

**CARIBBEAN DEVELOPMENT BANK**

**TWO HUNDRED AND SEVENTY-FIRST MEETING OF THE BOARD OF DIRECTORS**

**TO BE HELD IN JAMAICA**

**MAY 18, 2016**

**PAPER BD 54/16**

**COUNTRY STRATEGY PAPER 2016-2020**

**ANGUILLA**

The attached Country Strategy Paper outlines the strategic direction for Caribbean Development Bank's partnership with Anguilla over the period 2016-2020. The proposed strategy is developed within the framework of the development challenges confronting the country and the Government of Anguilla's strategies and policies that have been developed to respond to these challenges.

2. The overall strategic objective of the Country Strategy is to support Anguilla lay the foundations for sustainable and inclusive growth. To pursue this high-level objective, the proposed strategy is organised around two areas of engagement that have been identified as critical priorities: (a) financial sector soundness and stability; and (b) enhanced competitiveness of the private sector.

3. The strategy has been designed to achieve the following outcomes:

- (i) improved banking system stability;
- (ii) Improved business and investment environment;
- (iii) upgraded transport infrastructure; and
- (iv) increased renewable energy (RE) capacity.

4. The Board is asked to approve CDB's Strategy for Anguilla for 2016-2020.



**CARIBBEAN DEVELOPMENT BANK**

**COUNTRY STRATEGY PAPER (2016-2020)  
ANGUILLA**

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Considered at the Two Hundred and Seventy-First Meeting  
of the Board of Directors on May 18, 2016

<i>Director, Economics Department</i>	<i>Dr. Justine A. Ram</i>
<i>Deputy Director</i>	<i>Mr. Ian O. Durant</i>
<i>Economist</i>	<i>Ms. Christine Dawson</i>

Team Members: Elmer Harris, Economist (Coordinator); Christine Dawson (Economist); Ann Marie Chandler (Social Analyst) Social Sector Division (SSD); Idamay Denny (Portfolio Manager) SSD; Anna McCrea (Operations Officer) Economic Infrastructure Division; Lisa Harding (Investment Officer) Private Sector Development Unit; Kenneth Harvey (Investment Officer), Technical Cooperation Division; Paul Murphy (Operations Officer) SSD; Valerie Isaacs (Operations Officer) Environmental Sustainability Unit; Richard Look Kin, (Risk Management Officer); S. Brian Samuel (Public-Private Partnership Coordinator); and Andria Murrell (Executive Secretary) Economics Department.

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## **CURRENCY EQUIVALENT**

*(Dollars (\$) throughout refer to Eastern Caribbean dollars (XCD) unless otherwise stated)  
Eastern Caribbean dollar (XCD) 1 = United States Dollar (USD) 0.37*

## **ABBREVIATIONS**

ADB	-	Anguilla Development Board
ANGLEC	-	Anguilla Electricity Company Limited
BMC	-	Borrowing Member Countries
CCRIF	-	Caribbean Catastrophe Risk Insurance Facility
CARTAC	-	Caribbean Regional Technical Assistance Centre
CDB	-	Caribbean Development Bank
CSP	-	Country Strategy Paper
CTCS	-	Caribbean Technological Consultancy Services
DPT	-	Depositor Protection Trust
ECAMC	-	Eastern Caribbean Asset Management Company
ECCB	-	Eastern Caribbean Central Bank
ECCU	-	Eastern Caribbean Currency Union
EDF	-	European Development Fund
EE	-	Energy Efficiency
EU	-	European Union
ExCo	-	Executive Council
FDI	-	Foreign Direct Investment
FFSD	-	Framework for Fiscal Sustainability and Development
GOA	-	Government of Anguilla
GOUK	-	Government of the United Kingdom
GDP	-	Gross Domestic Product
GST	-	Good and Services Tax
IMF	-	International Monetary Fund
ISL	-	Interim Stabilisation Levy
LOC	-	Line of Credit
M&E	-	Monitoring and Evaluation
MDG	-	Millennium Development Goal
MFED	-	Ministry of Finance and Economic Development
mn	-	million
MTEFP	-	Medium-term Economic and Fiscal Plan
NHF	-	National Health Fund
NPLs	-	Non-Performing Loans
OECS	-	Organisation of Eastern Caribbean States
ORM	-	Office of Risk Management
PBL	-	Policy-based Loan
PFM	-	Public Financial Management
PPP	-	Public-Private Partnership
RE	-	Renewable Energy
RMF	-	Results Monitoring Framework
SMEs	-	Small and Medium-Sized Enterprises
SSB	-	Social Security Board
TA	-	Technical Assistance
UNESCO	-	United Nations Scientific and Cultural Organisation
WB	-	World Bank

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MAP OF ANGUILLA

## COUNTRY DATA: ANGUILLA

	2010	2011	2012	2013	2014	2015
<b>PER CAPITA GDP</b> (current market prices; \$)	53,281.29	58,837	55,808	55,448	59,193	59,985
<b>GROSS DOMESTIC PRODUCT (GDP)</b>						
GDP at Current Market Prices (\$mn)	723.7	798.5	765.6	768.7	841.8	861.1
Consumption Expenditure	708.8	787	736.8	712.7	770.4	797.6
Gross Domestic Investment	174.6	138.5	155.6	166.5	232.4	233.7
Exports of goods and non-factor services	344.3	370.3	372.3	393.3	390.2	389.9
Imports of goods and non-factor services	503.9	497.3	499.1	503.8	551.2	560.1
Gross domestic savings ratio (%)	2.1	1.4	3.8	7.3	8.5	7.4
<b>Sectoral distribution of current GDP (%)</b>						
Agriculture & Fishing	2.2	2.6	2.7	2.4	2.3	2.1
Mining & Quarrying	0.4	0.4	0.4	0.4	0.4	0.4
Manufacturing	2.8	2.2	2.3	2.2	2.3	2.2
Utilities	5.1	5.3	4.7	4.7	4.3	4.4
Construction	8.1	6.8	7.5	7.8	10.0	9.9
Transport & Communication	9.3	9.1	8.6	9.6	9.7	10.1
Hotels & Restaurants	18.5	21.2	19.7	20.9	19.7	20.8
Wholesale & Retail Trade	8.2	8.0	9.0	8.7	9.1	9.5
Financial & Business Services	27.3	28.0	28.2	23.8	24.8	22.43
Government Services	19.3	17.9	18.5	19.4	17.6	18.2
Other Services	3.2	3.2	3.2	3.3	3.0	3.0
Less: Imputed Service Charge	5.2	5.3	5.5	3.8	3.8	3.6
GDP at Current Factor Cost (\$mn)	622.3	644.5	646.6	655.8	720.5	735.5
GDP at constant 2006 Prices (\$mn)	574.6	568.0	557.9	559.7	597.4	610.8
Annual rate of growth in GDP (%)	(5.8)	(1.2)	(1.8)	0.3	6.7	2.2
<b>MONEY AND PRICES (\$ mn)</b>						
Consumer prices (av. annual % change)	1.0	4.4	0.3	0.8	(0.9)	(1.8)
Money supply (M1; annual % change)	(14.9)	7.9	(6.2)	1.0	19.6	36.2
Total domestic credit(net)	1,231.9	1,199.0	1,123.6	1,053.1	983.3	934.1
Private sector (net)	1,412.5	1,414.2	1,365.7	1,317.7	1,268.0	1,223.1
Public sector (net)	(180.6)	(215.2)	(242.1)	(264.6)	(284.7)	(289.0)
Estimated Tourism Expenditure (USD mn)	99.0	111.7	112.8	122.8	128.2	128.2
<b>CENTRAL GOVERNMENT FINANCES (\$ mn)</b>						
Current Revenues	144.07	200.2	176.7	173.4	185.9	191.0
Current Grants	22.3	0.0	0.0	0.0	0.0	
Current Expenditures	194.5	174.3	172.3	177.7	181.2	183.3
Current Account Surplus/ (Deficit)	(28.1)	25.8	4.4	(4.3)	4.8	7.8
Capital Revenue and Grants	11.6	0.0	11.6	15.7	14.8	3.7
Capital Expenditure and Net Lending	3.1	9.6	11.5	8.2	3.4	7.3
Overall Surplus/ (Deficit)	(19.7)	16.3	7.1	3.2	16.2	4.2
<b>BALANCE OF PAYMENTS (USD mn)</b>						
Merchandise Exports (f.o.b.)	12.4	7.0	7.03	2.0	1.9	2.0
Merchandise Imports (c.i.f.)	131.8	128.9	129.1	129.0	133.4	136.4
Trade balance	(119.4)	(121.9)	(122.0)	(125.3)	(131.6)	134.5
Net Balance on services account	60.3	74.7	74.8	84.2	87.3	92.7
Income (net)	2.7	(0.3)	(2.2)	(4.3)	(4.4)	(4.4)
Transfers (net)	5.8	10.2	(5.3)	(4.8)	(5.4)	(5.5)
Current Account Balance	(50.6)	(37.1)	(54.5)	(50.0)	(53.9)	(51.6)
<b>TOTAL PUBLIC DEBT (USD mn)</b>						
Total public debt	87.1	85.0	86.7	85.8	82.2	78.8
Domestic debt outstanding	21.8	20.5	22.4	22.5	20.0	18.6
External debt outstanding	65.3	64.5	64.3	63.3	62.2	60.2
Central Government Debt Service	79.1	3.8	5.5	5.8	5.9	6.7
Amortisation	74.8	0.4	2.5	2.4	2.4	3.6
Interest Payments	4.3	3.4	3.1	3.3	3.5	3.1
External debt service as % of exports of goods and services	8.3	2.5	2.5	2.4	2.5	3.1
Total public debt as % of GDP at current market prices	32.5	28.7	30.6	30.1	26.4	24.7
Total debt service as % of current revenue	149.4	6.1	9.9	10.5	10.1	10.7
<b>AVERAGE EXCHANGE RATE</b>						
Dollar(s) per US dollar	2.7	2.7	2.7	2.7	2.7	2.7

**COUNTRY DATA: ANGUILLA**

	2010	2011	2012	2013	2014
<b>POPULATION</b>					
Mid-Year Population ('000)	16.4	13.0	12.4	12.5	12.9
Population Growth Rate (%)	2.6	(20.4)	2.7	1.1	2.6
<b>EDUCATION</b>					
Net School Enrollment Ratio (%) Primary					
Secondary	96.0	94.0	94.0	...	...
Pupil-Teacher Ratio	...	...	...	...	...
Primary	...	...	...	...	...
Secondary	...	...	...	...	...
<b>LABOUR FORCE</b>					
Unemployment Rate (%)					
	...	...	...	...	...

