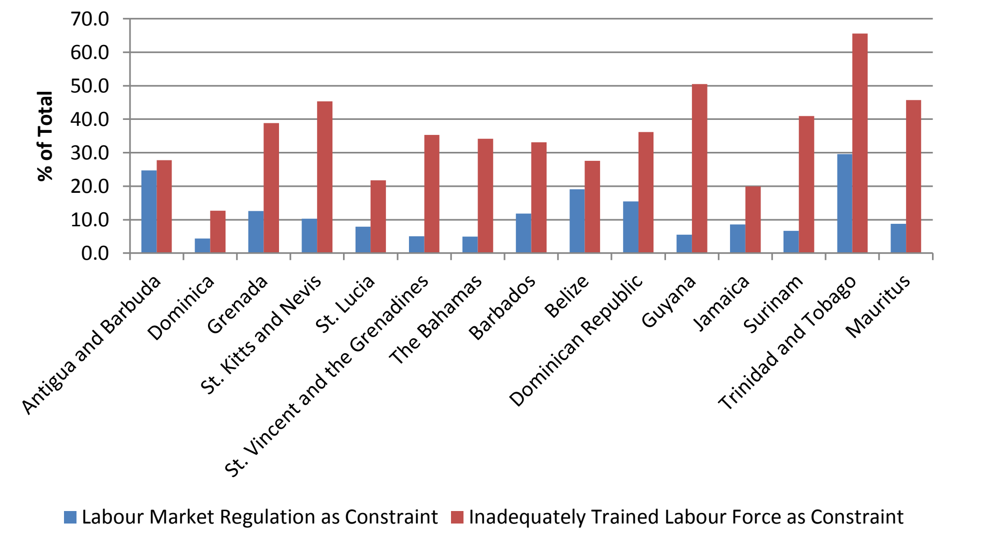
Labour relations are regulated by the Antigua and Barbuda Labour Code (Cap. 27). The Employment Act established and set out the functions of the Labour Commissioner, the Minister of Labour, the

Labour Board, as well as sets out fundamental principles (on forced labour, discrimination, equal pay and remedies for infringements of rights), contractions of employment, hours of work, protection and regulation of wages, leave entitlements, discipline and termination of employment among other things. The Act sets the standard work week of not more than 48 hours. The minimum period of notice before an employee's service is terminated is 30 days for employees that have passed their work probation. Overtime is set at a minimum of one and one-half times the normal hourly wage, while the statutory annual leave entitlement is set at one day per month of employment. The Act also explicitly tackles the issue of pay discrimination by requiring that *"every employer shall pay male and female employees equal remuneration for work of equal value"*.

The Labour Relations Act sets the institutional framework for labour relations on the island. Issues covered by the legislation include the registration of trade unions, establishment of freedom of association, conditions for exclusive bargaining rights for trade unions, certification, and dispute procedures among other things. A trade union can be certified as the exclusive bargaining agent for workers if they can prove that they represent the majority of employees. Trade and industrial relations disputes are normally settled by the Labour Commission who may refer the case to an Arbitration Tribunal; a final appeal may be made to the High Court.

Given the relatively transparent approach to labour market regulations on the island, most businesses did not identify this as a significant hindrance to doing business (Figure 41). Instead, the most important issue concerned accessing skilled employees. CDB (2008) reports that 65% of the heads of households reported primary education was their highest level of educational attainment with just 19% having some level of secondary education. There is therefore a need for a greater investment in the island's human resource capacity if companies are to take advantage of opportunities that may arise in areas such as ICTs, offshore financial services, health and wellness, education and training facilities, agro-processing as well as light manufacturing.

Figure 41: Labour Market Issues in Antigua and Barbuda and Comparators (2010)

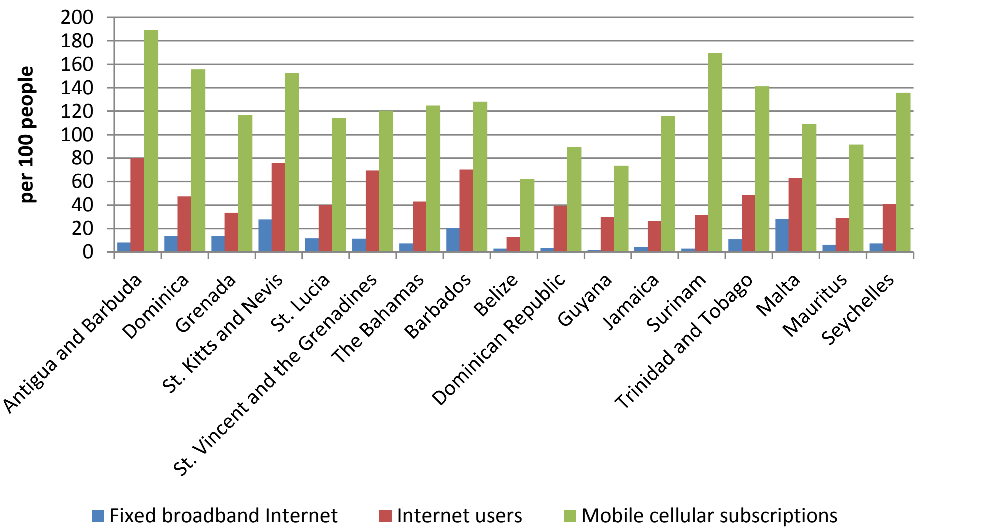


Source: Enterprise Survey

5.2.10 Infrastructure, Communications and Energy

As noted above, there are three telecommunications companies in Antigua and Barbuda, one owned by the Government. The provision of internet and mobile services by these companies affords an element of competition in the market, it is not surprising therefore that internet coverage and mobile phone usage is high in Antigua and Barbuda, although fixed broadband internet is yet to establish a foothold in the region. Antigua and Barbuda has the highest number of internet user per 100 persons amongst comparator countries and the greater number of mobile cellular subscription per 100 people.

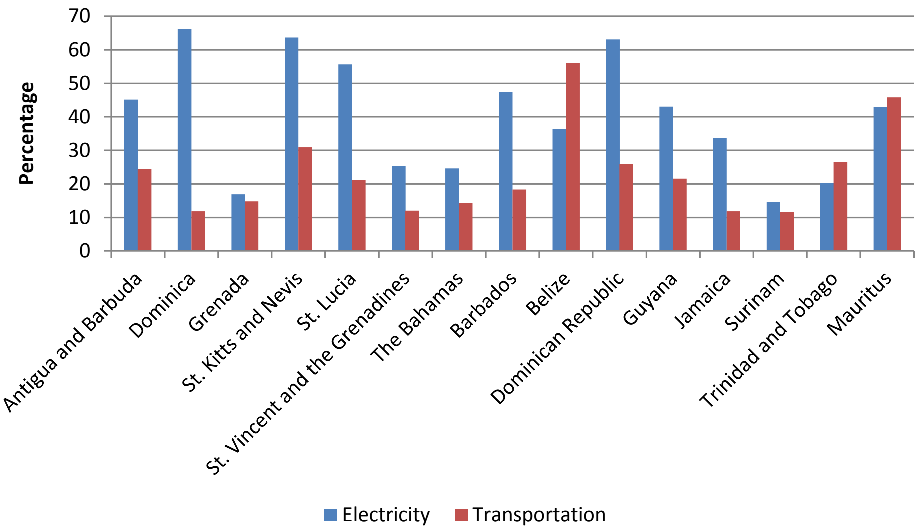
Figure 42: Availability of Services to Firms for Antigua and Barbuda versus Comparators (2010)



Source: World Development Indicators

Unlike Grenada and St. Vincent and the Grenadines in the OECS, electricity was noted as a major constraint to doing business in Antigua and Barbuda, as noted by 45% of respondents to the Enterprise Survey (2010). This was the sixth highest amongst 15 comparator countries. This relatively higher level of dissatisfaction in relation to electricity is despite Antigua and Barbuda performing better that the average for other comparator countries, as shown in Table 15. As noted above, transportation was also a major constraint to doing business, the sixth highest amongst comparators, and second highest in the OECS.

Figure 43: Major Constraints to Doing Business: Electricity and Transportation (2010)



Source: Enterprise Surveys (2010)

Table 15: Electricity Indicators for Antigua and Barbuda and Comparator Countries (2010)

	Antigua and Barbuda	Average for Comparator Countries
Number of electrical outages in a typical month	2.8	3.5
Average duration of a typical electrical outage (hours)	2.2	2.5
Losses due to electrical outages (% of annual sales)	0.2	0.6
Average losses due to electrical outages (% of annual sales)	0.3	1.2
Percent of firms owning or sharing a generator	22.4	37.4
Proportion of electricity from a generator (%)	0.1	3.5
Average proportion of electricity from a generator (%)	3.3	13.0
Days to obtain an electrical connection (upon application)	6.7	19.2
Percent of firms identifying electricity as a major constraint	45.1	39.5

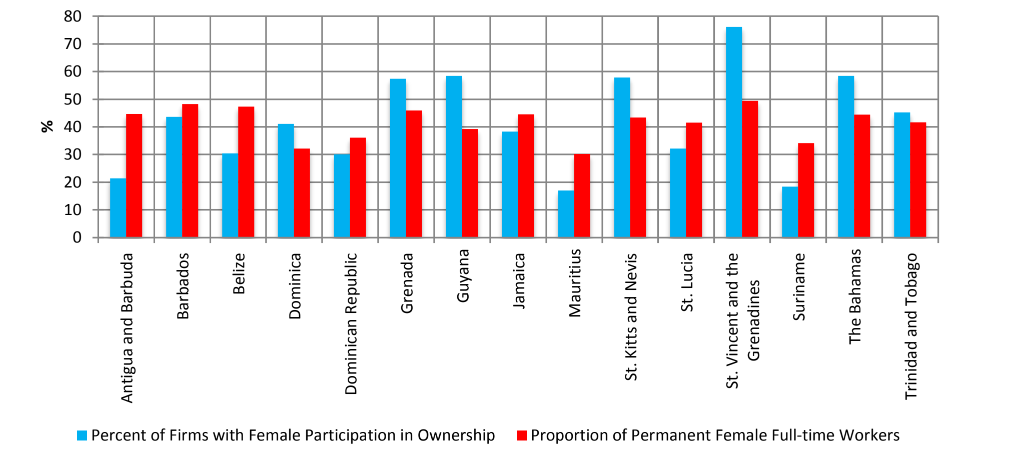
Source: Enterprise Surveys (2010)

5.2.11 Gender

The analysis of institutions in Antigua and Barbuda revealed that the country has a framework for addressing the issue of gender. The country is signatory to relevant international conventions, despite the relatively low level of representation of women in Government until recently. Employment legislation also ensures that there is equal pay for equal work regardless of gender.

For the private sector, women are relatively less represented in participation in ownership; the only countries with lower representation in ownership are Surinam and Mauritius The proportion of female full-time workers, in contrast is above the average of 42%.

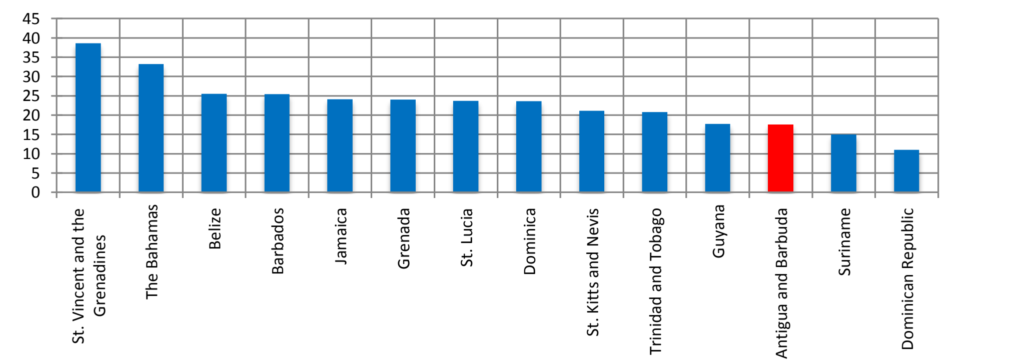
Figure 44: Female Participation in Establishments for Antigua and Barbuda versus Comparator (2010)



Source: Enterprise Surveys (2010)

As with the lack of representation in ownership, females are also not well represented as managers, the only countries with lower representation are Surinam and the Dominican Republic.

Figure 45: Percentage of Firms with Female Top Managers for Antigua and Barbuda versus Comparators (2010)



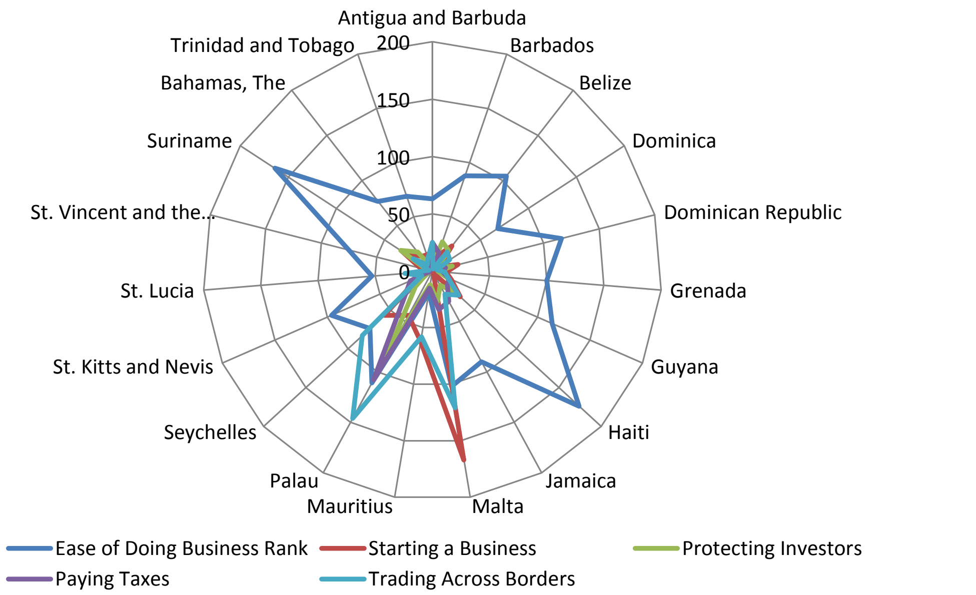
Source: Enterprise Surveys (2010)

Overall it appears that Antigua and Barbuda underperform when it comes to the representation of women in positions of power at both the political level and at the level of ownership and management in the private sector.

