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UNITED KINGDOM—ANGUILLA—BRITISH OVERSEAS TERRITORY

January 2012

2011 ARTICLE IV CONSULTATION DISCUSSIONS

Under Article IV of the IMF's Articles of Agreement, the IMF holds bilateral discussions with members, usually every year. In the context of the 2011 Article IV consultation discussions with United Kingdom—Anguilla—British Overseas Territory, the following documents have been released and are included in this package:

- **Staff Report** for the 2011 Article IV consultation discussions, prepared by a staff team of the IMF, following discussions that ended on July 29, 2011, with the officials of United Kingdom—Anguilla—British Overseas Territory on economic developments and policies. Based on information available at the time of these discussions, the staff report was completed on November 15, 2011. The views expressed in the staff report are those of the staff team and do not necessarily reflect the views of the Executive Board of the IMF.
- **Informational Annex** prepared by the IMF.
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Washington, D.C.

UNITED KINGDOM—ANGUILLA—BRITISH OVERSEAS TERRITORY

STAFF REPORT FOR THE 2011 ARTICLE IV CONSULTATION DISCUSSIONS

November 15, 2011

KEY ISSUES

Setting: Anguilla has experienced a boom-bust cycle related to the global crisis and has faced a persistent hangover. This has accentuated weaknesses in the financial sector and undermined the fiscal position. After sharp output contractions in 2009–10, growth is still expected to be negative in 2011 and return to positive territory in 2012 with the two major tourism projects getting back on course. The 2011 Article IV Consultation Discussions represent the Fund's first formal bilateral dialogue with this British overseas territory, building on the annual ECCU Common Policies discussions.

Addressing financial vulnerabilities: The most pressing issue is how to deal with weak indigenous banks, as the downturn has placed strains on the financial system, seriously affecting asset quality and liquidity. Continued efforts are needed to enhance nonbank supervision, particularly in light of the failure of two regional insurance companies, and to improve coordination. An action plan for addressing financial sector vulnerabilities is needed that spells out the respective roles of the Eastern Caribbean Central Bank, the Anguillan government, and the Financial Services Commission (FSC) of Anguilla. The offshore financial sector offers some potential to diversify the economy, but the balance between the potential economic benefits and costs need to be weighed carefully.

Rebalancing fiscal policy: A fiscal framework needs to be put in place in line with the resources available and with an appropriate balance between current and capital expenditure. An adequate framework would build buffers in good times to allow countercyclical spending when needed and incorporate a system of tax policy and administration that would yield sufficient revenue to meet established priorities. A comprehensive tax reform to simplify the tax structure and broaden the tax base is needed. Reversing some of the growth in the wage bill, which more than doubled during the 2003–08 boom, is unavoidable. Within this framework, the 2012 budget should restore capital spending, cut current spending including wages, and increase revenue by broadening the tax base.

Enhancing growth prospects: The short-run policy priorities should be to increase capital spending, improve the business environment including through a one-stop shop, and address skills shortages through training and greater labor mobility, while improving access to the island and enhancing diversification in the longer run.

Approved By
David Vegara and Jan Kees Martijn

Discussions took place in The Valley during July 20–29, 2011. The consultation discussions form part of the Article IV consultation with the United Kingdom. The staff team comprised H. Monroe (head), M. Mrkaic and A. Viseth (all WHD) and F. Yang (FIN) with an overlapping visit by Mr. Akçakoca (MCM expert).

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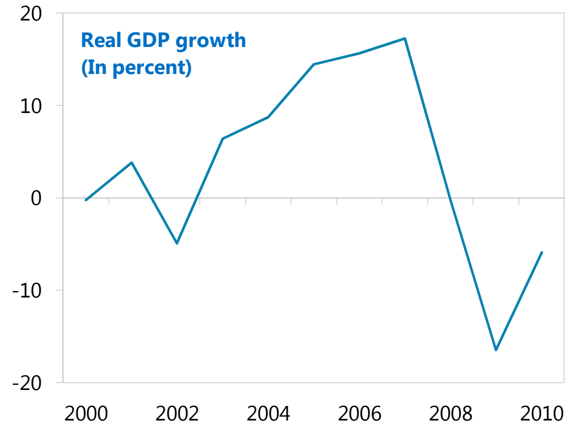
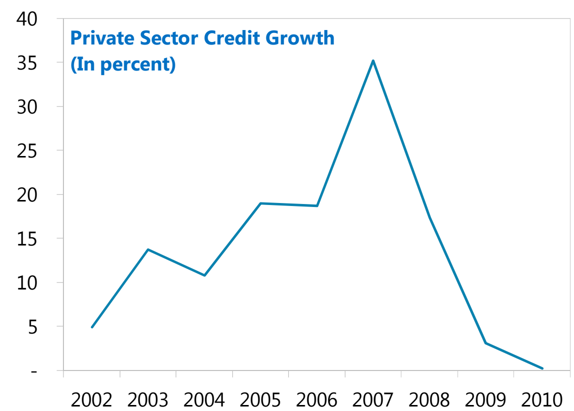
RECENT DEVELOPMENTS AND OUTLOOK