Source(s): ECCB Research Dept.; Government of Anguilla and CDB estimates.

... not available.

Data as at June 15, 2015.

**GENDER MARKER SUMMARY**

Gender Marker*	Analysis	Data	Engagement	Response	Score	Score Code
	1.0	0.5	0.5	1	3	GM

## EXECUTIVE SUMMARY

1. This Country Strategy Paper (CSP) sets out the strategic direction and parameters of support for the Caribbean Development Bank's (CDB) collaboration with Anguilla over the period 2016-2020. The proposed country strategy responds to Anguilla's development objectives and priorities and is aligned with CDB's Strategic Objectives of promoting good governance and supporting inclusive and sustainable growth and development.

2. The recent global economic and financial crisis exposed the fragility of Anguilla's economy to exogenous shocks. Anguilla experienced a slump in economic performance over the five-year period, 2008-2012, reflected in a drastic decline in economic growth and a deterioration in fiscal performance. Economic growth contracted continuously over the period as foreign direct investment (FDI) flows fell significantly, contributing to a slowing in construction activities while tourism arrivals dwindled. The banking system was also negatively affected. The indigenous commercial banks, in particular, experienced deterioration in the quality of assets evidenced by a sharp increase in non-performing loans (NPLs) resulting in their inability to meet prudential capital requirements over an extended period. The Eastern Caribbean Central Bank (ECCB) assumed control of Anguilla's two heavily insolvent banks placing them in conservatorship in August 2013 pending some form of resolution.

3. Since 2013, the local economy has averaged 3.1% real economic growth in the midst of continuing improvement of fiscal performance. Although the growth outlook has improved, a number of serious concerns remain and the Government of Anguilla (GOA) faces severe challenges and risks to sustaining growth recovery and economic stability. Access to the island needs to be improved. Efforts to address this and other development constraints are critical for increasing the potential for long-run economic growth.

4. The most pressing issue, however, is the need to resolve the lingering banking system problems while ensuring macro stability. Two insolvent banks, Caribbean Commercial Bank (CCB) and National Commercial Bank (NCB) account for the majority of the banking sector in Anguilla and present a clear systemic risk to stability. GOA, in collaboration with the Government of the United Kingdom (GOUK), ECCB and assistance from the International Monetary Fund (IMF) and other development partners, has developed a comprehensive strategy to bring the two banks under conservatorship to resolution while protecting affected depositors<sup>1</sup>. Under this publicly-funded resolution plan, development financing support is critically required.

5. CDB's proposed assistance strategy, aims to support GOA to achieve its overall objective of sustainable and inclusive development. The strategy rests on two pillars: (a) financial sector soundness and stability; and (b) enhanced competitiveness of the private sector. A central objective of the strategy is to assist the authorities to improve the solvency of the banking system through implementation of bank resolution in Anguilla. The indicative assistance programme has been designed to achieve the following outcomes:

- (i) improved banking sector stability;
- (ii) improved business and investment environment;
- (iii) upgraded transport infrastructure; and
- (iv) increased renewable energy (RE) capacity.

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<sup>1</sup> Anguilla, as with the wider Eastern Caribbean Currency Union (ECCU), lacks deposit insurance. Depositors to be protected do not include directors, officers and significant shareholders of the two licensed financial institutions.



6. An estimated resource envelope of USD35.3 million (mn) has been proposed to support the implementation of the strategy. The indicative programme will be delivered through a mix of direct lending and technical assistance (TA) that complements the efforts of other development partners. Gender mainstreaming, environmental management and climate change adaptation are cross-cutting issues in all of CDB's interventions.

7. CDB will utilise a results monitoring framework (RMF) to monitor sector outcomes of the country strategy. A midterm review will be undertaken to assess progress towards meeting expected outcomes and to allow for mid-stream adjustments to the indicative programme based on the findings of the review and shifts in GOA's priorities. An end-of-strategy review will be undertaken to assess overall performance and impact. Monitoring will be done by both CDB and the country authorities.

8. The main risks that may affect strategy outcomes include: (a) loss of depositor confidence and an escalation of financial system stress; (b) natural hazards and macroeconomic shocks which may lead to economic dislocation and fiscal instability; and (c) implementation capacity constraints. CDB has identified measures to help mitigate these risks, including: capacity building; engagement of development partners to assist in the implementation of the strategy; and ensuring that climate change resiliency measures are built into projects designs. Seamless implementation of bank resolution will be key to maintaining confidence in the resolution process and the banking system, helping to contain outflows of deposits and limit other adverse spillover effects. GOA and ECCB have dedicated considerable resources in advance preparations and have been working closely with specialist experts from the IMF to ensure adequate capacity and resources to perform bank resolution functions.

## 1. COUNTRY CONTEXT

### Development Trends, Challenges and Outlook

#### (a) Overview

1.01 Anguilla is one of the five United Kingdom (UK) Overseas Territories in the Caribbean that are Borrowing Member Countries (BMCs) of CDB. It is the most northerly of the Leeward Islands in the Eastern Caribbean and is 90 square kilometre (km<sup>2</sup>) in size. Anguilla is officially characterised as a micro-state with a small population of 13,572 (2011 national census). The island is extremely low-lying and because of its geographic location is vulnerable to natural hazards, including hurricanes, tropical storms and earthquakes and is experiencing the effects of climate change on its ecosystem.

1.02 With its moderate sub-tropical climate, superb beaches, low crime rate and tranquil atmosphere, Anguilla has developed a leisure luxury tourism brand, which has been the centre of the island's tourism-led development model. The tourism sector is the main economic activity and principal growth sector contributing about 70% of Gross Domestic Product (GDP), with strong links to construction, transportation and the distributive sectors, current revenue inflows, foreign exchange earnings and employment. At the end of 2015, per capita income was estimated at fifty-nine thousand nine hundred and eight-five Eastern Caribbean dollars (XCD59,985), well above the average for the Caribbean Region. Anguilla is an associate member of the Organisation of Eastern Caribbean States (OECS), that comprises of six sovereign states and one other UK overseas territory that are members of a currency union called the Eastern Caribbean Currency Union (ECCU). The OECS has a total population of 600,000 and shares a single currency, the Eastern Caribbean (XCD) dollar. The currency union is headed by the Eastern Caribbean Central Bank (ECCB).

#### (b) Social Context

1.03 In 2011, Anguilla's population consisted of 6,707 males and 6,865 females, a sex ratio of 97 males for every 100 females in the population. During the inter-census period, 2001 to 2011, there was a 12.8% increase in the total population, with an associated growth in the housing stock of an additional 1,148 households to 4,935 households<sup>2</sup>. The last poverty assessment of the population was done in 2008/09. Data collection pertaining to the assessment was conducted prior to Anguilla's economic contraction which began in 2008. In 2008, poverty was estimated at 5.8% while there was no indigence or severe poverty<sup>3</sup> and 17.7% of the population was estimated to be living under conditions that characterised them as being vulnerable to poverty, or at great risk of falling into poverty with negative triggers to the economy. Over the period 2008-2012, the island's economy contracted by more than 25% with adverse impacts on the social and human development of the population. In the absence of an official poverty assessment, it is difficult to estimate the poverty rate, but given recent economic challenges it is likely that the poverty rate has surpassed the 23.5% estimated combined poverty and vulnerability rates of the 2008-09 study.

1.04 The last Millennium Development Goals (MDG) report for Anguilla in 2010 revealed that the country had successfully achieved the basic MDG targets related to: MDG 2 (achieve universal primary education); MDG 3 (promote gender equality and empower women); MDG 4 (reduce child mortality); and MDG 5 (improve maternal health)<sup>4</sup>. Anguilla also had the potential to achieve targets related to MDG 6 (combat Human Immune-Deficiency Virus/Acquired Immune-Deficiency Syndrome, malaria and other diseases); and MDG 7 (ensure environmental sustainability). A definitive assessment on the current

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<sup>2</sup> Department of Statistics (2014), National Population and Housing Census of Anguilla 2011 – New Release #3. GOA.

<sup>3</sup> KAIRI (2010): 2008/09 Country Poverty Assessment –Anguilla, GOA.

<sup>4</sup> Khan, A. (2010): Anguilla: A Plan of Action for Localising and Achieving the Millennium Development Goals. GOA/United Nations Development Programme.

achievement on MDGs is, however, constrained by the lack of reliable data required to track progress on the targets and indicators related to human wellbeing (poverty, health and education). The current challenge for Anguilla is maintaining progress on the Global Goals for Sustainable Development given reductions in funding for social sector programmes.

1.05 Although Anguilla continues to face social challenges and threats, the country has remained dedicated to its international commitments related to gender equality. These commitments hold Anguilla to achieving gender-related targets and promoting gender equality. There is no statistically significant difference in the participation rates of boys and girls in basic education (at the pre-primary, primary and secondary school levels). However, females are considerably under-represented in the technical and vocational programmes at the secondary level. In contrast, imbalances in participation rates at the tertiary level are in favour of women<sup>5</sup>. Female participation rates are, however, skewed against Science, Technology, Engineering and Mathematics programme areas. These education/training participation patterns support gender disparities in the labour market and result in a higher number of females entering the service sector (60:40 female/male ratio), while affording males access to the higher-paying sectors such as construction and the trades. These imbalances impact women's ability to reach their full social and economic potential<sup>6</sup>.

(c) Economic Context

1.06 Anguilla's economy is undiversified and highly open, with a narrow base that is focused on tourism and, to a lesser extent, offshore financial services. Given its openness, international economic developments have a significant impact on domestic economic performance. In the last decade, Anguilla has experienced sharp volatility in GDP growth, reflecting the economy's high vulnerability.

1.07 Anguilla recorded robust economic growth over the period 2004-07, averaging 14.1% annually. (see Chart 1). This was supported by an expansionary fiscal stance and strong credit expansion. The size of the banking system doubled, loans to the private sector grew by over 130% with a portfolio concentration in tourism and real estate. Strong revenue collection by Government supported positive fiscal performance and increases in borrowing, albeit, this remained within prudent limits. Fiscal management in Anguilla is pursued within a fiscal responsibility framework, Fiscal Framework for Sustainability and Development (FFSD), with fiscal and debt limits<sup>7</sup> enshrined in its public financial management (PFM) law.