5.2.12 Ease of Doing Business

While Antigua and Barbuda has several institutions to support business development, as well as a fairly transparent system for doing business, the island's ranking in relation to the ease of doing is indicative of a less than supportive business environment (Figure 46). According to the 2012 assessment conducted by the World Bank and the International Finance Corporation, Antigua and Barbuda was ranked 63rd out of 185 countries in relation the ease of doing business. Within the Caribbean, only St Lucia (53rd) ranks higher than Antigua and Barbuda.

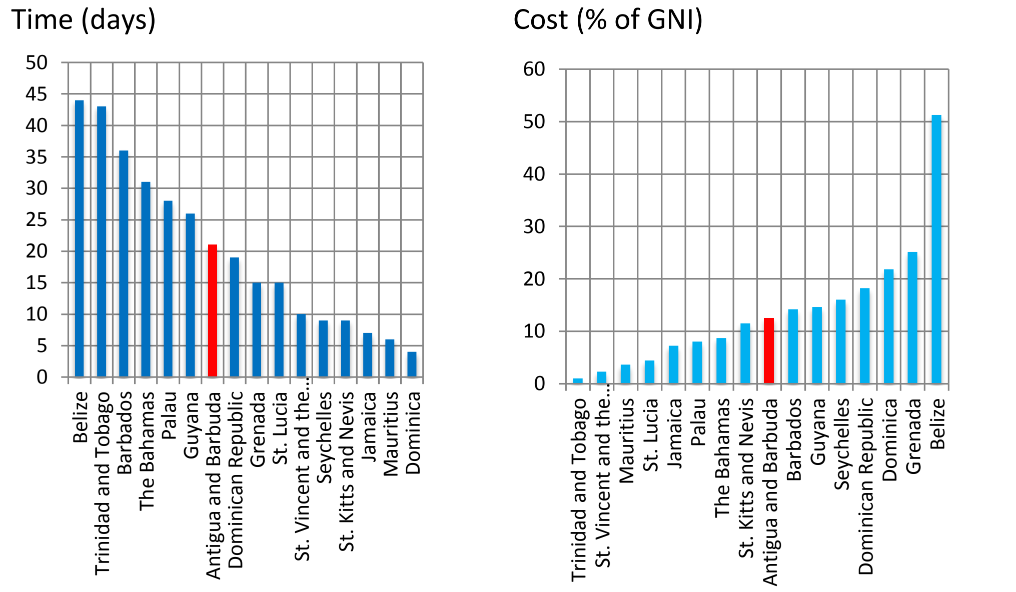
Figure 46: Overall Ease of Doing Business Rankings for Selected Countries (2012)



Source: Doing Business 2012

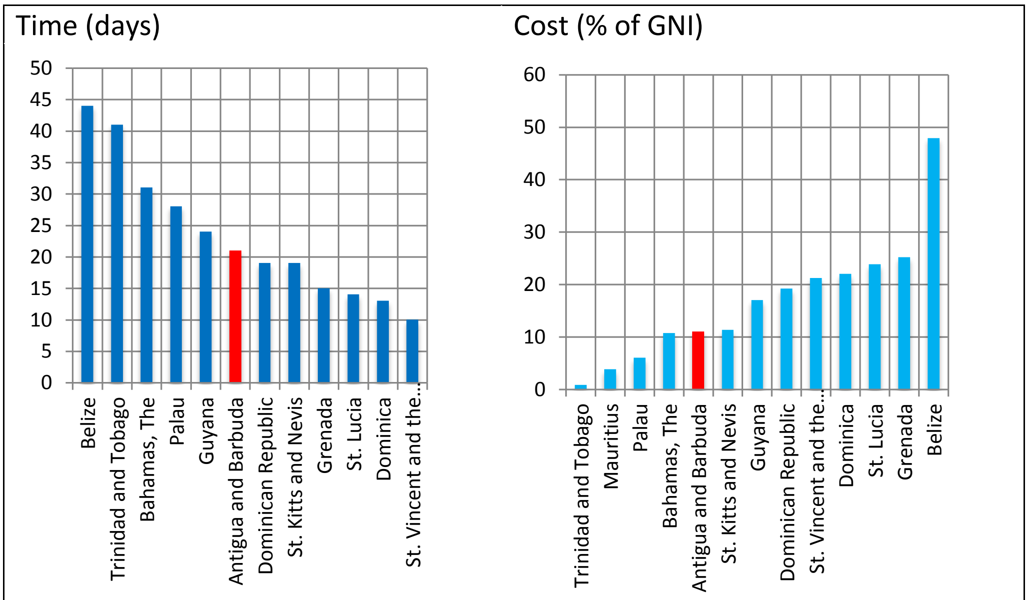
One of the main reasons behind the relatively high score in relation to the ease of doing business was the time and cost it takes to start a business (see Figure 47 and Figure 48). In both 2004 and 2011, the cost of registering a business was just over 10% of GNI, the median among comparator countries. In relation to time, it normally takes 21 days to start a business, more than 8 more days than the leader among comparator countries (Dominica) and 20 more than the world leader of New Zealand, where the process can be completed in 1 day. Similar to most other comparator countries, the island's ranking in relation to the ease of doing business, however, has improved in recent years. Nevertheless, there remains significant scope for further advances.

Figure 47: Time and Cost of Starting a Business: Antigua and Barbuda versus Comparators (2004)



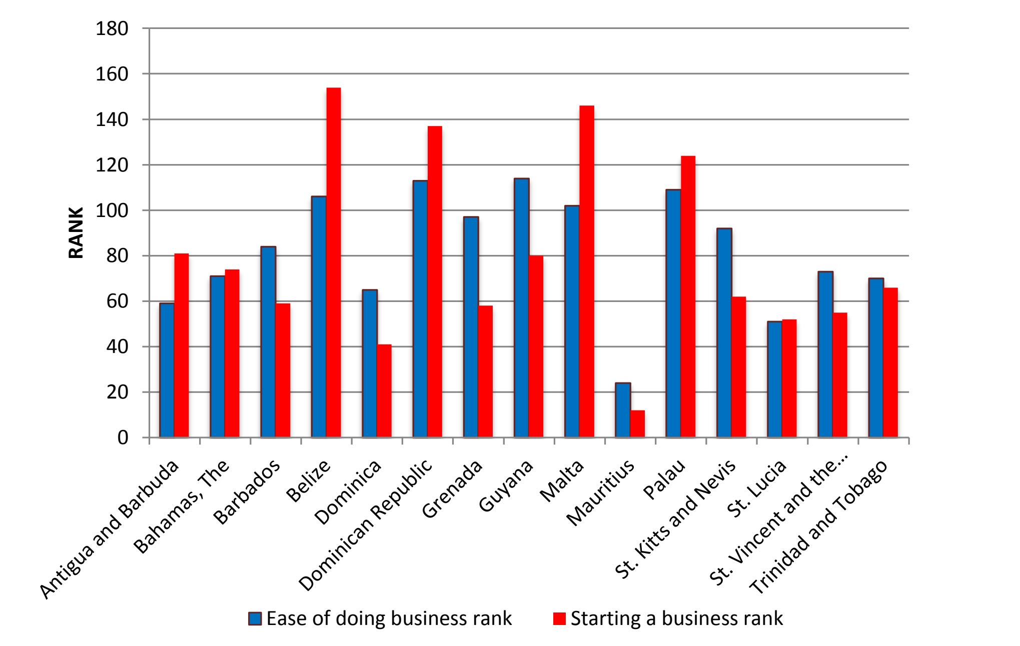
Source: WB, and Archibald, Lewis-Bynoe and Moore (2004)

Figure 48: Time and Cost of Starting a Business: Antigua and Barbuda versus Comparators (2011)



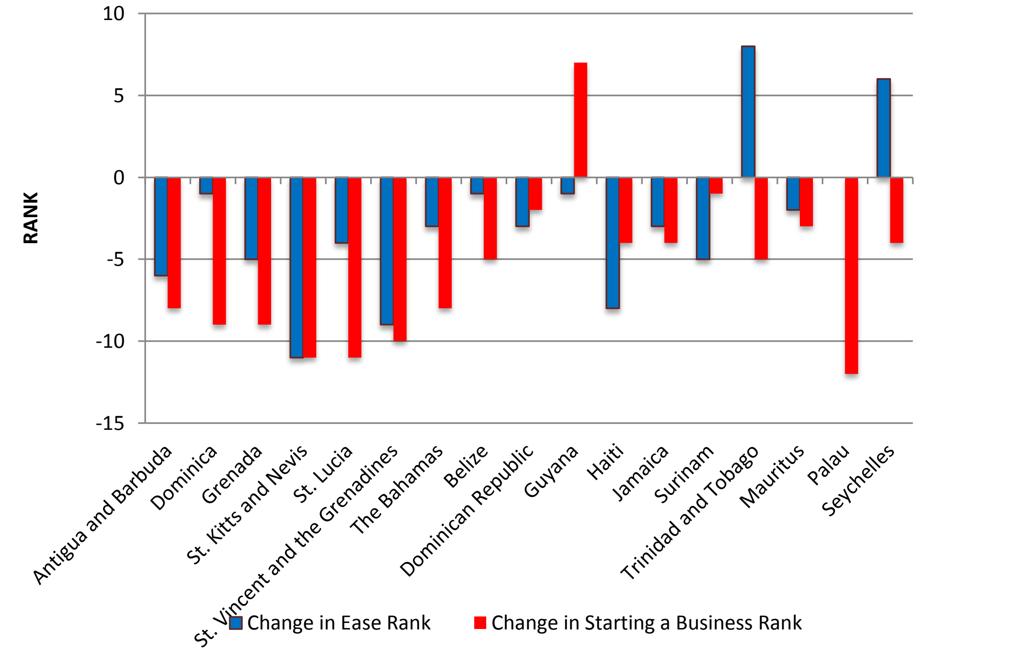
Source: Doing Business 2011

Figure 49: Doing Business Rankings for Antigua and Barbuda versus Comparators (2012)



Source: Doing Business 2012

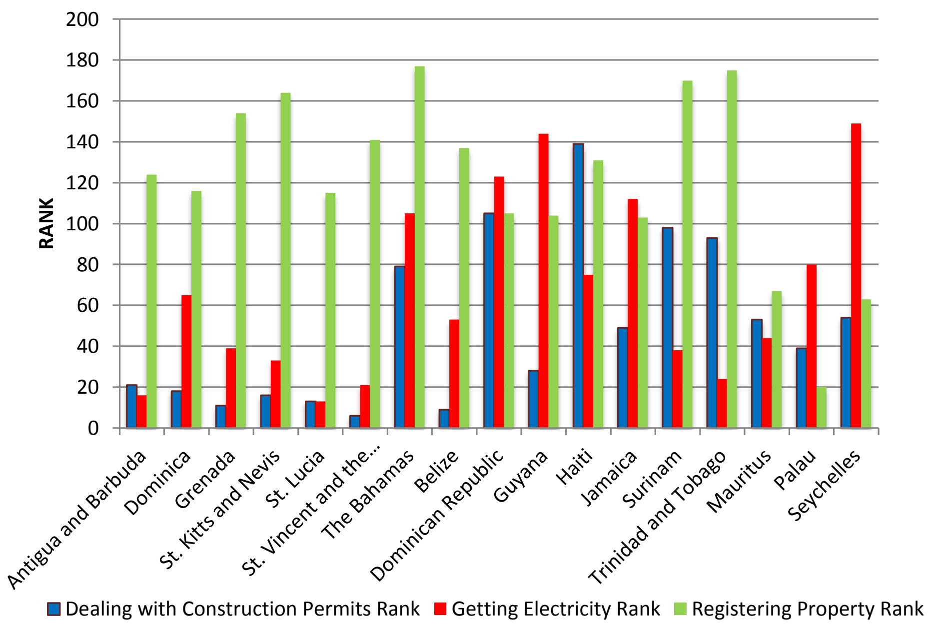
Figure 50: Change in Doing Business Rankings for Antigua and Barbuda versus Comparators (2011 to 2012)