1. Anguilla's per capita GDP is well above the average for the Caribbean region. The island has been able to turn its small size and population (16 thousand), natural beauty, relative inaccessibility, and stability as a British overseas territory to its advantage by establishing a reputation as an upscale and exclusive tourist destination. It has also developed a relatively large financial sector in comparison to the size of its economy. However, these features also greatly magnified the boom-bust cycle associated with the global crisis and have contributed to a persistent hangover.[1]

2. Several large resort projects fueled a FDI boom which doubled nominal GDP during 2003–08. The boom affected every aspect of the economy, with construction becoming the main driver of activity. Tax revenue of a transitory nature—particularly on real estate transactions, FDI-related imports, and imported labor—increased sharply. Private sector wages jumped, while the construction industry imported labor on a large scale. The government wage bill more than doubled, as salaries increased by two thirds, and headcount increased by 45 percent to meet law enforcement, education, and other needs. In addition, a greater proportion of government expenditure was devoted to transfers. The size of the banking system doubled, with a portfolio concentrated in real estate lending.





3. The bust has been nearly as dramatic as the boom it followed. One of the two major FDI projects stalled in 2008 after running out of financing.[2] With the onset of the global crisis in 2009, real GDP fell by 17 percent and the fiscal situation deteriorated sharply. Revenue collapsed while expenditure remained elevated after the increases during the boom years. Despite drastic cuts in capital spending in 2009 and a reduction in salaries of about 7 percent on average, the overall deficit grew to 8 percent of GDP, financed largely by expensive short-term overdraft facilities,

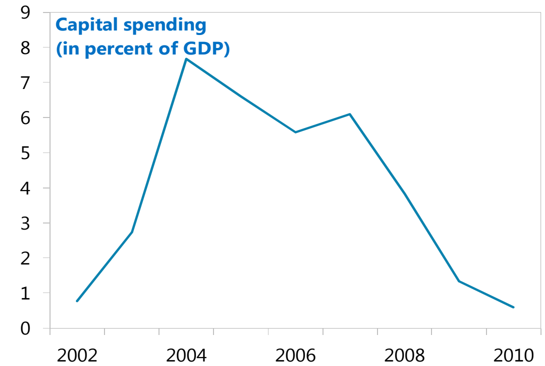
[1] The 2011 ECCU Common Policies Staff Report covers regional issues in greater depth.

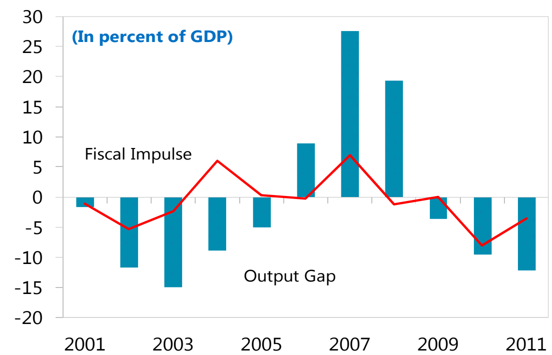
[2] The other major project which was already operating entered receivership in early 2010.

arrears, and a temporary advance from the Eastern Caribbean Central Bank (ECCB).

4. Economic activity and government revenue continued to slow in 2010, despite a recovery of the high-end tourism sector. To stabilize the fiscal accounts, the new government that took office in early 2010 introduced revenue measures, further reduced average salaries by 3.5 percent and froze salary increments, curtailed goods and services spending, and cut capital spending further to an extremely low level. These measures and an European Union grant of over 4 percent of GDP reduced the overall deficit by 6 percentage points of GDP.

5. The reduction in the overall balance in 2010 reflected in part financing constraints. Overall public debt had increased sharply to 25 percent of GDP at end-2010—relatively high for a small undiversified economy (but not high by regional standards). Commercial banks which faced tight liquidity called in loans to government. In addition, the UK Government determined that it was unable to permit disbursement of a US$18 million (6 percent of 2009 GDP) Caribbean Development Bank (CDB) loan approved in 2008 to upgrade the ferry port because the authorities did not deliver a business case demonstrating Anguilla's ability to repay the expected loan costs and remain within the official borrowing guidelines.[3] The government refinanced most of its debt in mid-2010 through a US$55 million (18 percent of GDP) Policy Based Loan from the CDB and borrowed





EC$ 50 million from the Social Security Board as of the end of 2010.