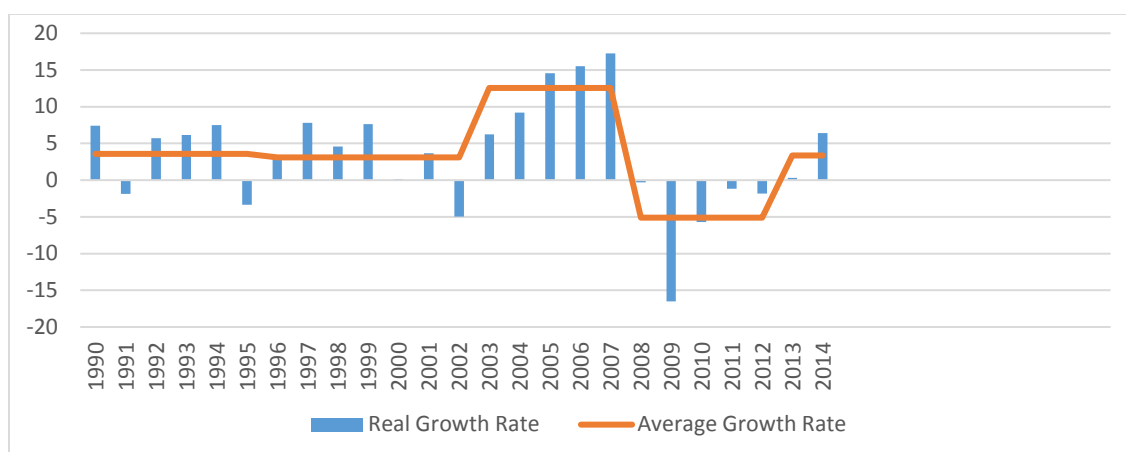
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<sup>5</sup> United Nations Scientific and Cultural Organisation (UNESCO) (2013): UNESCO Institute of Statistics 2013 – Anguilla.

<sup>6</sup> CDB (2011): Conduct of Gender Assessment of BMC – Anguilla for Gender Mainstreaming: Country Gender Assessment Report. Kisserup International Trade Roots Inc.

<sup>7</sup> This framework requires keeping: (i) debt below 80% of current revenue; (ii) debt service below 10% of current revenue; and (iii) liquid cash reserves for 90 days of operations.

**CHART 1: REAL GROSS DOMESTIC PRODUCT GROWTH (1990-2014)**



1.08 With the onset of the global crisis, Anguilla experienced a slump in economic performance over the five-year period 2008-2012. The recession had an adverse impact on fiscal performance and GOA fell out of compliance with its FFSD. Since 2011, budgetary measures have been introduced as part of a determined fiscal effort to restore balance. GOA’s debt (24.7% of GDP in 2015), however, remains in breach of limits set under its FFSD (see Table 1).

**TABLE 1: FISCAL SUSTAINABILITY INDICATORS: 2009-2014**

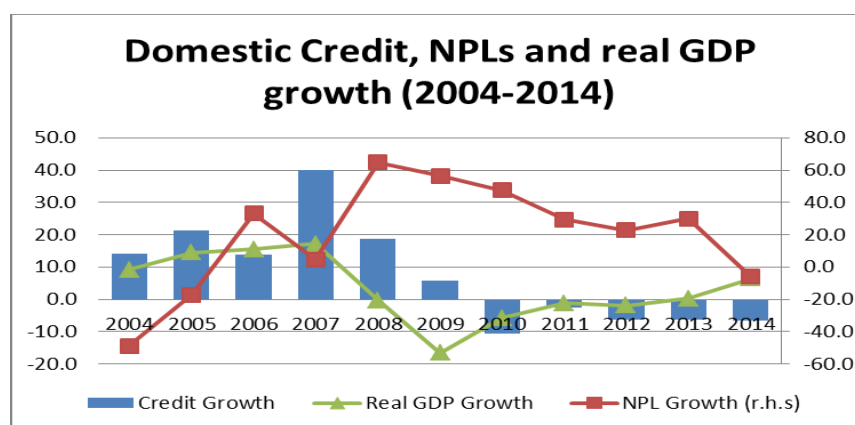
<b>Fiscal and Debt Ratios (%)</b>	<b>Target</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>
Net Debt/Recurrent Revenue	≤80%	117.3	140.5	99.9	106.5	109.9	97.9
Debt Service/Recurrent Revenue <sup>8</sup>	≤10%	8.2	42.2	5.1	8.3	9.3	9.0
Liquid Assets/Recurrent	≥25%	1.2	1.1	9.2	17.0	16.8	17.2

Source: Debt Management Unit, Ministry of finance and Economic Development (MFED)

1.09 With the protracted global slowdown, the banking system also came under stress, with extremely weak liquidity positions, a high level of, and an increasing trend in NPLs, and weakening capital adequacy (see Chart 2). NPLs, concentrated in construction and tourism, the main economic drivers in Anguilla, as well as personal loans, rose sharply from under 5% (ECCB benchmark) in 2008 to 22% in 2010, and further to 49% in 2014. There was significant exposure to related parties and affiliates, as well as large credit exposures. The weakened financial conditions of these banks exposed a number of weaknesses and deficiencies in operation in areas including credit underwriting and loan administration, credit risk management, board and management oversight and internal controls. Furthermore, the response to corrective actions recommended by auditors and required or directed by ECCB, was slow.

<sup>8</sup> The debt service ratio increased from 8% in 2003 to 10% in 2013.

**CHART 1.1: GROWTH IN BANKING SYSTEM NON-PERFORMING LOANS**



1.10 The impact of the global crisis and domestic recession has also had adverse social implications, reversing significant progress made to eradicate extreme poverty in Anguilla. The economic contraction affected the level of employment as several businesses closed operations. The poverty level in Anguilla is expected to have increased with the higher levels of unemployment and underemployment. Inadequate skills and low educational achievement have kept a large proportion of the local population socially vulnerable, with women disproportionately represented in the lower segment in the labour market. The limited ability of GOA to respond in a holistic way has posed a serious challenge to social development in Anguilla. GOA recognises the need to strengthen social protection systems by focussing on strengthening social safety nets through improved targeting and labour market reforms.

(d) Outlook

1.11 Since 2013, the economy has exhibited signs of a modest turnaround. Growth of 3% is projected for 2016. The real economy is expected to continue to expand over the short to medium term premised on further strengthening in the tourism industry and a recovery in public and private sector construction. The authorities anticipate a ramping up of public capital investment in infrastructure to be funded from grants that have been committed by donor partners: GOUK and the European Development Fund (EDF). Discussions are still ongoing between GOA and GOUK and the outcome would have an important impact on the medium-term growth outlook. Any increase in investment spending would likely see growth rise faster than currently estimated. Total public indebtedness is expected to increase with new borrowing to address bank resolution. Parallel fiscal reform measures have, however, been approved by GOA for implementation to ensure the fiscal space for repayment of the additional borrowing and to restore fiscal and debt sustainability over time (see Appendices 1 and 2). While these measures would be expected to place a drag on growth, the momentum from recovering tourism activities and associated investment inflows is expected to sustain economic growth. Anguilla’s outlook faces challenges and risks related to resolving the fragile banking sector.

**Key Development Challenges**

1.12 The characteristics of micro-states such as Anguilla make the growth and development objective particularly challenging. Anguilla’s economy is small, open with limited product diversification and highly vulnerable. These structural features pose special developmental challenges. Moreover, Anguilla is vulnerable to natural catastrophes, such as hurricanes and tropical weather systems.

(a) Restoring Banking System Stability

1.13 Over the past two decades, Anguilla's economic transformation has seen a re-orientation of production and economic resources toward services - such as banking and tourism. Financial services play a large role in the Anguillian economy. The commercial banking sector consists of four privately-owned banks, two national and two foreign banks with total assets (at December 2015) amounting to 201% of GDP. The two national banks are large<sup>9</sup> institutions, accounting for 70.5% of total Anguilla banking sector assets and 66% of total deposits. The Anguilla banking system is considered high risk, following ECCB's intervention of the two national banks in 2013 to avoid liquidation and preserve system stability<sup>10</sup>, pending their resolution. The two Anguilla banks are equity insolvent, but have remained open to business with the assurance of full depositor protection.

1.14 Anguilla's banking problem is part of a wider endemic problem in the ECCU financial system which continues to experience considerable distress within an environment of stretched public finances and high public debt. The ECCU financial system is dominated by commercial banks and generally considered over-banked with 39 commercial banks (comprising of 13 domestically-owned banks and 26 foreign-owned banks) and assets amounting to approximately 170% of the regional GDP. Supervised by ECCB, commercial banks are mostly deposit-funded. The Region lacks deposit insurance.

1.15 The ECCU financial system came under severe stress after 2008 under the effect of: (i) the global financial crisis; (ii) the insolvency of two large and interconnected insurers based in Trinidad but operating in the ECCU, and; (iii) lack of a sufficiently robust regulatory framework and supervision. The financial system continues to be challenged by the relatively low level of economic activity in some member territories, market structure constraints<sup>11</sup> and the potential for contagion due to the high level of interconnectedness between the banking sector and other economic sectors. Credit risk has emerged as a particular challenge, evidenced by the unacceptably high levels of NPLs and high concentration in credit portfolios, highlighting a need for more robust supervision, compliance and enforcement in the management of these risks. At December 2015, reported NPLs for all ECCU banks reached 17% of total loans, well above the indicative prudential benchmark of 5%, with indigenous banks registering more than twice that of foreign-owned banks. Anguilla has the highest NPL ratio in the ECCU, accounting for 49% (or \$583.9 mn) of the system's NPLs. While all banks were in breach of the prudential benchmark in 2015, the bulk of the NPLs were domiciled within the indigenous banks.

1.16 Since 2012, there has been ongoing extensive technical engagement between ECCB, regional governments and development partners including CDB, IMF and World Bank (WB) to develop a regional strategy to strengthen the financial system, anchored within a sustainable fiscal framework. Informed by comprehensive asset diagnostic work, a comprehensive strategy was approved by the Monetary Council of ECCU in February 2015 to improve the solvency of the banking system through the implementation of publicly-funded recapitalisation/restructuring plans for insolvent banks and timely enforcement action to consolidate solvent but under-capitalised indigenous banks. The regional framework also incorporates the elaboration of enabling legislation to strengthen the legal and institutional framework to improve system-wide resiliency and efficiency and detailed design for the establishment of a regional asset management company to purchase and/or manage NPLs.