Source: Doing Business 2012

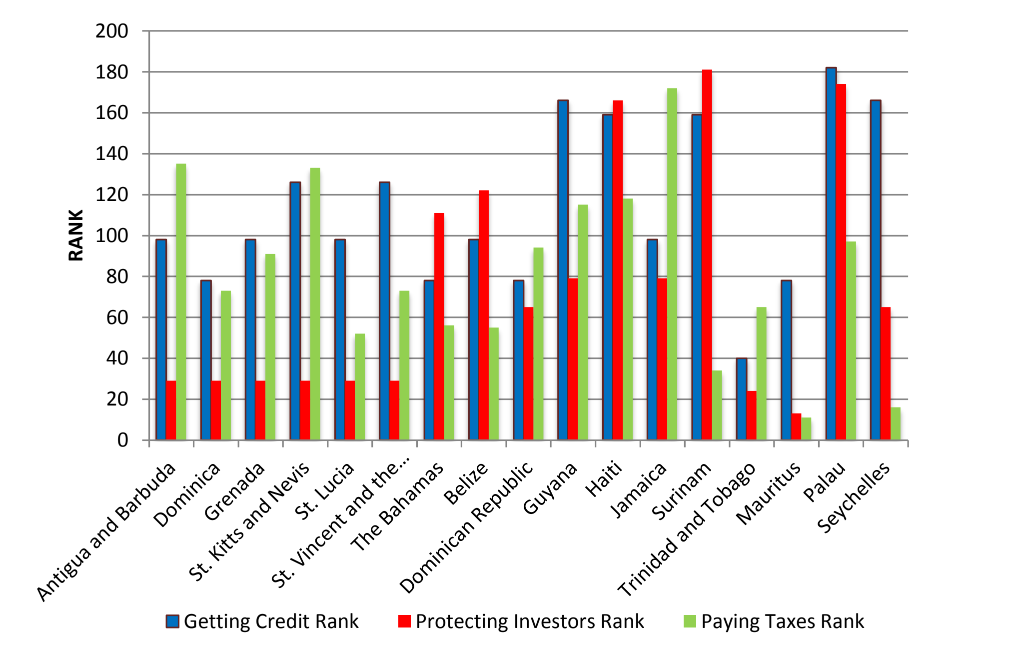
Other indicators of the ease of doing business include dealing with construction permits, getting electricity, registering a property, getting credit, protecting investors, paying taxes, trading across borders, enforcing contracts and resolving insolvency. Areas where Antigua and Barbuda under-performed, i.e. had a ranking higher than most comparator countries, was in registering property, accessing credit and paying taxes. It normally takes 26 days to register a property in the island, the same as Latin America and the Caribbean. However, the cost of this process was 10.9% of the property value, or 5 percentage points higher than for Latin America and the Caribbean. In relation to credit, the island suffers from a lack of information on potential borrowers: there is no private credit bureau or public credit registry. In addition, secured creditors are not necessarily paid first when a company is liquidated and lenders may not enforce security rights out of court. And as for taxes, the island has one of the highest rates of profit tax among comparator countries, while the cost of enforcing a contract can be approximately one-fifth of the value of the claim.

Figure 51: Doing Business Rankings for Antigua and Barbuda versus Comparators (2012) for Selected Indicators



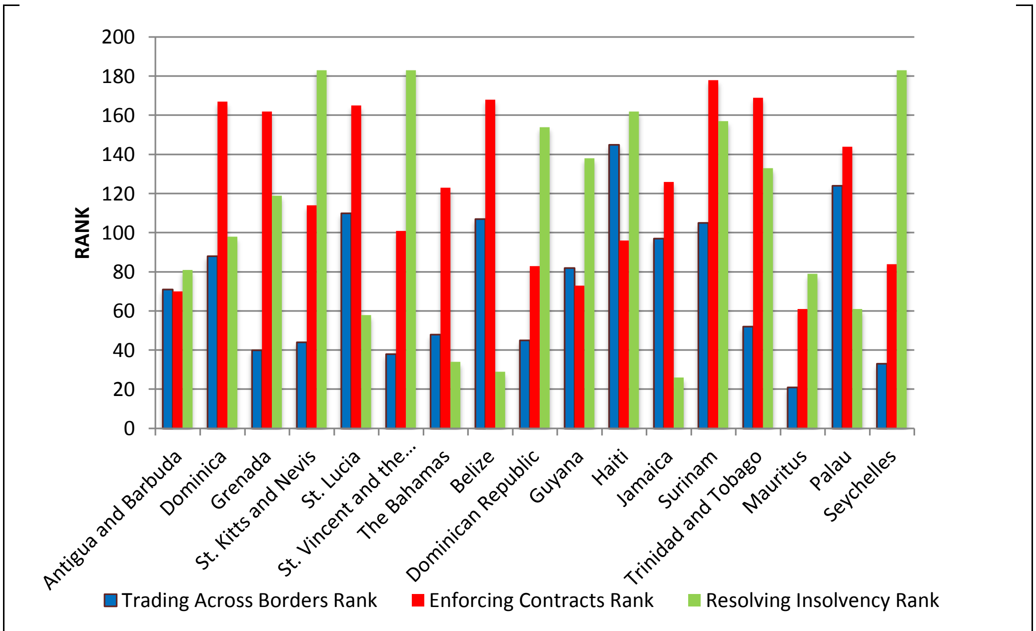
Source: Doing Business 2012

Figure 52: Doing Business Rankings for Antigua and Barbuda versus Comparators (2012) for Selected Indicators



Source: Doing Business 2012

Figure 53: Doing Business Rankings for Antigua and Barbuda versus Comparators (2012) for Selected Indicators



Source: Doing Business 2012

Given the important role played by finance in the development process, the country's poor ranking in accessing credit is a significant risk to private sector development and growth. While the country has attempted to fill this void through the establishment of a national development bank, the needs of the private sector to achieve scale and volume significantly outstrips available resources. Some of the key policy interventions needed include the establishment of a public credit registry and support for the establishment of a private credit bureau. This would reduce information asymmetries that may exist for lenders and therefore enhance the speed and potentially the amount of credit made available to the private sector. Key legislative changes are also required to provide greater protection to creditors as well as speed-up the process of enforcing security rights.

5.2.13 Summary

Antigua and Barbuda demonstrate a number of strengths in the potential for growth in the private sector; however, there are also a number of issues which could derail any future growth in the private sector. Although the overdependence of the Antigua and Barbuda economy on tourism can be considered a weakness when compared to the performance of economies in other jurisdictions, the country has a well established reputation in tourism and has the appropriate environment. In addition, the country also performs quite well globally in terms of human development, labour representation and protection, income levels and inflation, although the level of poverty is still worrisome, unemployment is estimated to have increased substantially in recent years and Government's debt is above the average for comparator countries.

Other notable strengths highlighted above were the relative ease of doing business in the country where the country outperforms all others in the region with the exception of St. Lucia; however, the country underperforms in accessing finance and ease in dealing with customs and trade regulations. Transportation was also noted as a hindrance in relation to intra-regional travel and freighting. Some of these issues are highlighted in the table below where the four biggest obstacles to business in Antigua and Barbuda were concerned with cost issues (tax rates, electricity, and access to finance (interest rates)), and process issues (customs and trade regulations and access to finance (bureaucracy)).

Table 16: Biggest Obstacles to Business in the OECS (Enterprise Survey, 2010)

Biggest Obstacle	ANT	DOM	GREN	SKN	SLU	SVG
Tax rates	**18.2**	**8.6**	**17.6**	**20.0**	6.0	**11.0**
Customs and trade regulations	**16.1**	0.9	2.1	5.2	4.0	9.9
Access to finance	**15.3**	**44.0**	**12.8**	**20.9**	**35.0**	**20.6**
Electricity	**13.0**	**29.7**	2.7	**15.2**	**22.4**	**10.6**
Crime, theft and disorder	7.9	**3.6**	10.2	**13.4**	5.1	**11.3**
Corruption	7.7	0.0	1.4	3.5	0.9	1.5
Political instability	6.1	0.0	**12.3**	0.5	0.2	10.2
Practices of the informal sector	4.8	3.1	8.4	5.8	2.7	7.8
Transportation	3.9	3.5	4.1	3.4	**10.7**	1.0
Business licensing and permits	2.7	0.0	0.0	0.0	0.0	0.3
Tax administration	2.4	0.0	5.7	1.4	0.0	2.6
Inadequately educated workforce	1.3	2.1	**15.4**	10.0	**7.4**	**12.8**
Access to land	0.7	0.0	3.9	0.7	0.0	0.0
Courts	0.0	0.0	0.8	0.0	0.0	0.3
Labour regulations	0.0	4.4	2.9	0.0	5.6	0.0

In addition to these umbrella issues, a number of specific issues also emerged from the background research. These issues included:

- Finance Issues:
    - The need for legislation to protect creditors;
    - The lack of a credit bureau;
    - High interest rate spreads and high collateral requirements;
- Limited intra-regional transportation options.

Unlike the other countries in the region, with the exception of Dominica, an inadequately trained workforce was not ranked overall as one of the biggest obstacles to doing business in Antigua and Barbuda; although 28% did note it a major constraint. This lack of prominence in this case may be in part due to the basic labour requirements of enterprises in Antigua and Barbuda with the dominance of tourism and wholesale and retail trade. These and other issues are discussed in greater depth in relation to the responses from stakeholder interviewees in the following subsection.

5.3. Field Research Findings

Along with the desk review of key private sector development challenges (presented in Section 5), interviews were conducted with a wide variety of entities designed to capture the views of challenges to private sector development from myriad perspectives. These entities included: officers from the relevant Government departments; private sector firms, conglomerates and other business entities; organizations representing labour and those representing firms and employers; public sector organizations for private sector support; civil society organizations; non-governmental organisations; financial institutions and academia. The Interviews were conducted between July and August 2012 using a focused semi-structured interview. The interview instrument contained both open-ended and closed-ended questions and interviewees encouraged outside the structure of the questionnaire in order for the interviewers to obtain details on the key private sector development challenges. Following on from these interviews, a national consultation was held in Antigua in April 2013 to review the main issues to emerge from the review of secondary data and in-country interviews as well as issues to emerge from the working groups developed for the Caribbean Growth Forum (CGF) as described in the introduction.

The following subsections identify the main critical issues to emerge from the interviews and the consultations and present a series of required actions to address these issues.

5.3.1 Priority Action Areas

The key obstacles to business growth gleaned from the background research in Antigua and Barbuda where:

- Taxes
- Customs and Trade Regulations
- Access to Finance Issues:
    - The need for legislation to protect creditors;
    - The lack of a credit bureau;
    - High interest rate spreads and high collateral requirements;
- Electricity Costs

- Limited intra-regional transport options

During the interviews conducted with key stakeholders, these issues were presented and interviewees were asked to comment in relation to:

- Did the list adequately capture the main issues constraining private sector development in the country?
- What other issues would they add to this list?
- Identification the top three issues holding back private sector development?
- Recommendations to solve the identified challenges?

Overall, the applied element of the research (interviews and PSA consultation), indicated that the issues identified from the secondary data were mostly representative of the issues facing the private sector in Antigua and Barbuda. In addition, several other issues were identified which were themed under two headings: a lack of effective representation of the private sector; and general political and governance issues:

Lack of Effective Private Sector Representation

During interviews and at the PSA consultation, representatives from individual enterprises identified the lack of effective representation from various private sector associations as one of the main issues. There was the strongly held view that this lack of representation results in a situation in which the government dominates national consultations to the point where many in the private sector felt that decisions have already been taken *before they were consulted*. It was felt that a lack of training at all levels of private sector organizations, particularly at the management level, results in a decision-making process that is not rational. It was recommended on several occasions that the development of any national agenda (strategic plan) needs more private sector engagement at all levels.

General Political and Governance Issues

Related to the issue of a *need for private sector engagement* in the *development of strategic plans*, private sector representatives noted that there was a lack of a long-term vision for the development of the private sector and therefore the development of the country. There appears to be a significant disconnect between the country's vision as expressed by Government, and agents within the private sector. These agents are of the view that long term strategic planning is sidelined in favour of short-term planning in line with election cycles. It was also noted that this lack of long-term vision impairs the ability of the private sector to plan effectively because of the ever increasing short-term financial needs of the government.

In addition to this higher level strategic planning for the private sector, a *'Silo-Mindset' in the Public Sector* was also noted where there was a lack of cooperation between relevant government agencies and a lack of a coherent approach. Particularly, it was identified that the lack of information sharing between government agencies has had a direct impact on the cost of doing business as well as the cost of compliance with respect to the tax authorities.

Apart from the 'Silo-Mindset', enterprises also noted the *inefficiencies in the public sector* lead them to actually have to plan for these inefficiencies when interfacing with government agencies, resulting in an additional cost due to the level of bureaucracy.

However, interviewees and consultation participants did note that the blame does not lie solely with the public sector, as within the private sector there exists a level of dependence on government to provide fiscal incentives to conduct almost any kind of business. This mental attitude inhibits the private sector from taking calculated risks to take advantage of opportunities where the business case shows clear evidence of above normal profits. It was noted that some members of the private sector seem overly preoccupied with which political party may be administering the Government rather than with the management on their own business affairs. Some respondents also inferred that their business performance levels are related to relationships with the political directorate.

The main recommendations to emerge from the PSA in relation to political and governance issues included:

- Training of government officials as critical to the smooth resolution of tax, customs and other related issues across the public sector.
- Making tax compliance easier to significantly reduce the cost of doing business.

It should however be noted that any recommendations to emerge must take into consideration the lack of fiscal space afforded to the Government in catalysing private sector growth. Antigua and Barbuda is currently under an IMF programme and therefore there is very little fiscal space to support expansion of the private sector. Initiatives that can be undertaken are constrained, therefore greater attention is required for rationalization of processes in relation to 'doing business' which are not capital intensive, but may however allow growth of the private sector by reducing time costs of doing business.

These findings from the applied element of the PSA are dissimilar in some areas, but not contrary, to those emerging from the Caribbean Growth Forum (CGF) consultations undertaken across the region in the first quarter of 2013. The three working groups (Logistics and Connectivity, Investment Climate, Skills and Productivity) organized for the CGF for Antigua and Barbuda identified a number of issues that once addressed can catalyze private sector development. The main needs and recommendations from the CGF Working Groups for the private sector in Antigua and Barbuda are outlined below.