6. The 2011 budget represents a determined fiscal effort by the government to meet its commitment to the UK to balance the overall budget by the start of 2013. The UK delayed approval of the original budget to allow for an assessment by external consultants, whose recommendations were taken to double the customs surcharge and to increase the specific gasoline tax at the import stage.[4] These and other approved measures are aimed at increasing tax revenue by EC$ 21 million (2.7 percent of GDP). The consultants recommended additional revenue measures in 2012 to balance the budget in that year.

[3] The guidelines require keeping: (1) debt below 80 percent of current revenue; (2) debt service below 8 percent of current revenue; and (3) cash reserves for 90 days of operations. The last guideline was the first to be breached.

[4] The UK-appointed Governor of Anguilla has the authority to veto budgets, in addition to being responsible for external relations, nonbank regulation, and the civil service.

7. **The global crisis has placed pressure on the financial sector.** There are 2 indigenous banks and 2 foreign banks operating in the jurisdiction. Total assets amount to 276 percent of GDP, with a market share for indigenous banks of 75 percent. The asset portfolio of the banking system, which is concentrated in construction, tourism, and personal loans, deteriorated during the downturn, with the ratio of nonperforming to total loans increasing to 36 percent by end-June 2011 in the indigenous banks. The liquidity situation also remains tight.

8. **The pickup in inflation due to higher global food and fuel prices is not expected to persist.** Reflecting upward pressure from prices of imported food and fuel, inflation is expected to rise further to 5 percent in 2011 before reverting, given the anchor of the currency peg.

9. **Despite a number of encouraging developments, the staff's outlook for growth is cautious.** One major tourism project has exited receivership into ownership by an established investment group which is well placed to enhance operations. A bid has also been made for another major project, which had been stalled since 2008 before construction was complete. Furthermore, Anguilla's share of ECCU and of Caribbean stayover arrivals is recovering, and the resilience of its high-end tourism sector notwithstanding high unemployment in source countries is an advantage. However, the tepid global outlook will still weigh on the economy. Staff forecast an additional contraction in 2011 reflecting the drag of fiscal policy and lower FDI, and a modest recovery in 2012. Going forward, the growth outlook depends on a recovery of capital spending, implementation of the ferry port project and the pace of global economic recovery.

POLICY ISSUES

The key policy challenges facing Anguilla are addressing financial sector weaknesses, rebalancing fiscal policy, and enhancing growth prospects.

A. Addressing Financial Sector Vulnerabilities

10. **The downturn has significantly affected the banking system.** The system was already suffering before the crisis from a concentrated portfolio which grew rapidly during the boom period. The indigenous commercial banks and their offshore subsidiaries have weak financial positions. They have lending and equity linkages to other ECCU banks which provide a potential channel for contagion. The NPLs of foreign banks have increased sharply in 2011, with low provisioning, but these are backed by the foreign parent.[5]

11. **The most pressing issue is how to deal preemptively with weak banks since a failure of one institution could trigger a generalized loss of confidence in the region.** Furthermore, given the expected slow recovery,

[5] Foreign banks have limited their linkages to indigenous banks.

the banking system will continue to be under stress. The recent intervention in the largest indigenous bank in Antigua and Barbuda underscores the importance of prompt and preemptive resolution.

12. Staff emphasized that a comprehensive regional approach to problems in the ECCU's banking system is needed. The authorities are encouraged to support the work of a joint regional task force being formed to determine the size of the liquidity and capital shortfalls in indigenous banks, assess direct and indirect linkages, and develop resolution strategies. Supervision is fragmented, with the parent banks supervised by the ECCB and their offshore bank subsidiaries by the Financial Services Commission (FSC) under the UK-appointed Governor of Anguilla. Recent efforts to improve coordination have had limited success due to limited sharing of information, attributed to confidentiality restrictions. An action plan for addressing financial sector vulnerabilities should therefore also spell out the respective roles of the Eastern Caribbean Central Bank, the Anguillan government, and the FSC of Anguilla.

13. The authorities concurred that action is overdue to shore up the banking system. They agreed that a regional approach was needed, and given fragmented supervision that greater coordination as required, with a clear delineation of roles.