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<sup>9</sup> Defined, *inter alia*, by share held in total assets and deposits.

<sup>10</sup> Given concerns about possible disruption of the financial system, and consequent macroeconomic instability.

<sup>11</sup> Small jurisdictions with small populations impose limits to scale and scope; undiversified markets and economic bases increase exposures and concentration risks and reduce the ability to mitigate systemic risk; and fragmented and disparate geographic jurisdictions have facilitated over-banking.

1.17 Considerable progress has been made with the regional jurisdictions proclaiming strengthened uniform banking legislation to underpin resolution and strengthen the bank regulatory framework. Legislation to establish a regional Eastern Caribbean Asset Management Company<sup>12</sup> (ECAMC) and which sets out the requirements for the management team, the Board of Directors, and transparency requirements, has also been passed. In November 2015, the insolvent bank in Antigua was closed by ECCB with the good parts of the bank purchased by an acquiring bank. ECCB has also begun to ready itself to implement a restructuring plan aimed at ensuring that solvent but under-capitalised banks within the system are restored to financial health.

1.18 ECCB is also being assisted through TA<sup>13</sup> to strengthen its operational and regulatory capacity for the resolution of insolvent banks; operationalise the new banking Act; enhance regulation and risk-based supervision; improve consolidated and cross-border supervision; and develop a roadmap for the implementation of Basel II in the Region. TA has also been extended to strengthen loan and collateral valuation and underwriting standards. While the banking sector is being strengthened, TA is also proposed, in the longer term, for establishing deposit insurance in the Region, preserving and enhancing small and medium-sized enterprises (SMEs) access to finance, setting up of a regional credit bureau and for developing a more diversified, efficient and robust financial sector as part of broader efforts to advance the establishment of a single financial space in the ECCU.

1.19 Anguilla's resolution plan is premised on the full protection of non-party related depositors and envisages a publicly-funded resolution of the two insolvent banks. Utilising a bridge bank<sup>14</sup> resolution tool, deposits up to a \$2.8 mn threshold transfer to a bridge bank, and depositors will continue to enjoy regular access to their deposit accounts. The bridge bank has been officially registered as a corporation in Anguilla, and a Board of Directors and by-laws have formally been approved for the corporation. The bridge bank is to be capitalised to Basel I standard levels with GOA funding<sup>15</sup> accessed from CDB. Capital buffers are to be built over time to provide for unexpected shocks and enhance the profitability and saleability of the bank. Depositors above the threshold will be protected through the establishment of a depositor protection trust (DPT). To fund protected depositors, Government will rely on inflows from the disposal of impaired assets from the banks that will be transferred to a receivership, as well as budgetary allocations. GOA will also recoup costs from the sale of the bridge bank.

1.20 The Anguilla domestic banks play an important role in the economic development of Anguilla with large portfolios concentrated in the productive sector.<sup>16</sup> The preservation of a sound and stable financial sector is, therefore, integral for the achievement of sustained economic and inclusive development.

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<sup>12</sup> Once established, ECAMC will be responsible for the collection of assets in all three receiverships with an estimated aggregate recovery value of \$350 mn.

<sup>13</sup> Including from the Caribbean Regional Technical Assistance Centre (CARTAC).

<sup>14</sup> The bridge bank is considered a temporary institution until a more permanent solution can be found, in most instances consisting of a sale of the entity, or a significant part of its assets and liabilities to a private investor. The new ECCU Banking Act provides authorisation for the "Participating Government" to establish a bridge bank, which may be authorised by the Central Bank to operate for up to 36 months. This strategy fully aligns with the Financial Stability Board's Key Attributes of Effective Resolution regimes which is the international standard for resolution regimes.

<sup>15</sup> The bridge bank is subject to all or most of the same requirements and supervision as other financial institutions during this temporary period. However, more lax conditions may be set as regards capitalisation and application for license, due to the temporary nature and ownership.

<sup>16</sup> The productive sectors include: Agriculture and Fishing; Mining and Quarrying; Manufacturing; Utilities; Construction; Distributive trade; Tourism; Entertainment; Transport; Financial Institutions; Professional and other Services.

(b) Facilitating a Sound Environment for Growth

1.21 A sustainable improvement in banking solvency and profitability post-resolution is linked to the performance of the real sector. Concomitantly, the health of the real sector cannot be decoupled from the economic environment in which it operates. In recent years, the real economy has rebounded and the outlook is for continued recovery. Economic growth in Anguilla has, however, tended to exhibit a high degree of volatility. Achieving sustained economic growth will require focusing improvements in a number of areas including: (a) macroeconomic conditions; (b) productivity and competitiveness; (c) infrastructure development, including improving air/sea access to Anguilla, road development, electricity and water; and (d) human resource development, particularly related to labour market needs.

(i) *Sound Macroeconomic Conditions*

1.22 Bank resolution must be anchored within a solid medium-term fiscal framework, otherwise there is a heightened risk of compounding fiscal problems that may lead to instability and governments' inability to service debt obligations, undermining the credibility of bank resolution and creating conditions for a possible recurrence of problems in the future. From a macroeconomic perspective, GOA's borrowing commitments for resolution will place pressure on fiscal and debt sustainability and will necessitate offsetting fiscal policy (see Appendix 2).

1.23 To take full account of resolution costs and their debt impacts, GOA has approved a Medium-Term Fiscal and Economic Plan (MTFEP) to, *inter alia*, strengthen its fiscal stance, bring down debt levels in line with prudential ratios and put the economy on a sustainable footing over the medium to long term. The authorities approved 2016 budget includes increases to existing taxes and fees including property tax, and assumes a significant revenue intake from the sale of GOA shares in the electricity company. To enhance tax buoyancy and overall revenue stability, the introduction of a Goods and Service Tax (GST) is scheduled to come into effect on January 1, 2017 with an estimated yield of around 7% of GDP<sup>17</sup>. Beyond 2017, the authorities have assumed continued fiscal restraint. GOA's consolidation strategy is expected to restore compliance with fiscal responsibility targets between 2025 and 2030.

(ii) *Addressing Infrastructure Deficiencies*

1.24 Economic and social infrastructure in Anguilla has deteriorated over the years owing to a lack of maintenance due to limited fiscal space. Schools and government buildings, the hospital, water supply infrastructure, solid waste management infrastructure, roads and ports are in a poor state. As GOA has consolidated its fiscal position over the last five years, capital investment has been minimal, averaging 0.9% of GDP annually. Significant rehabilitation of infrastructure is required, particularly in the transport (air and sea) sector to improve access to the island to support the main tourism industry. The Blowing Point Ferry Terminal in its present state is outdated and inadequate to meet the needs of the clients of the high-end tourism product Anguilla offers. The ferry terminal currently handles over 80% of tourist traffic to Anguilla. GOA is exploring upgrading the Blowing Point Ferry Terminal through a public-private partnership (PPP) arrangement. Airport facilities are also dated and the length of the runway is incapable of servicing larger aircraft which limits direct air access routes and restricts tourism sector growth and development. A recently completed UK Infrastructure Study on the International Airport, recommends GOA develops a national infrastructure plan to address infrastructure development.

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<sup>17</sup> This is in line with the experience of other ECCU countries (average is 7.7% of GDP) that have now all largely implemented some form of a Value Added Tax since 2006.



(iii) *Enhancing Productivity and Competitiveness*

1.25 GOA has identified the private sector and, in particular, SMEs for promoting economic growth, increasing employment and generating incomes in the country. Given the importance of SMEs, they are essential for sustaining the economic recovery. SMEs tend to be more vulnerable, however, and are disproportionately affected by a credit crunch that is associated with banking system stresses and banking restructuring. It has been shown, theoretically and empirically, that capital constrained banks are more reluctant to advance new lending in an attempt to attain or maintain minimum capital adequacy ratios. The indigenous banks were key suppliers of financing to the productive sectors in Anguilla. While their restructuring and capital augmentation and the rebound in confidence in the economy should positively influence the supply of credit from banks, credit for SMEs will likely remain expensive. With inadequate access, options to increase the mechanisms, markets and institutions providing funding to SMEs and alternative types of financial instruments will need to be explored.

1.26 There are a number of other existing constraints which impact competitiveness and private sector development in Anguilla, including: (a) high energy costs; (b) insufficiently skilled and qualified labour force, particularly at the technical and managerial levels; (c) inadequate supporting economic infrastructure; (d) government bureaucratic systems; and (e) inadequate business support services. In addition, issues relating to alien landholding, property transfer tax for foreigners and issuance of work permits were identified as barriers to investment in Anguilla.

(iv) *Addressing Inadequate Human Resources*

1.27 A major impediment to development in Anguilla is the shortage of skilled manpower across many areas of the labour force, particularly technical and managerial skills. Many vacancies cannot be filled because Anguillians are not generally suitably qualified for these positions. In addition, the areas in which persons were sponsored for training overseas were not necessarily critical for national development. GOA has acknowledged this deficiency and has embarked on supporting the Community College to enhance its product offerings and the building of a new campus. GOA has identified education and human capital development as key priorities for promoting development under its MTEFP.

(c) Promoting Environmental Sustainability

1.28 Anguilla's natural environment is the foundation for the long-term social and economic wellbeing of its population, given the island's dependence on the tourism industry to drive its economic development. Managing the fragile resources in a sustainable manner and guarding against environmental degradation is critical. However, the consequences of inadequate protection of the environment are already apparent. Key environmental challenges include: beach sand-mining; coastal and marine pollution; unsanitary disposal of waste; pollution threat to water resources; terrestrial and marine habitat loss from increasing housing and tourism-related development; and poor land-use practices.

1.29 Anguilla's geographical location and low-lying topography make it very vulnerable to climate change and natural hazards. Anguilla is already experiencing some of the effects of climate variability and change. Projections of future climate-related risk are based on the output of global climate models for given emission scenarios. The major risks of climate change are sea-level rise and the likelihood of more extreme weather events, especially hurricanes and droughts. The vulnerability of Anguilla to the impacts of climate change is a serious concern because the majority of social and economic infrastructure and settlements in the country are located on or near the coast. Coastal areas already face threats from natural hazards and the impacts of climate change will magnify these pressures. Rising sea-levels and storm events will exacerbate coastal erosion and flooding that impact tourism activities and the wider national economy, temporarily disrupting port operations and food security, as well as access along essential roads and isolating or

displacing settlements and businesses. Sea-level rise further threatens freshwater aquifers from saltwater intrusion which could impact quality of potable water.