Governance Issues:

- Create a 'One-Stop-Shop' for Investors due to current time taken to start a business, number of agencies and complexity of the process;
- Transform current business registration process from mostly manual to computerised
- Develop a Tourism Master Plan targeting the country's competitive advantages in comparison to new and existing competitors
- Agriculture: need for electronic market information system

Cost Issues:

- Cross-cutting issue of need to inculcate energy sustainability in key strategic sectors
- Air Connectivity:
    - Constraints related to costs and timetabling has constrained business-to-business travel and subsequently perhaps foregoing much needed investment
    - Need for greater efficiency in movement through airports rather than the current administrative procedures which are skewed to *'identifying undesirables'*
    - Reduce taxes on air travel; facilitated by study on correlation between travel taxes and travel volume, *id est.* establish the most efficient tax rate that would increase both volume and tax revenue as efficient tax rates have the potential to increase demand and revenue
- Sea Connectivity (Maritime Shipping and Trade Services, Yachting, Cruise and Travel):

- Explore development of ferry services across the OECS
- Creation of single air space for the OECS to reduce fares

Skills Development:

- Need for human resource planning and national skills development strategy (related to Governance)
- Agriculture: Training in Good Agricultural Practices and business management
- Tourism: Accreditation to international standards
- Sea Connectivity (Maritime Shipping and Trade Services, Yachting, Cruise and Travel): Education and Technical Certification for young persons in areas related to sea connectivity

It is of interest that the issue of skills in the labour force was not raised extensively in the PSA, and that the Skills and Productivity working group of the CGF appears not to have developed any concrete recommendations in this area, unlike the other two working groups for Investment Climate and Logistics and Connectivity. This lack of urgency in relation to skills may be two-fold; perhaps there is no problem accessing the necessary skills in the labour force, in light of the focus on tourism and the ability of the Antigua and Barbuda Hospitality Training Institute to satisfy demand, or it may be the case that there are other more pressing issues affecting private sector development in Antigua and Barbuda. Although both issues may play a part in this observation, the latter may be the more likely as the main issues appears to be costs both in monetary terms and in relation to time (delays in access goods and finance due to bureaucracy and inefficiencies).

In addition to identifying the main issues, the CGF also identified a number of key sectors for development: offshore education industry; agriculture and agro-processing; and sustainable tourism.

Drawing on the results of all aspects of the research, the following SWOT (Strengths, Weaknesses, Opportunities, Threats) matrix was developed in relation to the private sector growth and development in Antigua and Barbuda. The matrix is subsequently used to develop recommendations and action plans based on the main critical issues identified.

These interrelated issues are discussed below and used to develop recommendations and action plans with respect to the main priority areas of:

- General governance issues;
- Access to finance issues;
- General costs issues;
- Transportation and trade issues.

Table 17: Private Sector Growth and Development: SWOT Matrix for Antigua and Barbuda

Strengths	Weaknesses	Opportunities	Threats
International Relations and Governance: Membership of international bodies, regional integration schemes (OECS/ECCU and CARICOM) and other regional bodies (CDB, UWI, ECCB). Signatory to trade agreements and international conventions; Stable democracy; Strength of investor protection; Moderate level of Government effectiveness; Relative overall ease of doing business. **Economy:** Stable regional currency; Low inflation ; Remittances from ex-patriots; **Labour and Skills:** Good labour relations; Access to education in the domestic and regional market. **Sectors:** Established reputation in tourism and services; Established offshore education sector. **Environment and Society:** Natural beauty and heritage; **Transport and Communications:** International air and sea ports; Proximity to regional and international markets; Relatively good domestic network infrastructure (transport and communications); Access to technology platforms.	**Governance:** Lack of human resource capacity in business support organizations; Lack of formal dialogue between social partners; Lack of formal coordination amongst business support organizations in the public and private sector; Lack of a strategic plan to guide public and private sector investment; Moderate rating on Governance effectiveness; Inefficient customs and trade procedures; Limited fiscal space; Perception of high taxes. **Economy:** Relatively high Government debt; High current account deficit; Difficulty in accessing finance due to cost and collateral requirements; Limited utilisation of non-debt financing (i.e. equity) Small domestic market; Costs of energy; Sales tax; Cost of regional and international transportation; **Labour and Skills:** Lack of management skills in private sector associations; **Sectors:** Overdependence on tourism; Lack of diversification of products and export markets; **Environment and Society:** Exposure to natural disasters; Poverty and unemployment **Technology:** Existing technology not utilised to its full potential (private and public sectors)	**Economy:** Freedom of movement of capital in the region; Freedom of movement of goods in the region; Exploitation of larger regional market; **Labour and Skills:** Freedom of movement of skilled labour in the region. **Sectors:** Sustainable tourism; Foreign exchange earning education; Agro-processing; Exploitation of existing trade agreements. **Technology**: Exploitation of existing technology for cost-savings in the private sector and greater dissemination of information from the public sector.	**Economy:** Lack of growth in main trading and inward investing countries; Fall in FDI inflows; Increases in commodity prices on the international market **Labour and Skills:** Brain drain **Sectors:** Competition from new tourism destinations with new tourism products and loss of seat capacity from non-national carriers; Increased competition from imports for domestic producers with greater trade liberalisation; **Environment and Society:** Climate change.

5.3.1.1. General Political and Governance Issues

The interviews, as well as the stakeholder consultations, identified general political and governance issues as critically impacting on private sector development. Stakeholders were of the view that there was limited use of strategic long-term visioning. In addition, private enterprises described a 'silo mentality' in public sector business support organisations with agents operating as autonomous entities without an explicit relationship with other public sector entities or a single strategic vision. These constraints are further exacerbated by the limited fiscal space available to the Government as the country is currently under an IMF program.

These constraints suggest the need for greater communication between public and private sector and the establishment of strategic development plans which address the needs of government and the private sector. The Compete Caribbean initiative to form a Public-Private Dialogue body and the establishment of a Long Term Action Plan can greatly assist in this effort. However, the private sector needs to raise its level of engagement in order to get meaningful results. One of the main issues affecting private sector representation is firstly the lack of a truly representative body, and secondly a noted lack of management capacity within the sector associations that exist. It is possible for the Antigua and Barbuda Business Alliance to fill this gap if their membership expands from primarily representing tourism-related associations to the other sectors of the economy, but given the dominance of tourism in the country, the ABBA can be considered relatively representative in its current form. The relevant Action Plans developed from the PSA to address these issues include:

- Action 1: **Establishment of a Tripartite Committee (government-employer-labour)** to identify the needs of all bodies and guide and oversee private sector development strategies.

Once established, the Tripartite Committee should seek to also address the following:

- Action 2: **Rationalisation and streamlining of public sector's business support framework** through the work of the Tripartite Committee to ensure a revised system that addresses both the needs of the private sector (access to finance and reduced costs) as well as wider obligations of Government.
- Action 3: **Development of a National Strategic Plan that mainstreams private sector development** in the country. This plan should include a human resource plan. Through the lobbying efforts of Government, the plans for the development of the private sector should also be included in any regional strategic plans at the level of the OECS/ECCU and CARICOM.

It was noted in the CGF that there was a need for the development of a one-stop-shop for business registration and support as well as the need to transition the registration process from mostly manual to computerised. Other issues related to the institutional framework include the need to increase the efficiency of customs and trade procedures and the development of electronic market information in agriculture. All of these issues will need to be addressed during any rationalisation and redevelopment of the business support framework.

A national strategic plan can ensure that national policy planning is continuous and not subject to the electoral business cycle. It was considered that such an approach to development planning would also enhance the transparency of government policy formation as well as reduce business uncertainty. An overall national strategic plan would also help to get around the common criticism of the 'silo-mindset' common in the public sector. Rather than focussing on departmental or ministry-specific objectives, technocrats would be working towards national objectives. While this approach does not necessarily mean that intra-governmental lines of communication would improve, it does however, provide a basis for overall strategic planning and developing policy priorities. ICTs and knowledge platforms could then be used to facilitate communication between various departments and ministries.

In relation to the prominence of tourism within any national strategic plan, it should be reiterated that Antigua and Barbuda is heavily vested in tourism for almost all of its country's external earnings. With such a heavy concentration, there needs to be a well-defined and executable strategic plan to expand source markets in both the northern and southern hemispheres. This would allow for greater utilization of the existing hotel and guest accommodation resulting in increased earning of foreign exchange. Linkages with agriculture, agro-processing and manufacturing also need to be developed and strategies to address this should be included in such a plan.

The development of a national strategic plan however offers up some logistical challenges as to who develops the plan and how to ensure that it would be followed with changes in Government. These challenges should not be viewed as insurmountable and their existence should not deter action. Indeed, if the private sector was sufficiently strong, and insisted that successive government keep to a development plan, the concern about political business cycles would not be present. This therefore suggests that if the private sector is afforded the space to grow, such problems of implementation would wane.

One of the other issues that warrant discussion is the lack of fiscal space afforded to the Government. While the development of a strategic plan for the development of the private sector will not in itself solve the fiscal problems of government, the demonstration of commitment to private sector development can act as a boost to investor confidence and open avenues for public-private partnerships in public goods where opportunities exist. In addition, the establishment of a more interactive and proactive business support framework can assist in expenditure savings through rationalisation, as well as revenue enhancement through the general growth and development of the private sector.

However, in order to effectively execute these action plans a number of issues will need to be addressed including:

- Lack of information sharing and research by the private sector;
- Lack of economic and labour market information; caused in part by the limited use of existing technology by the public sector.

Private enterprises are reluctant to share information on their enterprises and by greater inclusion in the decision-making process there may be greater willingness to share relevant information. The private sector will need to inculcate this culture of **information sharing** to assist governments in understanding the situation of the private sector, and its contribution to the economy. One such avenue that this can be addressed through is the establishment of a private sector funded **research unit**, perhaps overseen by the private sector representative on the Tripartite Committee. Such a unit could identify opportunities (domestic and foreign) for private sector growth as well as potential threats to the various sectors. Pooling of resources would allow the decision-making process of individual firms and other economic agents to benefit from evidence-based research and data which should enhance profitability and sustainability.

There is also a strong demand by private sector enterprises for data, to assist in strategic planning and the formulation of business plans for accessing finance. However, the situation is not that data does not exist in the region, it is basically that the data is not collated or mined as public sector agents are **not fully exploiting the available technology**. Individual governments, through such agencies as Inland Revenue Departments and National Insurance Schemes, collect information over specific periods that could provide more detailed information as regards revenue and expenditure by sector, employment levels and categories, and investment data. The problem in this regard is a lack of infrastructure and human resources to consistently collate and present data. This is an area where, at the country and regional level through national statistical offices and the OECS Secretariat and the Eastern Caribbean Central Bank, that donors could direct resources; especially as it relates to technical assistance in the development of such a system. These are the sorts of issues that will need specific attention to enable all of the action plans to be effectively implemented.

It should however also be noted that the private sector is also not utilising the available technology to its fullest potential even though they would benefit from its use in the general operations of their firms. As an example, firms utilize a significant amount of their human resources physically collecting payments whilst the technology exists that can provide a far more efficient solution, thereby reducing fraud and associated security issues. Once implemented, the current resources can then be deployed to enhance the levels of service delivery or to more productive areas within the business operation.

5.3.1.2. Access to Finance

Across the OECS the issue of access to and the cost of finance is one of the biggest barriers to doing business, mainly due to under-developed capital markets. The situation is no different in Antigua and Barbuda. Private sector stakeholders interviewed stated that finance was either difficult to attain due to collateral pre-requisites or too costly to borrow (interest rates); collateral as a percentage of loan size was 177%, below the average for the region but still high, and the interest rate spread was 8% in 2010, the highest in the OECS. The interest rate spread in this regard is important as it provides a relative indicator as to the efficiency of financial institutions and/or the level of competition in the sector; high interest rate spreads can either indicate that financial institutions are inefficient or that they are exploiting a dominant market position. High transaction and operating costs are passed onto the consumer via higher interest rates.

In Antigua and Barbuda, individuals noted that the high cost of finance was a key hurdle limiting new firm formation and the expansion of existing enterprises. Added to this, access was also limited due to a lack of information on potential borrowers, and the financial sector regulators lack an appreciation for the special circumstances of smaller enterprises.

It should however be noted that these limitations to accessing finance are not purely institutional, that entrepreneurs also either propose impractical projects, or present poorly constructed business plans due to a lack of skills, as well as a lack of data.

To address these access to finance issues (collateral requirements and high interest rates), there is a need to investigate the cause of these issues which relate primarily to efficiency in financial institutions, high transaction and operational costs, and information asymmetries in relation to borrower information available to lenders. In addition, there is also the need to balance the savings deposit rate and the reserve requirements set by the ECCB. The ECCB's Savings Deposit Rate (SRD), the statutory minimum rate on savings deposits, has been shown to be positively correlated with interest rate spreads from commercial banks operating in the OECS (Grenade, 2007). This, taken in relation to the Reserve Requirement Ratio (RRR), proxied as the percentage of reserves to total deposits mandated to be held by commercial banks, which has an effect on the amount of funds available to make loans, together influence higher interest rates on loans in the region as this burden is normally passed on to customers. It is recommended that these two variables, RRR and SDR, are assessed intermittently to find a suitable balance as they both affect the cost of borrowing in Antigua and Barbuda and the OECS in general. The other causes of high interest rates, high interest rate spreads and high collateral requirements are discussed below.

Transactional and Operating Costs

Communications charges, legal fees, informational cost for finding the correct price all increase banking transaction costs. The World Bank (2008) stated modern trends in transactional lending suggest that any improvements in information available and technological advances are likely to improve access to finance for MSME's (for example through credit registries and automated credit appraisal) and hence reduce transactional costs. To quote:

> *'Encouraging the development of specific infrastructures (particularly in information and debt recovery) and of financial market activities that can use technology to bring down transaction costs will produce results sooner than long-term institution building.'* World Bank (2008:15)

The IMF (1998) also noted that operating costs for commercial banks in the Eastern Caribbean was a key determinant of interest rate spreads. Grenade (2007) showed that operating cost ratios, defined as operating costs to assets, for foreign banks in the Eastern Caribbean were higher than indigenous banks and the overall average ratio was higher than the acceptable international standard of 3.6[11]. It can be assumed that the operating cost ratio for commercial banks operating in the region is presently higher than Grenade's 2003 estimates, due to substantial changes in energy prices and other expenses.