1.30 GOA's MTEFP recognises that measures to stimulate economic growth should be combined with measures to reduce the associated environmental risks, as well as consideration of climate change risks. GOA is, therefore, committed to fully integrating climate change issues into its national development planning across all sectors. Strategic programme priorities regarding the vision for environmental management are aligned with the national climate change policy and focus on increasing resilience by strengthening national capacity to address climate change and climate variability risks and mainstreaming climate adaptation.

(d) Reducing Social/Gender Vulnerability

1.31 Threats to sustainable social development are identified in three main categories: infrastructure inadequacies, budgetary constraints and challenges to citizen security. Social sector infrastructure, especially in the education and health sectors, is in poor condition. This has resulted in infrastructure losses and challenges in these sectors to adequately meet service demands. There are fears of resulting deterioration in education and health achievements and the ability of the sectors to adequately meet the increasing demands of the growing population. To alleviate hardship of low-income households or households experiencing socioeconomic dislocation as a result of economic shocks, natural disasters or other unplanned events, the Department of Social Development administers a number of public assistance programmes. However, with fiscal austerity the programmes' budgets have been restricted, limiting the Department at a time when the demand for assistance has increased. Finally, of major concern, are growing threats to citizen security that are linked to increasing trends of truancy, dropout rates and poor academic achievement, especially of young males in the society. Citizen security also displays gender dimensions with an observed increase in the prevalence and severity of domestic violence, amidst the absence of a policy and legislative framework to guide preventative approaches; human resource needs; and required psychological and juridical responses to this gender-based phenomenon.

### **The Government's Medium-Term Economic and Fiscal Plan and Priorities**

1.32 GOA is committed to providing a stable environment that fosters economic growth, private sector expansion and the development of human capital over the medium term. GOA is also committed to promoting an enabling social environment where its citizens are safe, healthy and capable of contributing to and benefiting from an improved economic environment.

1.33 The Government's recently approved MTEFP is focussed on restoring macroeconomic stability and diversified economic growth while supporting social development and improving resilience to environmental hazards. It sets out six objectives for the period, 2016-18, namely: (a) achieving sustainable economic growth; (b) economic diversification within traditional sectors, as well as productive sectors that have shown the potential for growth; (c) restoring stability in the ailing financial sector; (d) greening of the economy to ensure sustainable development; (e) efficient delivery of essential utilities; and (f) maintaining fiscal sustainability through public finances and fiscal management. These key development priorities identified are categorised under four strategic areas, namely: (a) sustainable economic growth; (b) fiscal and debt sustainability; (c) social and human development; and (d) environmental sustainability. Table 1.3 outlines details of GOA's key priorities under each strategic area over the medium term.

1.34 The implementation of measures articulated in the MTEFP, brings GOA's medium-term fiscal and debt outlook in line with performance goals agreed with GOUK. The MTEFP is comprehensive and well balanced and addresses the key development needs of Anguilla. However, with the wide array of policy measures contemplated to address fiscal concerns and the banking system resolution, careful prioritisation of the development programme will need to be addressed and commitment to policy implementation is

essential to achieve desired results over the medium term. To assist plan implementation, GOUK has committed to provide TA as well as grant financing for infrastructure re-development.

### **Caribbean Development Bank's Engagement in Anguilla**

1.35 CDB has supported Anguilla's development over the years in several areas including: transportation and communication; education; power and energy. Over the period 1970-2014, CDB approved \$112.1 mn in loans, contingency loans, equity and grants to Anguilla, which represented 2.5% of CDB's total approval to its BMCs. CDB's exposure to Anguilla represented approximately 4% of its outstanding portfolio as at end-December 2014. CDB is, however, the largest single creditor to GOA, accounting for \$62.6 mn, or 79.9% of its total public debt as at end-2014.

#### Previous Country Strategy 2010-12<sup>18</sup>

1.36 The focus of the previous country strategy (2010-12) was to support Anguilla's efforts to achieve macroeconomic stability and sustain economic growth recovery. There were three outcome areas, namely: (a) restoring fiscal balance; (b) strengthening strategic policy decision-making for sustainable and inclusive growth; and (c) strengthening transport infrastructure. A policy-based loan (PBL) was approved and fully disbursed in 2010, which supported fiscal improvement. CDB also initiated three TA projects: (i) preparation of a strategic tourism master plan; (ii) building effective governance for land-use planning and environment management; and (iii) gender assessment and integration in national planning. The portfolio performance of the strategic tourism master plan was highly satisfactory while there were delays in the other two TA projects. TA for the preparation of the poverty reduction strategy was not initiated due to limited in-country human resource capacity to carry out the task in an efficient way. The Blowing Point Ferry development project proposed to strengthen transport infrastructure was not initiated as GOA's financing capacity was restricted during the strategy cycle.

1.37 Key lessons emerged with respect to maximising CDB's development impact and the achievement of development results including: (a) the importance of strong donor collaboration; (b) the need for proper benchmarking of the results framework to ensure adequate monitoring and assessment of results; (c) more rigorous application of project readiness filters to improve the quality at entry and address systemic obstacles in the process of preparation and implementation of projects; and (d) the existence of a strong correlation between GOA's commitment and the achievement of expected outcomes. These lessons have helped to inform the design of the new County Strategy for Anguilla.

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<sup>18</sup> The delay in the preparation of the updated Country Strategy was due to a number of factors, including lack of fiscal space, GOA's inability to borrow and uncertainties related to the banking sector difficulties.

**TABLE 1.3: SUMMARY OF ANGUILLA'S MEDIUM-TERM ECONOMIC AND FISCAL PLAN 2016-18**

Sustainable Economic Growth	Fiscal and Debt Sustainability	Social and Human Development	Environmental Sustainability
<p>(a) Restoring stability in the financial sector.</p> <p>(b) Economic diversification – tourism; international financial and business services; agriculture and fisheries; economic residency.</p> <p>(c) Developing the tourism sector.</p> <p>(i) Improving access (air and sea port development) to facilitate inflow of tourists; and</p> <p>(ii) Review and implement revised Strategic Tourism Master Plan and increased marketing efforts.</p> <p>(d) Promoting SME development.</p> <p>(e) Adopt a growth oriented investment policy.</p> <p>(f) Expand the public sector investment programme, particularly infrastructure development.</p>	<p>(a) Strengthening public finances – generate fiscal surpluses and build reserves.</p> <p><u>Revenue Enhancement</u></p> <p>(b) Improve the efficiency and productivity of tax collection.</p> <p>(c) Broadening the tax base - Improving tax compliance.</p> <p>(d) Strengthen expenditure strategies and procedures.</p> <p><u>Expenditure Management and Controls</u></p> <p>(e) Budgetary reforms – implement budget scorecard.</p> <p>(f) Public finance management reforms.</p> <p>(g) Implement targeted expenditure cuts and savings of costs.</p> <p>(h) Consider a cost recover strategy for selected public services.</p> <p>(i) Strengthening the management of statutory bodies.</p> <p>(j) Privatisation of Utilities.</p> <p><u>Debt Sustainability</u></p> <p>(k) Medium-Term Debt Strategy.</p>	<p><u>Education and Human Capital Development</u></p> <p>(a) Improving the quality and accessibility of the educational system especially at the secondary and tertiary levels.</p> <p>(b) Increased focus on science, technology, engineering and mathematics at the secondary level and development of Technical Vocational Education and Training programme.</p> <p>(c) Improving the teaching-learning environment in schools.</p> <p><u>Youth Development</u></p> <p>(d) Expansion of education, training, jobs and career opportunities for young people.</p> <p>(e) Implement life skills training for at-risk youth.</p> <p>(f) Job Link-Up Initiative.</p> <p>(g) Youth business and artistic support programmes – Small Entrepreneurial Training (GET SET).</p> <p>(h) Develop sports and recreation to provide jobs and businesses especially for youths.</p> <p>(i) Partners Advocacy for Violence Eradication to develop a comprehensive non-violence campaign</p> <p><u>Health</u></p> <p>(j) Improve productivity in health care delivery.</p> <p>(k) Establish an effective and affordable National Health Insurance System and Fund.</p> <p><u>Poverty Reduction and Social Safety Net</u></p> <p>(l) Improving the existing public assistance strategies and programmes.</p> <p>(m) National Plan for older persons to provide protection, care and residential services.</p>	<p>(a) Greening the economy.</p> <p>(b) Integrating RE and EE.</p> <p>(c) Facilitating a safe, reliable and cost effective supply of energy while reducing Anguilla's carbon footprint.</p> <p>(d) Upgrade environmental legislation on the basis of climate change issues.</p> <p>(e) Review environmental planning and implement a revised strategic plan.</p> <p>(f) Improve the Geographic Information System and land information systems.</p>

Source: GOA's MTEFP.

## **2. CARIBBEAN DEVELOPMENT BANK'S COUNTRY STRATEGY: 2016-2020**

### **Country Strategy and its Proposed Contribution to Country Outcomes**

2.01 The overall strategic goal of CDB's proposed country strategy 2016-2020 is to support Anguilla in laying the foundation for sustainable inclusive growth. To pursue this high-level objective, the strategy activities are organised around two areas of engagement that are all ranked as high priorities by GOA. The Country Strategy has benefitted from high-level strategic policy dialogue with Anguilla's key policymakers and stakeholders and is consistent with CDB's strategic objectives of promoting good governance and supporting sustainable and inclusive economic growth.

2.02 The priority sector outcomes of the Country Strategy are: (a) financial sector soundness and stability; and (b) private sector growth. Gender mainstreaming, environmental management and climate change adaptation, and energy efficiency (EE) and RE are cross-cutting themes in the Country Strategy. In order to ensure evidence of gender equality results in all sectors of the Country Strategy, CDB and GOA commit to include gender analysis and sex-disaggregated data in planning, implementation and monitoring and evaluation (M&E) at the sector, programme and project levels. Indicators will be disaggregated by sex, wherever possible.