The concept of introducing technological advances to reduce transaction and interest costs from banks operating in Antigua and Barbuda should be high on the priority list. To reduce transaction and operating costs it is recommended that policies be structured around ensuring the formality of businesses (i.e. the registering of companies, technical assistance for product/service development), technological advancement (i.e. credit information systems), and efficiency of operating costs (i.e. incentives/policies that reduce variable costs of electricity such as retrofitting). All of these policies should contribute to reductions in interest rates charged for credit services.

Given that inefficient operation of financial institutions will result in increased costs to consumers, it is also recommended that a quarterly assessment be taken of the overall efficiency rate to ensure commercial banks are running efficiently and, as a result, benefitting the consumer, individual or

[11] Moore and Craigwell (2000)

enterprise, from competitive prices. The overall efficiency rate in this regard relates to profitability rates, margin rates, weighted results rates and employment efficiency rates[12].

Information Asymmetries

Informational asymmetries directly affect the level of collateral required by commercial banks in the region as they increase the uncertainty of lending, *id est.* higher risk. This uncertainty is therefore passed onto customers through collateral requirements. While average collateral in Antigua and Barbuda was 177%, the world average was 168% (Enterprise Survey, 2010). Any measures to reduce information asymmetries, and increase formality, should therefore assist in reducing the cost of, and access to, commercial finance.

Overall, the proportion of informational asymmetry that leads to higher collateral requirements for formal businesses could be attributed to the absence of credit bureaus and related registries. It is recommended that these issues be address by the following actions:

Establishment of Credit Bureaus: Credit Bureaus are defined as an agency which collects the credit history on individuals and other prospective borrowers that assist financial institutions with its lending decisions:

> *'Rather than… various ill-fated schemes aimed at broadening access to credit, the countries would be better served with a vibrant system of credit bureaus. The bureaus would provide reliable information on all current and potential borrowers at low cost to banks and other lenders. This would allow lenders to move beyond their fairly small circle of well-known, and typically higher-income, business clients to lend to the broad strata of small and even micro businesses that represent the vast majority of productive enterprises in the Caribbean.*
>
> *To be truly useful, credit bureaus should be able to obtain not only bank loan repayment histories but also all hire-purchase, tax, and bill payment histories without the prior consent of the individuals involved. By the same token, each individual should be able to review and challenge the accuracy of his or her record, and the credit bureau should be responsible for correcting any verified inaccuracy on a low-cost and timely basis.'* IADB (2009:22).

In 2012, the ECCB collaborated with the IFC in a conference called *"Wider Access to Credit and Consumers' Empowerment through Credit Information Sharing"*. Representatives from regional central banks, ministries of finance, other government agencies, and financial institutions from the Eastern Caribbean Currency Union (ECCU) and the wider Caribbean region met to discuss credit information sharing systems (credit bureaus) in the Caribbean. The Credit Reporting Conference falls under the umbrella of a Canadian International Development Agency (CIDA) funded project aimed at establishing a private credit bureau in the ECCU and the development of the credit bureau

[12] **Profitability Rates**, defined as: Return on Assets (ROA)- presented as a ratio of financial results and a bank's assets; Return on Equity (ROE)- a ratio of financial results to a bank's own fund; Return on Sale (ROS)- a ratio of financial results to a bank's income; Costs Ratio (C/I)- a ratio of costs to income. **Margin Rates**, defined as: Net Interest Margin- a ratio of interest results to assets; Interest Spread, which can be interpreted as a difference between the average interest-bearing assets and the average expense of interest-bearing liabilities. **Weighted Results Rates**, defined as: The result rate charged with reserves (reserves balance) which is shown as a difference between the building up and dissolution of reserves, and the achieved result; The result rate charged with operating costs, i. e. the ratio of operating costs to the result. **Employment Efficiency Rates**: The rate presented as a ratio of assets to a number of employees (job positions); The rate presented as a ratio of a result to a number of employees.

legislation for the region. This is the first step of many needed to rectify information asymmetry in the OECS. The only country in the Caribbean that actively participates in comprehensive credit history collection is Trinidad and Tobago. According to USAID:

> *'The Credit Bureau of Trinidad and Tobago was founded eighteen years ago by a law firm and collection agency. The bureau currently holds over 350,000 records and reviews an average of approximately 10,000 credit applications a month (individual and corporate applications). The banks in Trinidad and Tobago have recently decided to create their own platform for exchanging credit information, in which The Credit Bureau of Trinidad and Tobago will also be included'.* USAID (2004)

Establishment of Collateral Registries: Collateral registries are systems that identify and document property (movable property or real estate). In the Caribbean, the collateral registry system is underdeveloped and does not fit the *'needs of a modern financial system'*[13]. For the most part, financial entities in the Caribbean do not accept movable collateral (such as inventory, accounts receivables, crops and equipment) which is seen by the IFC as a significant impediment to a free flowing credit market and economic development.

> *'Reforming the framework for movable collateral lending allows businesses—particularly SMEs—to leverage their assets into capital for investment and growth. Modern Secured Transactions Registries increase the availability of credit and reduce the cost of credit'*[14].

Alternative Financing Options

The financial landscape in the region is characterised by commercial banks (international, regional and domestic) and non-bank financial institutions (NBFIs) which are mostly domestic credit unions and microfinance institutions (MFIs). However, non-national banks dominate and 'cherry-pick' in their lending while maintaining a conservative, traditional approach to lending (collateral-based lending). There is a need for financial services which suit domestic needs through credit unions and other NBFIs. However, the credit union movement in Antigua and Barbuda has one of the lowest penetration rates in the region at 44%, and if the movement is to play a larger role in the provision of finance in the region a detailed study of the reasons behind this relatively poor performance will need to be undertaken.

In addition to debt financing, equity financing options are also required. Venture capital financing is limited in the Caribbean and institutions such as the MIF, part of the IADB group, has also been working on creating a better venture capital industry in the Caribbean, although it does not operate in the OECS. One of the problems faced in encouraging venture capital is a lack of a legal and regulatory framework in the region, and these issues will need to be addressed. In seeking to address this gap in financing options, the ECCB established the Eastern Caribbean Enterprise Fund (ECEF) in 2009:

> *The ECEF is being positioned to be a mechanism for attracting investment capital and channelling those resources to promote the development of private sector enterprises in the region. In this*

[13] USAID(2004)

[14] Source: http://www1.ifc.org/wps/wcm/connect/Industry_EXT_Content/IFC_External_Corporate_Site/Industries/Financial+Markets/Financial+Infrastructure/Collateral+Registries/

regard, the ECEF will complement existing financial intermediation services of providers in the ECCU by offering a wide range of services to assist in filling the current gap with respect to the availability of requisite financing and technical support. Additionally, the ECEF will foster the creation and growth of productive sectors in the economies of the region through the injection of equity and debt financing….In addition, as the first regional fund of its type in the ECCU, the ECEF will also play a key role in the promotion of a private equity/venture capital industry in the region[15].

In drawing all of these issues related to the lack of access to finance, there is a need to reduce the cost of finance and increase the ability of firms to access finance through increasing the formality of enterprises. However, businesses also lack the ability to access finance due to a lack of record keeping, and a lack of skills to prepare viable proposals to finance providers. The relevant Action Plans to emerge from this element of the PSA include:

- Action 4**: Reduce the cost of finance** through the reduction of transactional and operational costs in financial institutions through the use of technology and monitoring of efficiency levels; the reduction of risk and risk-averseness through the establishment of a credit bureau and a collateral registry; and the introduction of alternative financial products and greater competition in the financial sector.
- Action 5: **Increase the capacity of businesses** to access finance through the provision of support (technical assistance and training) for the adoption of accepted business practices (recordkeeping) and the skills to develop business plans for funding and strategic planning.

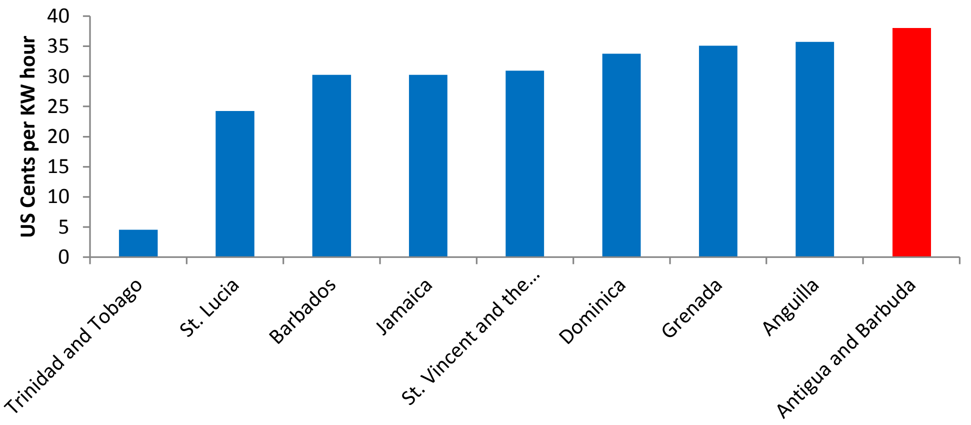
It should also be noted that the negative impact of the current constraints in the financial market are often magnified due to other costs of doing business, especially the cost of electricity.

5.3.1.3. General Cost Issues

The main issues raised in relation to costs to businesses, with the exception of the cost of finance, were the current sales tax, customs duties, port charges, the revenue replacement charge (a 10% charge on all non-oil imports and domestically produced goods), the cost of electricity and costs incurred from delays in VAT refunds. The issue of taxation is difficult to address given the fiscal constraints experienced by Government and the need for revenue generation. Whilst there is the prospect for revision if lower, more efficient, tax rates are introduced, the main issue for discussion at the tripartite level in this regard, especially discussion with representatives of labour, is the introduction of greater productivity within revenue collection agencies such as Customs and the VAT division. The other point of concern is the issue of the cost of electricity in Antigua and Barbuda, which is one of the highest in the region.

[15] http://www.eccb-centralbank.org/money/ecef.asp

Figure 54: Electricity Rates in Grenada and Selected Caribbean Countries (2010)



Source: The Caribbean Electric Utility Service Corporation (CARILEC) (2010)

Based on interviews and the results of the Enterprise Surveys (2010), electricity costs were ranked as one of the biggest obstacles to doing business across the OECS. As shown in the figure above, cost per kilowatt hour (kWh) exceeded US$0.30 for all of the OECS countries included, while this cost was, unsurprisingly, less than US$0.05 for Trinidad and Tobago.

To address the issue of the high cost of electricity, and energy in general, the two main options involve **conservation of energy and exploitation of alternative energy options**. In terms of conservation, the adaptation of behaviour to reduce usage and the adoption of energy efficient technologies, along with retrofitting, provide avenues to reduce costs in the short and medium term. However, for Antigua and Barbuda, the possibility for the exploitation of alternative energy sources is not as high as elsewhere in the region given the absence of such renewable source as geothermal energies. There are however options as regards solar and wind power. In relation to rankings, the country ranks nearly last in the region in the Castalia Renewable Energy Index due to an absence of existing renewable energy generation and future plans for the exploitation of renewable energies. The country does however have a modest rating for the existence of an enabling environment which measures the ease of implementing a renewable energy investment project[16]. This may be directly tied to the fact that Antigua and Barbuda has a new energy policy and regulatory framework that will allow renewable energy systems to be tied to the grid. Castalia Strategic Advisors (2012) suggest that in order to realise the potential for solar and wind energy that there is the need to have: *'Resource assessments: wind, waste; Regulatory reform: require least-cost planning including renewable, allow low cost recovery through tariffs of efficiently incurred investments; Tenders to develop, procure, or contract utility scale solar and wind; Standard Offer Contract for distributed RE'* (p.9).

The need for energy conservation and exploitation of alternative energy options relate to the following Action Plan:

[16] http://www.castalia-advisors.com/files/Castalia-CREF_RE_Islands_Index_121010-1.pdf

- Action 6: **Provide incentives for energy conservation and frameworks for the exploitation of renewable/alternative energy**. Incentives and support in this area will act as both a cost-reduction tool as well as an opportunity for investment and enterprise development in the renewable/alternative energy sector.

Incentives in this area could include concessions related to duties on imports of materials, technical assistance and the development of special funds for investments in alternative energy projects and enterprises supplying complementary services such as retrofitting.

5.3.1.4. Transportation and Trade Issues

Transportation issues in Antigua and Barbuda mainly relate to a lack of availability as well as costs. It is considered that these issues severely hamper business-to-business travel and hence have a direct effect on foregoing productive investments. In relation to trade, the main issues relate to monetary costs, as discussed above, however, there are also time costs to business due to the current bureaucracy inherent in the system.

Given the inefficiencies noted by interviewees, full assessments of transportation and importation systems are needed to identify specific bottlenecks and opportunities for the introduction of lower, more efficient, travel taxes. To date the research has identified slow network connections, poor maintenance, and resistance by stakeholders to learn new systems and processes as significant bottlenecks which cause trade delays. On a related note, in seeking to address these problems, there is a Customs Reform exercise currently being undertaken in Antigua and Barbuda and financed through the IFC.