### **Priority Sector Outcomes**

#### **Pillar I: Financial Sector Soundness and Stability**

##### *Expected Outcome 1: Improved Banking System Stability*

2.03 CDB has supported, since 2012, the development and implementation of a regional strategy to strengthen the financial system in ECCU, and for the resolution of the banks in conservatorship in Antigua and Anguilla. The Bank is collaborating with other development partners, IMF, WB, ECCB and GOUK to ensure effective resolution and improve the solvency of the banking system. GOA is implementing a resolution plan that entails the establishment of a bridge bank that provides for full continuity of banking relationships for depositors' balances up to \$2.8 mn per depositor and protection for the remaining balances of those individual depositors that are above the amount transferred to the bridge bank.

2.04 It is proposed that CDB provide GOA financial resources for the capitalisation of the new bridge bank to permit resolution implementation and the maintenance of banking operations in Anguilla. The bank resolution plan is grounded on robust, independent assessment of the banking sector's sustainability and the bridge bank's viability, a sound institutional and legal framework, and strengthened banking sector regulation and supervision that are now in line with international best standards.

#### **Pillar II: Enhance the Competitiveness of the Private Sector**

##### *Expected Outcome 2: Improve the Business and Investment Environment*

2.05 Bureaucratic and other structural obstacles to business development must be minimised or removed to enable the Anguilla economy to become more competitive. CDB's interventions are designed to promote an enhanced enabling environment for private sector development. CDB will support GOA's strategy for private sector development, particularly of SMEs that currently face problems in accessing finance due to both demand and supply side constraints.

2.06 CDB's assistance strategy will focus on improving the enabling environment for private sector development in the following areas: (a) increasing access to credit for SME development through on-lending to the Anguilla Development Board (ADB); (b) TA projects, through the Caribbean Technological

Consultancy Services (CTCS) programmes network, to develop the operational capacity of SMEs through the upgrading of technical skills; and (c) supporting business facilitation by providing TA to conduct a Doing Business survey to provide an assessment and understanding of key weaknesses and constraints to business development in Anguilla so as to shape a reform agenda. With this, GOA will be able to devise a framework for investment climate reforms and actionable recommendations for improving the business environment. As part of efforts aimed at strengthening the capacity of the public sector to improve economic governance and public service delivery, Anguilla stands to benefit from CDB's training programme on Public Policy Analysis and Management, and Project Cycle Management. This training aims to build professional capacity in areas including: public policy analysis; public sector investment programming; project appraisal and planning; procurement; and, M&E. The resulting capacity built will assist in making Government more effective by improving the quality of the civil service and the speed and transparency of policy formulation and implementation.

*Expected Outcome 3: Upgraded Transport Infrastructure*

2.07 CDB's strategy will focus on assisting GOA to improve access through port development. CDB will assist GOA to assess the viability of upgrading the Blowing Point Ferry Terminal via PPP support. Climate change impact will be incorporated in the project and will be mitigated through the supporting design aspects. CDB will also provide TA for the re-design of the Blowing Point Ferry Terminal.

*Expected Outcome 4: Increase Renewable Energy Capacity*

2.08 Improving EE and developing RE options are key elements of Anguilla's programme on climate change adaptation which dovetails with CDB's aim to promote these areas according to its current Energy Sector Policy and Strategy. CDB proposes to assist in funding a 1 megawatt (mW) solar photovoltaic plant to increase RE output in the electricity mix of the country. The project is expected to have a positive development impact by reducing the country's dependence on imported fossil fuels which will effectively reduce greenhouse gas emissions and aid in achieving the country's overall objective of becoming a carbon neutral economy. As energy costs are a major concern of SMEs, CDB will also encourage usage of EE/RE through capacity building activities of CTCS and the envisaged Line of Credit to ADB. CDB will involve Anguilla in regional TA projects related to environment protection and increasing resilience to climate variability and change. CDB's support will be closely coordinated with assistance provided by GOUK and other development partners to avoid duplication and achieve synergies.

**Cross-Cutting Issues**

**Gender Mainstreaming, Environmental Management and Climate Change Adaptation**

2.09 Gender mainstreaming is a cross-cutting theme in the Country Strategy (see Appendix 3). The disparities existing among different groups of males and females in education/training, participation in the labour force in economic activities, socioeconomic status and in decision-making positions, together with increasing incidence of gender-based violence will negatively impact on the ability of all groups to benefit equally from the opportunities created under the Country Strategy. Funding mechanisms to support capacity enhancement in-country for the formulation of a national policy, strategy and action plan that will guide equality, inclusive growth and strategic approaches to be pursued to ensure that girls and boys and men and women all have equal opportunity to become productive citizens are limited. CDB will explore, with the country, mechanisms to access regional funds in support of gender mainstreaming in Anguilla.

2.10 CDB will support GOA's efforts to strengthen environmental sustainability in the economic growth process in Anguilla. Environmental sustainability considerations are cross-cutting and will be mainstreamed into CDB's operations in Anguilla through project design and by enhancing compliance with environmental safeguard requirements. CDB will also integrate measures to reduce climate change risks

in the design of infrastructure projects and expand the use of RE to increase the country's contribution to combating climate change.

### 3. STRATEGY IMPLEMENTATION AND RESULTS FRAMEWORK

#### Programme Overview

3.01 The central focus of the Country Strategy is on addressing the resolution of the insolvent commercial banks to restore banking sector stability, as well as support for sustainable economic growth. Given GOA's current borrowing constraints, a selective and focused approach has had to be adopted in programme design. Table 3.1 identifies the indicative programme of assistance that CDB anticipates will contribute to the attainment of the abovementioned expected outcomes.

**TABLE 3.1: CARIBBEAN DEVELOPMENT BANK'S INDICATIVE AREAS OF SUPPORT**  
(USD mn)

AREAS OF CARIBBEAN DEVELOPMENT BANK'S SUPPORT	INDICATIVE ALLOCATION	FINANCING MODALITY
<b>PILLAR I: PROMOTING MACROECONOMIC GOVERNANCE AND INSTITUTIONAL DEVELOPMENT</b>		
<i>Outcome 1: Improved/Strengthened Stability of the Banking Sector</i>		
<ul style="list-style-type: none"> <li>Banking Sector Resolution</li> </ul>	22.0	Investment Loan
<b>PILLAR II: PROMOTING SUSTAINABLE AND INCLUSIVE ECONOMIC GROWTH</b>		
<i>Outcome 2: Enhanced Enabling Environment to Increase Productivity and Competitiveness</i>		
<ul style="list-style-type: none"> <li>Economic Regeneration (SME financing, student loans, mortgage loans, etc.)</li> <li>Capacity Building/Skills Enhancement (CTCS)</li> <li>Business Facilitation – Doing Business Survey</li> </ul>	10.0 0.3 0.3	Loan TA TA
<i>Outcome 3: Upgraded Transport Infrastructure</i>		
<ul style="list-style-type: none"> <li><b>Redesign of Blowing Point Ferry Terminal</b></li> </ul>	0.5	TA (Loan)
<i>Outcome 4: Increased Renewable Energy Capacity</i>		
<ul style="list-style-type: none"> <li>Renewable Energy – Anguilla Electricity Company Limited (ANGLEC)</li> </ul>	2.3	Loan
<b>TOTAL</b>	<b>35.3</b>	

3.02 The indicative resource envelope of support for Anguilla is estimated at USD35.3 mn. Two critical factors which may hinder project preparation and execution are: (a) technical capacity limitations to address the banking sector and also in key line ministries; and (b) GOA's borrowing constraints.

#### Development Results, Results Frameworks and Country Strategy Monitoring and Review

3.03 CDB will use the RMF in Table 3.2 to monitor and assess development results. Strategy implementation will be monitored through annual country missions, as well as a mid-term review of the strategy to assess progress and utilisation of the resource envelope. An end-of-strategy review will also be undertaken to assess contribution to sector outcomes. The monitoring of the strategy will be done by both CDB and country authorities. CDB's engagement will be focussed on promoting mutual accountability for results and fostering open and frequent policy dialogue with country authorities.

#### Coordination of Development Partners

3.04 The Bank will closely collaborate with country counterparts in Anguilla, as well as GOUK officials to prioritise and sequence implementation adequately. There is uncertainty about the likely areas of GOUK committed assistance and support for economic regeneration over the Country Strategy period and, as a result, CDB's strategy will remain flexible to avoid duplication while allowing for cooperation and



coordination, where possible, once the GOUK programme is finalised. The European Union (EU) is currently Anguilla's main development partner providing grant funding.

3.05 EDF is the main instrument providing EU aid for development with Anguilla. Under the 10<sup>th</sup> EDF, \$11.5 mn Euros (€) had been allocated to Anguilla, which supported the implementation of the medium-term development strategy through the aid modality of general budget support. Approximately €4 mn has been allocated to Anguilla for the 11<sup>th</sup> EDF over the period of 2015-2020. The focal sectors for 11<sup>th</sup> EDF are still under review.

3.06 Other development partners include: CARTAC and ECCB. CARTAC has provided extensive training in public financial management (PFM), completed a Public Expenditure Financial Accountability assessment and has assisted with the development of a new PFM Action Plan in 2014. ECCB provides training in economic analysis, financial programming and debt management. As a member of ECCU, Anguilla is also benefiting from ongoing collaboration between ECCB and CARTAC, ongoing work on financial stability and TA to strengthen the financial system. Appendix 4 summarises the current activities of development partners in Anguilla.

### **Implementation Plan and Responsibilities**

3.07 Implementation of the Country Strategy will be guided by a coherent operational framework that defines specific roles and responsibilities at both the country and Bank levels at different stages of the project cycle. While the relevant line ministries/agencies will have responsibility for the management of specific projects, MFED will retain overall responsibility for the in-country management, reporting and interfacing with CDB, particularly with respect to requests for disbursement and the provision for TA. In addition to the Permanent Secretary (Finance), it is expected that a focal person in the Division of Economic Development be identified to monitor and coordinate the in-country programme and liaise with CDB. CDB will assist and work closely with the relevant executing agencies to ensure timely implementation of projects following Board approval. The effective implementation of the Country Strategy requires regular monitoring to ensure that the projects indicated in the Strategy are submitted for appraisal and, once approved by the Board of Directors, the funds are released expeditiously to facilitate implementation by GOA. The mechanism to promote efficient strategy implementation will be through structured communication channels and regular reporting. Moreover, CDB will continue to actively monitor the development context in Anguilla and have regular policy dialogue with country officials in order to ensure that the Country Strategy is appropriately adjusted to reflect any changes in GOA's priorities.