In addition to the PSA findings, the results of the CGF working group on logistics identified a number of constraints in relation to air and sea connectivity within the region. These issues related to cost of travel and availability of travel options, both via air and sea. This was also noted in the PSA interviews where a respondent noted that shipping to Miami and then back to another country in the region was sometimes more efficient. Noting these constraints, the CGF provided the following recommendations:

- Improve the efficiency of immigration procedures through ports rather than current procedures which seek to '*identify undesirables'*.
- Undertake research to explore opportunities for the reduction of the cost of travel such as through reduction of taxes. It is considered that by studying the correlation between travel taxes and travel volume, the most efficient tax rate can be identified, a rate that would increase both volume and tax revenue.
- Explore the creation of a single OECS air space to assist in reducing costs
- Explore the development of a ferry service to cater to the OECS

Given the prominence of services in the economy of Antigua and Barbuda, especially in relation to tourism, business services and finance, as well as the limited manufacturing and agricultural sectors, which has led to a reliance on imports, the efficient movement of people for business and pleasure, and well as the establishment of an efficient importation system, are critical to the operation and potential growth of the economy. In addition, the majority of recommendations emerging from the PSA and CGF in this area relate to conducting assessments and exploring the possibilities for implementing more efficient trade and transportation systems. The related action points in this are therefore:

- Action 7: **Conduct a broad-based assessment of transportation and trade systems** to identify opportunities: for productivity improvements in customs and immigration; implementation of more efficient taxes on travel; introduction of alternative transport options (e.g. the establishment of a ferry service); and the establishment of a single airspace for the OECS.

It is useful that such a broad-based assessment would be undertaken in Antigua and Barbuda given that this is the headquarters for both the Eastern Caribbean Civil Aviation Authority (ECCAA) and the regional airline, LIAT. While this action point is only included for Antigua and Barbuda in the OECS PSAs, it will undoubtedly redound to the benefit of all countries in the OECS. This action point was not included for the other PSAs in the OECS countries as there were more pressing issues to deal with in those countries, and, in addition, this is a particularly pressing issue for Antigua and Barbuda given the importance of services and imports to the economy.

5.3.2 Summary

Private sector development cannot be separated from the overall sustainable development of the country. This therefore implies that social issues such as poverty, unemployment as well as environmental vulnerabilities should be considered in any plan to enhance private sector development. Indeed, these issues can often show up in the bottom line for businesses via higher security and insurance costs. It is imperative that these issues be kept in mind during the development of strategic plans to support the private sector.

6. Conclusions and Recommendations

6.1. A Long Term Action Plan for Private Sector Development

The preceding analysis identified a number of pertinent issues affecting the development and growth of the private sector in Antigua and Barbuda. As noted previously, while the findings from the CGF differ slightly to those from the PSA, the issues and recommendations to emerge were not in conflict. However, one of the most critical recommendations to emerge from both studies is the need for greater dialogue between key stakeholders and representatives of labour, the private sector and Government. This gives the priority of the Action Plan as:

- Action 1: **Establishment of a Tripartite Committee (government-employer-labour)** to identify the needs of all bodies and guide and oversee private sector development strategies.

To this end, there are some specific issues that the private sector will need to address in relation to the formation of representative bodies at the national level. At present there is no single voice for the private sector, although there exists a Business Alliance which largely represents tourism associations. The Alliance will need to seek a wider membership to more effectively represent the views of the private sector as a whole. The other option in this regard would be the local chamber of commerce. Once this issue can be addressed, Antigua and Barbuda could learn from the experience of the Social Partnership model in Barbados. This Social Partnership, which is chaired by the Prime Minister, draws members from labour and private sector representative bodies; the Congress of Trade Unions and Staff Associations of Barbados (CTUSAB) for labour, and the Private Sector Association (BPSA) for the private sector. There are sub-committee meetings of the social partnership that then feed into the sessions chaired by the Prime Minister. Added to this consultative process, members of the social partnership also sit on the boards of various government agencies and key policymaking committees. Fashoyin[17] (2004:59), drawing on the Barbadian Social Partnership, provides some conditions for effective dialogue:

- *Free, independent and representative organisations of workers and employers;*
- *The willingness and readiness to consult, negotiate and share information;*
- *Strong and capable trade unions and employers' organisations;*
- *Acknowledgement of the interdependence of the tripartite partners;*
- *Shared vision and a commitment to search for wider consensus;*
- *Mutual trust and respect for each party;*
- *Institutional machinery for social dialogue at the various levels of the economy;*
- *A certain degree of coordination between the levels of consultation and negotiation.*

Fashoyin (2004) does however note that the framework for social dialogue cannot be neatly exported from one country to another, and the development of a Tripartite body in Antigua and Barbuda will need to be cognisant of this, while appreciative of the challenges for meeting the conditions for effective dialogue.

[17] Fashoyin, T. (2004). Social Dialogue in Selected Countries in the Caribbean: An Overview, *Journal of Eastern Caribbean Studies*, 29 (4), 42-63.

It is recommended that once representative bodies of labour and the private sector are organised, that this tripartite group be tasked with implementing the other elements of the action plan below, identified from the PSA for Antigua and Barbuda:

- Action 2: **Rationalisation and streamlining of public sector's business support framework** through the work of the Tripartite Committee to ensure a revised system that addresses both the needs of the private sector (access to finance and reduced costs) as well as wider obligations of Government.
- Action 3: **Development of a National Strategic Plan that mainstreams private sector development** in the country. This plan should include a human resource plan. Through the lobbying efforts of Government, the plans for the development of the private sector should also be included in any regional strategic plans at the level of the OECS/ECCU and CARICOM.
- Action 4**: Reduce the cost of finance** through the reduction of transactional and operational costs in financial institutions through the use of technology and monitoring of efficiency levels; the reduction of risk and risk-averseness through the establishment of a credit bureau and a collateral registry; and the introduction of alternative financial products and greater competition in the financial sector.
- Action 5: **Increase the capacity of businesses** to access finance through the provision of support (technical assistance and training) for the adoption of accepted business practices (recordkeeping) and the skills to develop business plans for funding and strategic planning.
- Action 6: **Provide incentives for energy conservation and frameworks for the exploitation of renewable/alternative energy in the area of solar and wind energy**. Incentives and support in this area will act as both a cost-reduction tool as well as an opportunity for investment and enterprise development in the renewable/alternative energy sector.
- Action 7: **Conduct a broad-based assessment of transportation and trade systems** to identify opportunities for: productivity improvements in customs and immigration; implementation of more efficient taxes on travel; introduction of alternative transport options (e.g. the establishment of a ferry service); and the establishment of a single airspace for the OECS.

It should be noted that the various elements of the Action Plan seek to provide a conducive environment for private sector development in Antigua and Barbuda, however, this does not suggest that the implementation of the Action Plan in and of itself will automatically lead to growth of the private sector; there must also be entrepreneurial action in exploiting opportunities in the local, regional and global market. This is especially in light of anecdotal evidence that emerged during interviews throughout the region that the private sector demonstrated a lack of interest in looking *'beyond their borders'* and instead seek to grow domestic market share.

As another *caveat*, the implementation of the Action Plan cannot be undertaken in isolation from regional integration efforts at the OECS and CARICOM levels. If Action 3, the development of a national strategic plan, is taken as synonymous to some degree as the development of an industrial policy, the following should be noted:

> *'Given that trade negotiations often take place at the regional level, industrial policies should be framed by the existing and likely trade commitments and coordination should be*

> *facilitated as much as feasible as it is unlikely that the Region will gain the first-world status that it seeks without greater regional coordination'(p.145)*[18]

In relation to the development of a national strategic plan with a regional focus, attention should be paid to the specific recommendations that have consistently emerged from research in the region which speak to niche market development, moving up the value chain, development of strategic alliances and joint ventures for knowledge and technology transfer, and the development of clusters, both vertical and horizontal[19]. While activities in these areas are not explicitly mentioned in the Action Plan due to their specificity, they should remain as options during the development of the strategic plan for private sector development and growth in Antigua and Barbuda.

6.2. Summary

The global slowdown has severely affected Antigua and Barbuda's economy through its impact on tourist arrivals, FDI inflows and remittances, and fiscal revenue. Real GDP contracted by 7% in 2009 after expanding on average by about 6% during the previous 5 years. The recession and associated fiscal crisis coincided with mounting problems in the financial sector—the collapse of the Stanford Group (the largest private conglomerate) and of the Trinidad-based CL Financial Group. Locally incorporated banks with large exposure to the Government experienced a decline in deposits, which stabilized towards the end of 2011.

Real GDP growth, driven by tourism and construction, has declined since 2006 and at a faster rate than in other ECCU countries. The external current account deficit narrowed, reflecting a decline in FDI. Private sector credit slowed, following a period of strong growth accompanied by a sharp decline in private investment. The fiscal deficit rose to abnormally high levels owing to a drop in revenue and a sharp rise in expenditure particularly in capital outlays and transfers. As a result, public debt remains high despite debt forgiveness in 2005. Given the fiscal constraints faced by Government, growth in Antigua and Barbuda will need to be facilitated through non-fiscal measures to catalyse growth in the private sector.

While the private sector in Antigua and Barbuda face many specific issues related to taxes, dealing with Government departments, etc., it is considered that by addressing the wider issues and the facilitation of a forum for discussion, many of these specific issues could be addressed. It is also important to be aware that many of the recommended actions will not bear results in the short-term; building a framework for the development of alternative energy and public sector are not overnight processes, and require an element of structural change. In summary, the table below outlines the relationship between the main critical themes identified from the PSA, the main critical issues and related elements of the Action Plan.

It should be noted that while all of the Action Points relate to the establishment of a conducive environment for the development of the private sector and are external to enterprises, that the private sector itself will need to take a portion of responsibility and seek to adopt a more proactive

[18] Moore, W. (2010). *Trade and Industrial Policy in the Caribbean*. **In:** Alleyne, F., Lewis-Bynoe, D. and Archibald, X. (2010). Growth and Development Strategies for the Caribbean. CDB: Barbados.

[19] An overview of policy recommendations made in this respect can be found in: Lashley, J. (2010). *Productive Sector Development in the Caribbean: Manufacturing and Mining*. **In:** Alleyne, F., Lewis-Bynoe, D. and Archibald, X. (2010). Growth and Development Strategies for the Caribbean. CDB: Barbados.

approach to exploiting opportunities available in the market. Given the perception that the private sector is not as proactive as it can be, and as a caution in relation to interventions to spur private sector development, it is imperative that all key stakeholders, from the international to the domestic level, are fully aware of the current level of development of the private sector. In Antigua and Barbuda, and across the region, the private sector is *relatively* under-developed and limited in its ability to cope with current developments in trade and the financial sector. Any interventions should therefore seek to assist the private sector, with the assistance of the public sector, to build domestic market opportunities as well as special and differential treatment for export goods in the short- to medium-term, rather than fully expose it to the rigours of international competition. Lessons should also be learnt in relation to drawing on the strengths of the region rather than seeking, as in the past, to attract investment based on low-cost labour which subsequently led to the attraction of *footloose* enterprises that relocate to competitors as cost levels change or economic circumstances deteriorate in relative terms. In this vein, the Caribbean needs to exploit those resources for which it has an advantage and a brand, suggesting a concentration on alternative energy (geothermal, solar), specialist agricultural products (nutmeg in Grenada) and agro-processing, eco-tourism, edu-tourism (drawing on human resources in the region), heritage tourism, health and wellness (both product-specific and related to tourism), and financial services, among others.

In addition to drawing on the locational advantages that exist in the region, attention should be paid to the specific recommendations that have consistently emerged from research in the region which speak to: niche market development; moving up the value chain; development of strategic alliances and joint ventures for knowledge and technology transfer; and the development of clusters, both vertical and horizontal. While activities in these areas are not explicitly mentioned in the Action Plan due to their specificity, they should remain as options during the development of the strategic plan for private sector development and growth in Antigua and Barbuda.