**TABLE 3.2: RESULTS MONITORING FRAMEWORK- ANGUILLA COUNTRY STRATEGY PAPER (2015-18)**

Country Development Goals	Key Sector Constraints	Expected Sector Outcomes	Sector Outcome Indicators	CDB Proposed Intervention
<b>PILLAR 1: FINANCIAL SECTOR SOUNDNESS AND STABILITY</b>				
Restoring stability in the banking sector.	<ul style="list-style-type: none"> <li>(i) 2 insolvent banks under conservatorship since 2013.</li> <li>(ii) High levels of NPLs.</li> <li>(iii) Declining profitability in the indigenous banks.</li> <li>(iv) Stagnating and/or declining credit growth in the commercial banking sector.</li> </ul>	<p><i>Improved banking sector stability.</i></p> <p>- effective resolution of failing banks.</p>	<ul style="list-style-type: none"> <li>(i) Two banks under ECCB conservatorship are resolved by June 2016.</li> <li>(ii) Establishment of new Bridge bank by June 2016.</li> </ul> <p><i>Base Line: (2016). NBA and CCB are insolvent</i></p>	<ul style="list-style-type: none"> <li>(i) Loan financing to recapitalise the new Bridge bank.</li> </ul>
<b>PILLAR 2: PRIVATE SECTOR DEVELOPMENT</b>				
Modernised transport infrastructure.	Inadequate and aged port infrastructure.	<p><i>Improved business and investment environment:</i></p> <ul style="list-style-type: none"> <li>(i) Improved ferry port facilities to support economic growth.</li> </ul>	<ul style="list-style-type: none"> <li>(i) Increased number of tourists arriving through Blowing Point Ferry Terminal:</li> </ul> <p><i>Baseline: Target: (2017). To be determined at appraisal.</i></p>	<ul style="list-style-type: none"> <li>(i) TA for redesign of Blowing Point Ferry Terminal.</li> <li>(ii) PPP support to review Blowing Point Ferry Terminal.</li> </ul>
(ii) Support for private sector development, particularly for SMEs.	<ul style="list-style-type: none"> <li>(i) Restricted access to credit.</li> <li>(ii) Inadequate business support services for SMEs.</li> <li>(iii) Inadequately trained labour force.</li> <li>(iv) Inadequate information on government processes for facilitating business development.</li> </ul>	<ul style="list-style-type: none"> <li>(i) Improved access to credit by SMEs for productive activities and services.</li> <li>(ii) Enhanced business skills of SMEs in direct productive activities.</li> <li>(iii) Strengthening business facilitation in Anguilla</li> </ul>	<ul style="list-style-type: none"> <li>(i) Number of SMEs in Agriculture, Industry Commerce accessing credit:</li> </ul> <p><i>Baseline: 65 (2012) Target: To be determined at appraisal.</i></p> <ul style="list-style-type: none"> <li>(ii) Number of person trained through CTCS programmes.</li> </ul> <p><i>Baseline: Target: To be determined at appraisal.</i></p>	<ul style="list-style-type: none"> <li>(i) LOC to ADB for the financing of SMEs and other programmes.</li> <li>(ii) TA and associated services, including interventions within the framework of CDB's CTCS Programme.</li> <li>(iii) TA to conduct survey on the Ease of Doing Business to strengthen business facilitation.</li> </ul>

Country Development Goals	Key Sector Constraints	Expected Sector Outcomes	Sector Outcome Indicators	CDB Proposed Intervention
			(iii) Doing Business Survey in Anguilla.  <i>Baseline:</i> N/A <i>Target:</i> Survey completed.	
(iii) Integration of RE and enhancing energy security.	(i) High dependence on fossil fuel for energy generation.  (ii) High energy costs.	<i>Increased RE output in the electricity mix.</i>  (i) Reduction on the dependence on imported fossil fuel for electricity generation.	(i) Production of 1,664 mW hours from solar photovoltaic plant by December 2016.	Capital project for ANGLEC to install 1 mW solar photovoltaic plant.
(iv) Climate change mainstreamed into national and sector development planning and budgeting processes.	Threats posed to land, livelihoods and infrastructure by climate change and climate variability.	<i>Increased resilience to climate change.</i>	Priority climate change – adaptation implemented.	(i) Investment project supports climate change adaptation.  (ii) Participation in regional climate change adaptation projects and disaster risk reduction projects, as appropriate.

#### **4. RISK ASSESSMENT AND MITIGATION**

4.01 There are a number of risks which could affect the implementation and achievement of objectives and expected outcomes of the Country Strategy for Anguilla. These risks can be classified as financial, operational, strategic and other risks. The financial risks to CDB include credit risks associated with payment default by GOA due to its repayment capacity. Various mitigation measures have been established to manage these risks within tolerable levels through a framework of measurement, monitoring and control policies, procedures and processes. CDB's Office of Risk Management (ORM) has overall responsibility for the establishment and oversight of its risk management framework. ORM's policies are established to identify, analyse and monitor the risks faced by CDB, to set appropriate risk limits and controls and to ensure adherence to limits. The risk management policies and systems are reviewed regularly to reflect changes in the market conditions and CDB's activities.

4.02 Several risks have been identified which could affect Country Strategy implementation and expected results. These risks and mitigation measures are discussed below.

##### **(a) Financial Risk**

###### Credit Risk

4.03 Credit risk is the risk of financial loss to CDB if GOA or counterparty to a financial institution fails to meet its contractual obligations that arise principally from the loans and advances to customers and investments. Anguilla currently has a low level of debt and debt service and there are no arrears on external or domestic debt. However, financing required to address the current banking sector difficulties and efforts to stimulate economic growth will involve significant borrowing by GOA. Debt servicing associated with this borrowing, together with the amortisation of the PBL beginning in the last quarter of 2015 will increase debt servicing for GOA.

4.04 GOA is currently in breach of the borrowing ratios/limits under FFSD and its ability to borrow to finance the banking sector resolution and other development initiatives depends on significant improvement in fiscal performance and GOUK's approval for borrowing. GOA's fiscal consolidation programme focuses particularly on strengthening revenue collections through property tax reforms, introduction of new tax measures, including a training levy and GST, increases in the tax rates of existing taxes, enhanced tax administration to increase tax compliance and streamlining incentives and exemptions. Expenditure management will also be strengthened with restrictions to personal emoluments; strict implementation to procurement guidelines; implementing EE in government offices and reduction and streamlining of transfers to state-owned enterprises by the introduction of corporate governance and regulatory framework. It is expected that fiscal performance will strengthen over time as the fiscal reforms become entrenched. In addition, fiscal performance will improve as economic growth strengthens. GOA will mitigate the risk by focussing on policy actions to reduce vulnerabilities and on fiscal prudence. The fiscal measures will create the fiscal space to provide fiscal buffers for potential shocks. CDB will encourage GOA to remain committed to its fiscal reform programme and to intensify its implementation. Efforts by CDB to stabilise the financial sector and to strengthen fiscal performance will assist in reducing credit risks to the Bank.

##### **(b) Operational Risks**

4.05 Operational risks emanate from the execution of business activities and relate to the potential loss or damaged reputation from failed or inadequate internal processes, people and systems or from external events. It is a risk arising from direct or indirect loss or damaged reputation attributed to fraud, human error, processes or technological internal controls.

### Implementation Capacity Risk

4.06 Weak country systems have impeded the achievement of outcomes in Anguilla. The lack of a well-defined national planning framework, together with human and institutional capacity constraints, has retarded the pace of project execution. CDB will seek to mitigate this risk by encouraging Anguilla to build greater capacity for project implementation. CDB will help build capacity in country by providing specific training through its CTCS programmes in Public Policy Analysis and Management and Project Cycle Management to help address deficiencies in project preparation, management and implementation. Moreover, implementation capacity will be carefully analysed during project appraisal and appropriate recommendation will be made to optimise implementation on a project-by-project basis.

### Macroeconomic Risk

4.07 Anguilla is highly vulnerable to exogenous economic shocks, as experienced during the recent global economic and financial crisis, which resulted in enormous contraction in economic activities and deterioration in fiscal performance. Given Anguilla's strong dependence, particularly on the economic performance in the US, the fragile recovery and uncertain economic prospects can pose downside risks for Anguilla's macroeconomic fundamentals. Weak global growth could suppress a revival in FDI flows and growth in tourism arrivals which could adversely affect Anguilla's growth performance. Low and volatile economic growth will adversely impact on revenue collections and consequently on fiscal performance. GOA is managing these macroeconomic risks by reforms in policy framework by focusing on economic diversification, strengthening competitiveness in key economic sectors, adopting a growth-oriented investment policy, strengthening performance in the key tourism sector and by implementing a fiscal consolidation programme to achieve fiscal and debt sustainability.

4.08 CDB will support GOA's efforts to pursue diversified economic growth in the medium term. The selection of projects in the proposed Country Strategy is designed to address the growth dynamics in Anguilla. In addition to addressing financial sector stability, proposed interventions will contribute to strengthening investor and business confidence, as well as SME activities. The infrastructure investment will contribute to improved transport facilities and create some level of economic activity in the country during construction phase.

### (c) **Other Risks**

#### Climate Change and Natural Hazards

4.09 Anguilla is vulnerable to natural hazards and climate change (including tropical storms, hurricanes, extreme rainfall events, droughts and earthquakes) that can potentially derail the performance of the productive sectors thereby affecting economic growth and fiscal performance. These hazards could contribute to damage to physical infrastructure which would require rehabilitation and reconstruction. This can result in diverting public resources away from development programmes while increasing public indebtedness. Measures to mitigate this risk include GOA's participation in the Caribbean Catastrophe Risk Insurance Facility (CCRIF), as well as ensuring that projects are designed and built with climate change resiliency measures. CDB will continue to engage Anguilla in dialogue to encourage the mainstreaming of disaster risk management in national and sectoral plans and strategies.