Table 18: Recommendations and Actions Matrix for Antigua and Barbuda

Critical Themes	Main Critical Issues	**Actions**	Details	Responsibility of…
General Political and Governance Issues	Limited dialogue between stakeholders representing Government, labour and the private sector 'Silo-mindset' in business support organizations in the public sector Lack of long term strategic development planning Lack of information sharing by the private sector Lack of utilization of technology.	**1. Establishment of a Tripartite Committee**	As noted by Fashoyin (2004) there is a need for: Members to be independent and representative Willing to consult and negotiate Demonstrate mutual trust and respect	Government to initiate
		2. Rationalisation and streamlining of public sector's business support framework **3. Development of a National Strategic Plan that mainstreams private sector development**	Need for communication at the Tripartite Committee level to determine the specific external needs of enterprises in relation to the business environment (finance, technical assistance) while meeting the wider obligations of Government.	Government in conjunction with Tripartite Committee
Access to Finance	High Transaction and Operating Costs Informational Asymmetries Alternative Financing Options	**4. Reduce the cost of finance** **5. Increase capacity of business to access finance**	To address the issues of access to finance, several specific steps can be taken: Introduction of technological advances; Monitoring of efficiency rate of financial institutions to identify areas for improvement; Establishment of credit bureaus and collateral registries; Introduction of alternative financing options such as equity financing, Greater competition in the financial sector, particularly the strengthening of domestic institutions; Provision of technical assistance and training to the private sector in relation to increasing formality, the adoption of accepted business practices, and the skills to secure funding.	Eastern Caribbean Central Bank; Business support organisations
Cost of Doing Business	Cost of electricity	**6. Provide incentives for energy conservation and frameworks for the exploitation of alternative energy options in the area of solar and wind energy.**	Provision of incentives and support to help reduce energy costs through conservation as well as for investing in the sector. To facilitate investment in the sector, Castalia Strategic Advisors (2012:7), note that there is a need to: *'Resource assessments: wind, waste; Regulatory reform: require least-cost planning including renewable, allow low cost recovery through tariffs of efficiently incurred investments; Tenders to develop, procure, or contract utility scale solar and wind; Standard Offer Contract for distributed RE' (p.9).*	Government
Trade and Transportation Issues	Time and monetary costs of trade and transportation	**7. Conduct a broad-based assessment of transportation and trade systems**	Need to identify opportunities: for productivity improvements in customs and immigration; implementation of more efficient taxes on travel; introduction of alternative transport options (e.g. the establishment of a ferry service); and the establishment of a single airspace for the OECS.	Government and the OECS

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Appendices

Appendix 1: Structure of the OECS

The administration of the OECS is run by the OECS Secretariat, which is based in St. Lucia. The organs of the OECS include:

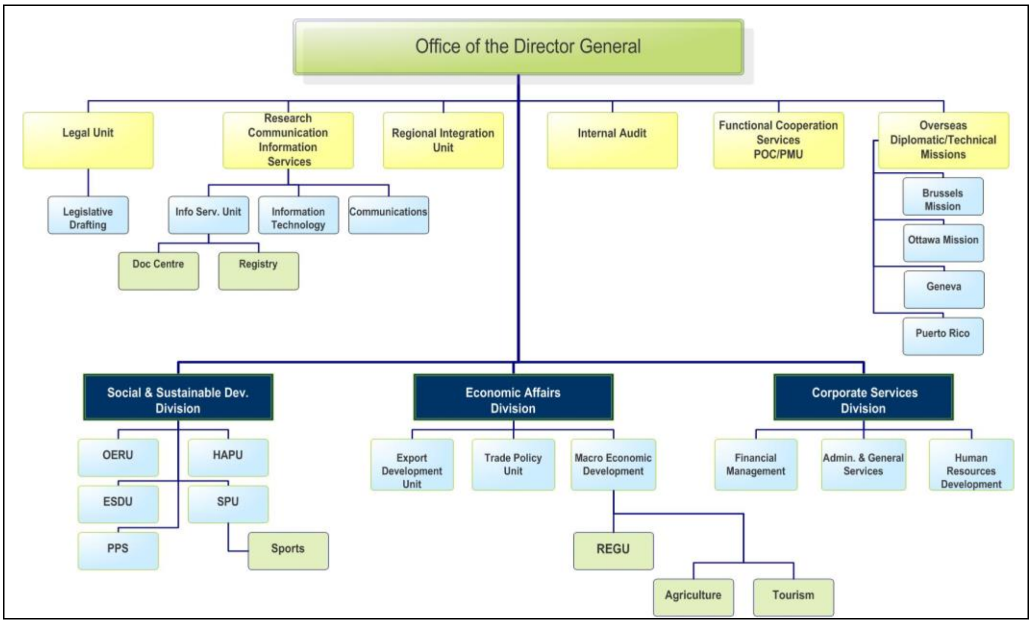
- The OECS Authority: The highest policy-making body of the OECS consisting of the various Heads of Government. The Authority's chairmanship changes annually and rotates between the various member countries' Head of Government.
- The Council of Ministers: The Council is comprised of appointed Ministers of Government from each member state and is responsible to the Authority. The Council act on matters referred by the Authority and also makes recommendations to the Authority.
- The OECS Assembly: The Assembly is comprised of appointed members of Government and Opposition from each member state. The Assembly serves as the legislative arm of the OECS. The power of the Assembly is confined to common market aspects of the Economic Union- Monetary Policy; Trade Policy; Maritime Jurisdiction and Maritime Boundaries; and Civil Aviation. The Assembly is permanently based in Antigua and is comprised of five legislators from every independent state and three from every non-independent state.
- The Economic Affairs Council: The Council is comprised of representatives of member states, usually Ministers of Trade. The Council is guided by the Economic Union Protocol and the Council is the principal organ of the Economic Union.
- The OECS Commission: The Commission is the main administrative organ of the Economic Union. It is comprised of a Director-General whose responsibility is the daily administration of the Organisation and convenes and presides over meetings of the Commission. The Commission also included one Commissioner of Ambassadorial rank named by each member state. The Commission also provides the Secretariat services for the organs of the OECS and makes recommendations to the Authority and Council of Ministers *'…regarding the formation of Acts and Regulations of the Organisation; and undertake other work and studies, and perform other services relating to the functions of the Organisation as required under this Treaty or the OECS Authority or by any other organ'*[20].
- The OECS Secretariat: The Secretariat is responsible for the coordination of the function of the OECS under the direction of the Director-General. The organizational chart of the Secretariat is shown below.

In addition to these organs, other relevant institutions include:

- The Eastern Caribbean Central Bank (ECCB): The ECCB is the monetary authority of the OECS and issues the Eastern Caribbean Dollar. The ECCB maintains currency stability and oversees the banking system in the member states. The ECCB is governed by a Monetary Council and a Board of Directors and is managed by a Governor, currently Sir Dwight Venner. The ECCB was formed in 1983 and is based in St. Kitts and Nevis.
- The Eastern Caribbean Civil Aviation Authority (ECCAA): The ECCAA is an autonomous body with the OECS with responsibility to regulate civil aviation activities.
- Eastern Caribbean Supreme Court (ECSC): The ECSC has unlimited jurisdiction in all member states in accordance with individual Supreme Court Acts. The Court, established in 1967, is the superior court of record for the OECS member states.

[20] Op cit.

Figure 55: Organisational Chart of the OECS Secretariat



Source: http://www.oecs.org/images/oecs_org_chart.jpg

Appendix 2: Antigua and Barbuda Governance Framework

Antigua and Barbuda is an independent Commonwealth realm with Queen Elizabeth II as its head of state, represented by a Governor-General. Antigua and Barbuda has a bicameral legislature, consisting of the seventeen-member House of Representatives, responsible for introducing legislation, and a seventeen-member Senate.

Representatives are elected by popular vote in general elections that are constitutionally mandated every five years but may be called earlier. Senators are appointed by the Governor General on the recommendations of the Prime Minister and the Leader of the Opposition.

The Prime Minister is the leader of the party that holds the majority of seats in the House; the Opposition Leader is the representative, appointed by the Governor General, who appears to have the greatest support of those members opposed to the majority government. The Prime Minister creates an executive government and advises the Governor General on the appointments to thirteen of the seventeen seats in the Senate. The Leader of the Opposition, recognized constitutionally, is responsible for advising the Governor General on the appointment of the remaining four senators to represent the opposition in the Senate. The Opposition Leader also consults with the Governor General, in conjunction with the Prime Minister, on the composition of other appointed bodies and commissions. In this way, the opposition is ensured a voice in government.

Table 19: The Government of Antigua and Barbuda: Cabinet Members and Portfolios

Member	Portfolio
Hon. Winston Baldwin Spencer	Prime Minister and Minister of Foreign Affairs
Hon. Justin L. Simon	Attorney General and Minister of Legal Affairs
Hon. Willmoth Daniel	Minister of Health, Social Transformation and Consumer Affairs
Hon. Harold Lovell	Minister of Finance, the Economy and Public Administration
Senator the Hon Dr. L Errol Cort	Minister of National Security
Hon. John Herbert Maginley	Minister of Tourism, Civil Aviation and Culture
Hon. Hilson Baptiste	Minister of Agriculture, Lands, Housing and the Environment
Dr. The Hon. Jacqui Quinn-Leandro	Minister of Education, Sports, Youth and Gender Affairs
Hon. Trevor Myke Walker	Minister of Works and Transport
Hon. Chanlah Codrington	Minister of State attached to the Ministry of Agriculture, Lands, Housing and the Environment
Hon. Eleston Montgomery Adams	Minister of State attached to the Ministry of Tourism, Civil Aviation and Culture
Senator the Hon. Dr. Edmond Mansoor	Minister of State attached to the Office of The Prime Minister
Senator the Hon. Winston Vincent Williams	Minister of State attached to the Ministry of Education, Sports and Youth Affairs
Senator the Hon. Joanne Maureen Massiah	Minister of State attached to the Ministry of Legal Affairs
Senator the Hon. Elmore Charles	Minister of State attached to the Ministry of Works and Transport

Source: Official Website of the Government of Antigua and Barbuda

Appendix 3: List of Key Stakeholders from Interviews and Consultations

Table 20: List of Contacts for Antigua and Barbuda

Name of Institution	Contact Person	Address
Antigua and Barbuda Chamber of Commerce and Industry	*Dr. Errol Samuel*	*PO Box 774, Corner of Popeshead Street and North Street, St. John's, Antigua and Barbuda*
Antigua and Barbuda Development Bank	*Mr. Donald O. Charles*	*27 St. Mary's Street, P.O. Box 1279, St. John's, Antigua*
Antigua and Barbuda Investment Authority (ABIA)	*Jacqueline Yearwood*	*P.O. Box 80, Sagicor Financial Centre, #9 Factory Road, St John's, Antigua, W.I.*
International Monetary Fund (IMF)	*Wendell Samuel*	*Sagicor Financial Complex, 9 Factory Road, PO Box W1888, St. John's Antigua*
Ministry of Finance, the Economy and Public Administration	*Mr Colin Murdoch*	*Ministry of Finance and Economy, 1st Floor, ACT Building, Market and Church Streets, St. John's*
National Development Foundation	*Mr. Paul Bacchus*	*Newgate Lane, St. John's, Antigua and Barbuda*
Statistical Division	*Mr. Statchel Edwards*	*Ministry of Finance and Economy, 1st Floor, ACT Building, Market and Church Streets, St. John's*
Antigua & Barbuda Co-op Credit Union League Ltd	*Mrs. Carol Spencer-Browne*	*P.O. Box 2066, All Saints Road, St. John's, Antigua and Barbuda*
Antigua and Barbuda Workers' Union	*Chester Hughes*	*PO Box 940, St. John's, Antigua and Barbuda*
Antigua Trades and Labour Union	*Wigley George*	*"Emancipation House," P.O. Box 3, 46 North Street, St. John's, Antigua and Barbuda*
CARDI (Caribbean Agricultural Research and Development Institute)	*Dr Gregory Robin*	*P.O. Box 766 Betty's Hope St John's Antigua and Barbuda*

Table 21: Antigua and Barbuda PSA Consultation: Key Contacts

Name of Institution	Contact Person	Email
A.S. Brydens	Ms. Lucette James	lucette.james@brydens.com
Airline Association	Ms. Cathy-Ann Edwards	cathy.ann.edwards@aa.com
Antigua & Barbuda Investment Authority	Mr. Henderson Fields	hfields@antigua.gov.ag
	Ms. Jacqueline Yearwood	jyearwood@antigua.gov.ag
	Mrs. Sherelyn Hughes Thomas	sthomas@antigua.gov.ag
	Mrs. Shermaine James Rodgers	srodgers@antigua.gov.ag
Antigua and Barbuda Chamber of Commerce and Industry	Dr. Errol Samuel	errol.samuel@microcom.ag
Antigua and Barbuda Development Bank	Andrea Joseph	joseph@abdbank.com
Antigua and Barbuda Workers' Union	Mr. Esrome Roberts	esrome@gmail.com
Bryson's Shipping	Mr. Nathan Dundas	ndundas@brysonsshipping.com
Caribbean Developments Antigua Ltd.	Ms. Gaye Hechme	
CEAS	Mr. Evron Zachariah	ceas@candw.ag
CJC Jenkins Designs	Mr. Colin Jenkins	colinjjenkins@gmail.com
Coalition of Services Industry	Ms. Julienne Jarvis	info@abcsi.org
Community First Cooperative Credit Union	Mr. Karl Spencer	teachcu@candw.ag
Division of Trade, Industry & Commerce	Mrs. Joy-Marie King	joymarie.king@gmail.com
Eastern Caribbean Amalgamated Bank	Mr. Henry Hazel	hhazel@ecabank.com
	Mr. Norris Antonio	nantonio@ecabank.com
Employers Federation	Dr. Vanetta Rodgers	vrodgers@gmail.com
APUA	Mr. Dalma Hill	dalmahill@gmail.com
Inland Revenue Department	Craig O'Marde	omardeird@gmail.com
Inter-Freight Ltd.	Mr. Charlesworth Jarvis	interfreight@candw.ag
Ministry of Finance, the Economy and Public	Mrs. Gail Imhoff Gordon	gimhoffgordon@gmail.com

Name of Institution	**Contact Person**	**Email**
Administration		
National Development Foundation	Mr. Paul Bacchus	bacchus@candw.ag ndfed@candw.ag
Scotiabank	Mr. Gordon Julien	gordon.julien@scotiabank.com
St. John's Cooperative Credit Union	Mr. Cuthwyn Weston	cuthwynweston@gmail.com
University of the West Indies Open Campus	Ms. Allison Hull	allison.hull@open.uwi-edu
Trade, Industry & Commerce Division	Mrs. Michelle Joseph	michellenjoseph11@gmail.com

Appendix 4: Donor Matrix Report for Antigua and Barbuda

Compete Caribbean Private Sector Donor Matrix Report for Antigua and Barbuda

August 2013

Description of the Donor Community

Please see Section 5.2.3 of the main PSA Report for information on:

- Active multilateral and bilateral donors
- Formal and Informal Coordinating Mechanisms among donors
- Methodologies for indentifying priorities for donor funding
- Monitoring and evaluation by donors
- Opportunities to improve coordination amongst donors

For an analysis of programs and projects undertaken by donors in the country and in the OECS in general, please see DMX Appendix 1: Analysis of Donor Projects and Programs. A listing of projects is available separately in Microsoft Access format.

Description of Local Stakeholders

There are several organisations related to private sector development, both private entities and public sector agencies. Section 5.2.2 of the main report provides a summary of the main institutions, their mission and the political influence of the organisation.

Public Sector Stakeholders

The main Ministry in Antigua and Barbuda responsible for private sector development is the Ministry of Finance, the Economy and Public Administration. The Ministry oversees various departments of relevance to private sector development including the departments of Industry, Commerce, International Trade, Free Trade and Processing Zone, and Economic Planning and Development. The Ministry also oversees the Antigua and Barbuda Development Bank (ABDB) which provides financing to the productive sectors and small and micro enterprises. The ABDB also provides financing for mortgages and student loans.

The Government of Antigua and Barbuda, through the Investment Authority Act 2006, has also established a regime for the development of the private sector.

Private Sector Stakeholders

In the private sector, there are several representative associations and support organisations.

- National Development Foundation
- Employers Federation
- Coalition of Service Industries
- Hotel and Tourism Association
- Antigua and Barbuda Chamber of Commerce and Industry

There is presently no umbrella private sector representative in Antigua and Barbuda although the Business Alliance does represent the interests of it association members which include the Employers' Federation, the Antigua and Barbuda Tour Operators Association, the Hotels and Tourism Association, the Cruise Tourism Association and the Airline Association. Given the dominance of tourism in the Antigua and Barbuda economy, this alliance would probably be the most comprehensive of all of the representative associations, despite not representing wholesale and retail trade, the next largest contributor to GDP in the country.

Description of Information Available for the Analysis of Private Sector Characteristics, Development Initiatives and Results

The most up-to-date information on the private sector in Antigua and Barbuda is provided by the Enterprise Surveys and Doing Business Reports as used extensively throughout the PSA Report. In addition, the Eastern Caribbean Central Bank conducts twice yearly Business Outlook Surveys (http://www.eccb-centralbank.org/Statistics/outlooksummary.asp).

Identification of Opportunities to Increase Efficient Design and Execution of Programs

The main issue in relation to opportunities to increase the efficient design and execution of programs relates not only to these overlaps and duplication, but also to gaps. The gaps mainly relate to the foremost issues raised in the PSA Report in relation to lack of easily accessible finance, difficulties in representation for the private sector, and process constraints in trade and transportation. One of the reasons for these gaps is a lack of inclusion of the private sector in national decision-making and strategic planning. It is hoped that this issue would be addressed by the establishment of a high-level steering committee comprising of labour, private sector and public sector representatives.

During many of the interviews conducted with the private sector, the view was expressed that they were often consulted after policy initiatives were developed. This approach limited the ability of the private sector to fully and effectively participate in the policy development process. This approach could lead to the need for amendments after the legislation was passed, an increased cost of doing businesses as well as business uncertainty.

Identification of Opportunities to Address Omitted Priority Problems

The areas omitted from current support for private sector development can be addressed as recommended in the PSA Report, Section 6.1. It also needs to be noted that one of the recommendations of the CGF was the establishment of a one-stop-shop for business support. While a single entity would result in some cost savings, it is unlikely that such an institution might have the necessary capacity to effective enable private sector development in such a cross-section of industries. Instead, all agencies, along with representatives from key supporting industries (e.g. finance, labour, and customs, among others) could form a special taskforce with the expressed objective of private sector development. Such should be tasked with coordinating any overlaps or duplication that might occur in relation to the goal of private sector development.

Recommendations

The areas where recommendations are required from the terms of reference for the DMX section of the project relate to recommendation that improve coordination amongst donors, improve donor coordination with local stakeholders and improve PSD-related information systems and monitoring and evaluation.

The current activities by Compete Caribbean as an approach to improve donor coordination and the Caribbean Growth Forum (CGF) initiative are two examples that other donor agencies not currently participating would do well to emulate. In areas of congruence, such initiatives should be utilised to achieve overall development goals, while unilateral targets could still be met via the donor's independent activities.

In relation to donor coordination with local private sector and public sector representatives, the results of interviews across the region speak to the issue of a lack of dissemination of information on areas of support available as well as the results of research studies for which local stakeholders have provided information. The inclusive *modus operandi* of the CGF is a good example of how to improve the relationships with local stakeholders through inclusion in working groups and transparency in research results. However, it should be noted that there was limited participation by the private sector and this will need to be more actively encouraged.

This point is closely related to the issues of the development of information systems and monitoring and evaluation. Private enterprises are reluctant to share information on their enterprises and by greater inclusion in the decision-making process there may be greater willingness to share relevant information. There is a strong demand by private sector enterprises for data to assist in strategic planning. However, the situation is not that data does not exist in the region; it is basically that the data is not collated or mined. Individual governments, through such agencies as Inland Revenue Departments and National Insurance Schemes, collect information over specific periods that could provide more detailed information as regards revenue and expenditure by sector, employment levels and categories, and investment data. The problem in this regard is a lack of infrastructure and human resources to consistently collate and present data. This is an area where, at the country and regional level through national statistical offices and the OECS Secretariat and the Eastern Caribbean Central Bank, that donors could direct resources, especially as it relates to technical assistance in the development of such a system.

DMX Annex 1: Analysis of Donor Projects and Programs in Antigua and Barbuda and the OECS

Like most developing economies, particularly Small Island Developing States, Antigua and Barbuda requires developmental assistance from donors and international entities. The current economic crisis not only highlighted the economy's lack of diversification within various sectors, particularly agriculture, but also its increasing dependency on donors and international entities to fund sectoral projects. As seen in Table 12, key donors and international entities include the Caribbean Development Bank, Compete Caribbean, the Canadian International Development Agency, the European Union, United States Agency for International Development (USAID), the United Nations Development Program (UNDP), the International Bank for Reconstruction and Development- the World Bank and bilateral arrangements with territories such as France, Japan, Kuwait and Taiwan – China.

The activities of donors are driven from both internal and external sources. While some agencies base the identification of priority areas from an internal analysis of country or region-specific data, others base the allocation of funds on the strategic/political objectives of the source country or region. Other donors indicated that priority areas are based on country demands, and not on any covert strategic or political objective. While donors indicate for the most part that the needs of the receiving country are paramount, they do note that there are several main areas where greater support is needed, including support for regional integration, trade facilitation and logistics, access to finance and greater public sector dialogue. It should also be noted that the issue of gender is taken into consideration in all projects, sometimes implicitly, but for the most part the issue of gender is explicitly included.

One of the main issues of concern in recent times was lack of donor coordination; however, duplication of donor efforts is being addressed, as seen with the Compete Caribbean program and the Caribbean Growth Forum (CGF). Nevertheless, there was some concern in relation to duplication with the CGF and the Private Sector Assessments (PSAs) of Compete Caribbean. In addition, most agencies interviewed indicated that there is formal coordination with other donor agencies, while informal coordination is seen with country-specific agencies and NGOs in receiving countries. Some donors noted that there was need for greater collaboration with the CARICOM Secretariat and the OECS Secretariat.

In relation to the nature of projects funded, the majority of active projects are focussed on the Business Support, Finance (access to finance), and the Business Environment in general or a combination of these objectives. For projects focussed on these objectives, there are 32 active or recently completed donor funded projects in Antigua and Barbuda specifically, and 12 operating at the OECS level. Of these projects, at the country level, the majority of projects are focussed on the Business Support/Institutional Structure (38%) and the Business Environment (34%). The largest areas in terms of funding are the Business Environment (US$19million) and Business Support/Institutional Structure (US$15 million). It should be noted that Access to Finance by itself only accounts for 16% of projects, and 3% of funding; this is despite the main issue raised by enterprises was access to finance as the biggest obstacle to their business. In terms of the sector focus, this is fairly evenly spread with services dominating at 28%.

Table 22: Main Objectives and Sector Profiles of Donor Projects in Antigua and Barbuda and the OECS

	Objective	Share (%)	Agriculture (%)	Industry (%)	Services (%)	Value of Active Projects (US $'000)
Antigua and Barbuda	Business Support/Institutional Structure	37.5	6.3	3.1	9.4	$ 15,350
	Access to finance	15.6	6.3	6.3	6.3	$ 1,250
	Business Environment	34.4	3.1	9.4	3.1	$ 19,049
	Business Support/Finance	12.5	3.1	3.1	9.4	$ 3,457
	TOTAL	100.0	18.8	21.9	28.1	$ 39,105
OECS	Business Support/Institutional Structure	41.7	8.3	8.3	8.3	$ 31,140
	Access to finance	16.7	8.3	8.3	16.7	$ 1,940
	Business Environment	25.0	8.3	8.3	8.3	$ 14,190
	Business Support/Finance	16.7	8.3	8.3	8.3	$ 2,060
	TOTAL OECS	100.0	33.3	33.3	41.7	$ 49,330

At the OECS level, for projects in these areas which are operating at the sub regional level, the service sector is the focus, accounting for 42% of projects. In terms of the number of projects and value, the Business Support/Institutional Structure objectives dominate with 42% of projects and funding in excess of US$31 million.

In terms of gaps in support, although access to finance has been noted as a major obstacle to business development in the region, projects specifically targeting this area at the sub regional level only account for 17% of projects, and less than US$2 million in funding. At the domestic level in Antigua and Barbuda, access to finance only accounts for 16% of projects, and 35% of total funding in these areas.

In taking the region as a whole, access to finance is only the main focus of 14% of projects, and a joint focus with Business Support for 13% of projects. However, within these categorisations, 22% of funding is directed to Access to Finance, while 21% of funding is targeted at both Access to Finance and Business Support.

Table 23: Overview of Main Donor Projects by Objective, Sector and Value[21]

Objective	Active/Recent Completed Projects	Average Share (%)	Agriculture Projects (% of total)	Industry Projects (% of total)	Services Projects (% of total)	Total Value of Main Projects (US$'000)
Business Support/ Institutional Structure	67	27.0	6.3	7.9	10.8	$ 107,738
Access to finance	36	14.1	5.9	6.7	10.6	$ 104,390
Business Environment	91	33.5	9.0	10.1	19.0	$ 155,733
Business Support/ Access to finance	35	12.9	4.8	5.2	7.0	$ 96,996
Total	229	-	26.0	30.0	47.4	$ 464,857

As indicated in the table above, the greatest number of projects relate to the Business Environment, accounting for on average 34% of projects at a total value of US$156 million. In terms of sector concentration, 47% of projects are focussed on services. The table below outlines the main information by the main objectives, sector of focus and value at the country level in the OECS.

[21] Note that some percentages do not sum to 100% due to rounding during aggregation.

Table 24: Main Objectives and Sector Profiles of Donor Projects in the OECS and Member States

Country	Objective	Active/Recently Completed Projects	Share of Total (%)	Agriculture Projects (%)	Industry Projects (%)	Services Projects (%)	Total Value of Main Projects (US$'000)
Antigua and Barbuda	Business Support Institutional Structure	12	37.5	6.3	3.1	9.4	$ 15,350
	Access to finance	5	15.6	6.3	6.3	6.3	$ 1,250
	Business Environment	11	34.4	3.1	9.4	3.1	$ 19,049
	Business Support and Access to finance	4	12.5	3.1	3.1	9.4	$ 3,457
	TOTAL	32	100.0	18.8	21.9	28.1	$ 39,105
Dominica	Business Support Institutional Structure	11	31.4	11.4	11.4	22.9	$ 14,553
	Access to finance	6	17.1	11.4	11.4	17.1	$ 20,873
	Business Environment	15	42.9	2.9	11.4	42.9	$ 20,243
	Business Support and Access to finance	3	8.6	2.9	2.9	8.6	$ 4,150
	TOTAL	35	100.0	28.6	37.1	91.4	$ 59,819
Grenada	Business Support Institutional Structure	10	28.6	5.7	14.3	20.0	$ 9,950
	Access to finance	7	20.0	5.7	5.7	20.0	$ 11,081
	Business Environment	16	45.7				$ 19,688
	Business Support and Finance	2	5.7			5.7	$ 34,658
	TOTAL	35	100.0	11.4	20.0	45.7	$ 75,377
St. Kitts and Nevis	Business Support Institutional Structure	10	28.6	8.6	8.6	8.6	$ 7,493
	Access to finance	9	25.7	2.9	11.4	14.3	$ 9,093
	Business Environment	14	40.0	8.6	11.4	34.3	$ 15,243
	Business Support and Access to finance	2	5.7				$ 3,820
	TOTAL	35	100.0	20.0	31.4	57.1	$ 35,648
St. Lucia	Business Support Institutional Structure	11	28.9	5.3	10.5	7.9	$ 15,450
	Access to finance	5	13.2	10.5	7.9	7.9	$ 22,651

Country	Objective	Active/Recently Completed Projects	Share of Total (%)	Agriculture Projects (%)	Industry Projects (%)	Services Projects (%)	Total Value of Main Projects (US$'000)
	Business Environment	16	42.1	21.1	18.4	15.8	$ 37,674
	Business Support and Access to finance	6	15.8	2.6	5.3	5.3	$ 7,243
	TOTAL	38	100.0	39.5	42.1	36.8	$ 83,017
St. Vincent and the Grenadines	Business Support Institutional Structure	8	19.0	4.8	7.1	9.5	$ 13,803
	Access to finance	2	4.8	2.4	2.4	2.4	$ 37,503
	Business Environment	16	38.1	19.0	11.9	28.6	$ 29,647
	Business Support and Access to finance	16	38.1	11.9	11.9	11.9	$ 41,608
	TOTAL	42	100.0	38.1	33.3	52.4	$ 122,561
OECS Level	Business Support Institutional Structure	5	41.7	8.3	8.3	8.3	$ 31,140
	Access to finance	2	16.7	8.3	8.3	16.7	$ 1,940
	Business Environment	3	25.0	8.3	8.3	8.3	$ 14,190
	Business Support and Access to finance	2	16.7	8.3	8.3	8.3	$ 2,060
	TOTAL	12	100.0	33.3	33.3	41.7	$ 49,330

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