4.10 These risks and associated mitigation measures are summarised Table 4.1

**TABLE 4.1: RISK ASSESSMENT AND RISK MITIGATION MEASURES**

Risk Type	Description of Risk	Mitigation Measures
Financial	<p><i>Credit Risks:</i></p> <p>The ability of Anguilla to borrow for the Banking Sector Resolution and other interventions is constrained given the limited fiscal space and the current breach of the debt limits set by FFSD. Unsustainable fiscal performance can trigger payment default.</p>	<p>CDB has been collaborating with development partners and GOA on the banking sector resolution and other reforms to accelerate economic growth. GOUK has agreed to support interventions as outlined in the CSP and has approved borrowing for bank resolution. GOA's fiscal consolidation programme is expected to enhance revenues and restore fiscal and debt sustainability over time.</p>
Operational	<p><i>Implementation Capacity Constraints:</i></p> <p>The lack of a well-defined national planning framework together with human and institutional capacity constraints which can retard the pace of project execution.</p>	<p>CDB will provide training to enhance capacity in project cycle management and public policy analysis and management. TA will also be provided by CTCS to improve technical capacity in specialised fields of productive activities.</p>
Operational	<p><i>Macroeconomic Shocks:</i></p> <p>Macroeconomic shocks or unforeseen circumstances can impair GOA's ability to achieve growth and fiscal targets and could pose threat to which the CSP may be implemented.</p>	<p>CDB will support GOA's efforts to accelerate economic growth in the country. In addition, support from other development partners will help strengthen human and institutional capacities to implement programmes and activities to attain expected outcomes of the Country Strategy.</p>
Other	<p><i>Climate/Natural Hazards:</i></p> <p>Anguilla's development thrust has suffered setbacks from damage and loss associated with natural hazards, particularly storm surges and hurricanes, over the last two decades. The fiscal costs associated with the rehabilitation of economic infrastructure were significant.</p>	<p>Policy measures to mitigate this risk include Anguilla's participation in the CCRIF, as well as ensuring that projects are designed and built with climate change resiliency measures.</p>

**GOVERNMENT OF ANGUILLA MEDIUM TERM FISCAL PLAN**

**Revenue Measures**

- (a) Extension of the Abolition of the Interim Stabilisation Levy (ISL) for a period of one year until a new Social/Health Services Levy is implemented. Such levy will be applicable on employers at a 1.5 percent rate and contribution from employees at a rate of 2.5 percent.
- (b) Property Tax Reform – updating the property tax register with a proposed average rate increase of 25%, which could be implemented by mid-2016.
- (c) Introduction of a Training Levy (a 10% levy on Work Permit Fees) in 2016.
- (d) Increase in Tourism Marketing Levy from \$1.00 per night to \$3.00 per night per person in 2016.
- (e) Increase in Motor Vehicle Licenses by 25% in 2016.
- (f) The Environmental Levy will remain at 7%.
- (g) Enhanced Tax Administration with particular focus on ensuring improved compliance and reduced tax arrears in 2016.
- (a) Implement a GST (with a rate between 12-15%) in conjunction with reducing the Customs Duty Tariff and Concessions Regime. The implementation date is January 2017. Technical advice to be sought from CARTAC.
- (h) Implement a Social Development Levy that will consist of two components, the National Health Fund (NHF) and an Education Levy in 2017. The levy is 3% employee and 3% employee based on employee's salary.
- (i) Over the medium term, GOA will enact a Permanent Residency by Investment Programme. Revenue from this programme will be deposited into a separate fund.

**Expenditure Measures**

- (a) Continue restrictions on hiring and wage restraint (restricting personnel emoluments to between 40 – 45% of the recurrent expenditure). Adjusting wages in line with inflation.
- (b) Streamline and negotiate contracts with strict implementation of the procurement guidelines.
- (c) Conduct of an energy audit of all Government ministries and departments with a view to implementing EE initiatives which would result in reduced electricity costs to GOA.
- (d) Rationalize tax incentives/exemptions. Gradual streamlining of tax incentives, especially discretionary exemptions.
- (e) Reduce transfers to state-owned enterprises by the introduction of corporate governance and regulatory framework.

**Supporting Activities to the Realisation of the Proposed Revenue Measures**

- (a) Passage of new property tax legislation.

- (b) Formation of a GST Committee responsible for the advancement and implementation of the project.
- (c) Formation of a National Committee to review the work that has been done on the NHF and Social Security's National Health Insurance project for the advancement and implementation of the NHF Fund project and formation of a committee responsible for the advancement and implementation of the Education levy.
- (d) Reducing reserves by XCD12 mn to pay for the 2016 instalment of the principal due to CDB on its PBL.
- (e) Switching GOA's XCD20 mn Overdraft Facility currently with one of the indigenous commercial banks (at an interest rate of 6.75%) and which expires September 30, 2015, with a Revolving Credit Facility of same amount and renewable annually with the Anguilla Social Security Board (at rate of 5.5%) effective October 1, 2015. This would result in a reduction in interest expense.

### **Debt Management Initiatives**

ExCO approved the following debt initiatives:

- (a) Bank Recapitalisation Loan (\$25 mn) from CDB.
- (b) Economic Regeneration Loan (\$10 mn) from CDB – GOA views that the Loan will be taken by the Anguilla Development Board from CDB to be on lent for SMEs development, household development loans, mortgage loans and refinancing and student loans.

### **Other Debt Management Initiatives**

ExCo's approval will be sought for the following additional debt initiatives, following discussions with key stakeholders:

- (a) Issue of a long-term bond instrument (20 to 25 years with 5-year grace period and interest rate of 2%) to back Anguilla Social Security Board (SSB), GOA's Pension Fund and other public deposits funds to be placed in the Bank Resolution Special Purpose Vehicle.
- (b) A Guarantee Instrument for resident's private deposit funds to be placed in the Bank Resolution Special Purpose Vehicle.
- (c) Long-term loan of XCD25 mn (variable interest rate starting say at 4.5%) from SSB to pay off the debt owed to civil servants. The benefit of this loan is that it would pay off GOA's obligation to civil servants and replace it with a lower annual expense. It would also allow SSB to diversify its portfolio. Finally, paying the civil servants could act as stimulus as they put the funds to reducing mortgages, home improvement, etc.

### **Borrowing Guidelines Compliance**

GOA will negotiate with GOUK to establish new targets for Borrowing Guideline Compliance to be achieved by the year 2025.



**Capital Grant Assistance**

GOA is in discussions with GOUK to provide capital grant assistance over the period 2016 – 2018 in the areas of economic and social infrastructure to cover the following:

- (a) Schools Reconstruction Programme.
- (b) Reconstructing the Road Bay Cargo Jetty.
- (c) Funding of TA to cover the studies needed to assess the feasibility of expansion of facilities at Clayton Lloyd Airport and also to move to a privatised/concession type of operating environment.
- (d) Funding of TA to facilitate the implementation of Offshore Fisheries Licence – Fisheries Licence Regime, Fisheries Licencing and Regulatory Authority, etc. – in short, the type of assistance which GOUK provided to the Falkland Islands to establish is Offshore Fisheries Regime by funding the specialist assistance provided by the Unit from the University of London and through which Falklands have been averaging \$25 mn per annum in income.
- (e) TA (legal and otherwise) for Anguilla to build a case and approach the Japanese, Taiwanese and others, who have been fishing illegally in Anguilla’s waters since the 1960s, for compensation.

**ANGUILLA: MEDIUM TERM OUTLOOK**

<b>ANGUILLA</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>
<b><i>Outstanding Debt (\$)</i></b>	539.3	496.1	454.6	398.9
<b><i>Debt/GDP (%)</i></b>	63.1	56.2	49.4	41.3
<b><i>Debt Service Payments (\$)</i></b>	35.7	40.1	40.1	45.7
<b><i>Principal (\$)</i></b>	23.0	22.8	24.3	31.6
<b><i>Interest (\$)</i></b>	12.8	17.3	15.8	14.1
<b><i>Debt Service Ratio (%)</i></b>	15.2	19.2	19.5	21.3
<b><i>Primary Balance (\$)</i></b>	48.6	37.8	32.9	38.2
<b><i>Primary Balance (% of GDP)</i></b>	5.7	4.3	3.6	4.0
<b><i>Overall Balance (\$)</i></b>	35.8	20.5	17.1	24.1
<b><i>Overall Balance (% of GDP)</i></b>	4.2	2.3	1.9	2.5
<b><i>Real GDP Growth Rates</i></b>	2.2	2.5	2.7	2.7

Source: Debt Management Unit of MFED and ECCB.

**GENDER MAINSTREAMING**

<b>Criteria</b>		<b>Points</b>	<b>Score</b>	<b>Comments</b>
	Social and gender analysis conducted at project preparation.	0.5	0.5	At screening the availability of data to address relevant gender issues was reviewed. Efforts will be made to address this during the appraisal of individual projects under the strategy.
	Social and gender analysis incorporated in the appraisal document.	0.5	0.5	Sex disaggregated data was utilised in the social and gender context.
Data (1 point)	Sex-disaggregated data included in the context analysis.	0.5	0.5	Sex-disaggregated data was included in the social/gender context analysis based on data available.
	Sex-disaggregated data included in the baselines, indicators and targets.	0.5	0.0	To be explored during appraisal of individual projects
Engagement (1 point)	Gender balance in consultations throughout the project cycle.	0.5	0.0	This was not controllable. All stakeholders relevant to the Country Strategy were consulted. There was an obvious division in labor in the public sector in keeping with expected gender norms and these determined the gender balance that occurred at consultations.
	Institutions/groups working on gender issues involved in monitoring implementation.	0.5	0.5	Provision will be made under CSP for involvement of the gender unit and gender working group to participate in data collection and M&E of projects under the CSP.
Response (1 point)	At least one gender responsive indicator for each outcome.	0.5	0.0	N/A
	At least one Social/gender responsive output for each outcome. Or Arrangements in place to <b>effect</b> the gender equality outputs and outcomes.	0.5 Or 1	0.0  1	”  Provision have been suggested for TA to the Gender Unit for formulation of the Country’s National Gender Policy and Strategic Plan.
		<b>Total Score</b>	<b>3</b>	

**CODES:**

- GM:** Gender Mainstreamed: the project has potential to contribute significantly to gender equality. Score: 3 to 4
- GS:** Gender Specific: the project’s principal purpose is to advance gender equality. Score: 3 to 4
- MM:** Marginal Gender Mainstreaming: limited potential to contribute to gender equality. Score: 1.5 to 2.5
- NO:** No Contribution to GE: it is not reflected in the project, or appears as a formal reference only. Score 0 to 1

**DEVELOPMENT PARTNERS' SUPPORT TO ANGUILLA**

<b>Areas of Support</b>	<b>CDB</b>	<b>EU</b>	<b>CARTAC</b>	<b>ECCB</b>	<b>GOUK</b>
Public Finance Management	X	X	X	X	X
Private Sector Development	X	X			
Public Sector Modernisation		X	X		X
Energy	X				
Infrastructure Development	X	X			X
Environmental	X	X			X
Education	X				X

**MAP OF ANGUILLA**