14. The resolution of the failed BAICO and CLICO insurance companies has been a source of continuing uncertainty, and regional efforts to resolve these companies are still ongoing. Banks have made progress in provisioning for their exposures. A regional strategy is being pursued aimed at maintaining BAICO as a going concern, and a judicial manager has been appointed for BAICO Anguilla as in other ECCU members. In the case of CLICO, Anguilla is relying on the judicial manager appointed in Barbados, the home jurisdiction.

Estimated Exposure to CLICO and BAICO 1/

(In millions of EC$)	
Total	59.2
of which	
Financial institutions	9.1
Public Sector	12.0
CLICO	10.5
of which	
Financial institutions	9.1
Public Sector	0.0
BAICO	48.7
of which	
Financial institutions	0.0
Public Sector	12.0
(In percent of 2010 GDP)	
Total	8.0
CLICO	1.4
BAICO	6.5

Source: Data provided by country authorities.
1/ As of June 2011

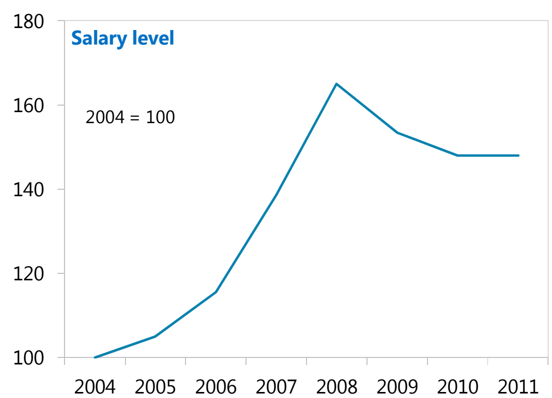
15. The insurance sector appears healthy apart from the difficulties of CLICO and BAICO. However, the authorities are encouraged to continue progress toward strengthening insurance industry regulation and to enact harmonized insurance legislation now under consideration.

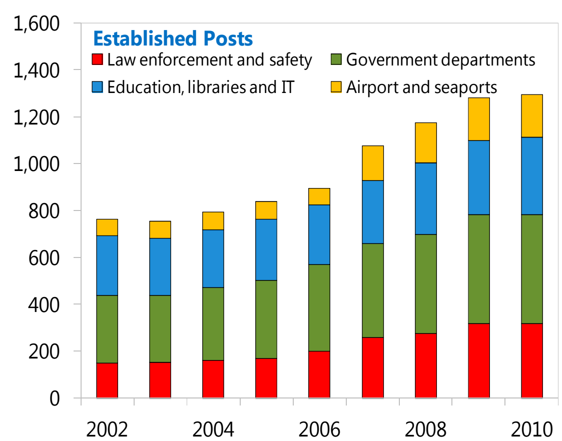
16. Anguilla is considering expanding its offshore financial sector as part of efforts to diversify the economy. Recent research has confirmed that strong governance attracts offshore business, and that a well-regulated offshore sector can contribute to growth. However, the economic benefits of expanding the offshore sector will need to be carefully weighed against the associated regulatory costs. While the authorities have made progress in strengthening the anti-money laundering and combating the financing of terrorism regime, they need to implement fully the recommendations made in the June 2010 Caribbean Financial Action Task Force assessment report. In this respect, the plan to review the governance of the company registry is welcome and should aim at preventing the unlawful use of legal persons, and particularly International Business Companies, by money launderers.

17. The authorities supported the regional approach to resolving the CLICO/BAICO issue. They noted that Anguilla was among the first in the region to set up a single regulatory unit for the nonbank sector, and were making progress toward enacting modern insurance legislation. Their strategy for the offshore financial sector is still being defined.

B. Rebalancing Fiscal Policy

18. A fundamental rebalancing of fiscal policy is needed, beginning with the 2012 budget. If not for windfall stamp duty from the sale of a major project, the fiscal outturn for the first half of 2011 indicates revenue would fall EC$ 12 million short of budgetary projections for the full year, due primarily to a weak outturn for taxes on international transactions. The staff projects an overall deficit of EC$ 20 million for 2012 assuming a conservative estimate for the stamp duty revenue, a constant wage bill, and the return of capital spending to the historical average, which the staff recommend. This would imply that the additional revenue measures of EC$ 8 million that were recommended by external consultants would not be sufficient to achieve an overall balance.





19. Reversing some of the sharp growth in the wage bill will be necessary to balance the budget in 2012, as foreseen by the authorities. After the increase of two thirds during 2005–08, salary reductions in 2009–10 lowered the wage bill by about 10 percent. Furthermore, the wage cuts took the form of temporary salary suspensions which do not affect pensions and with the prospect of eventual partial or full reimbursement of suspended salaries. Because full reimbursement has been granted to all retirees since 2009, this has become perceived as an entitlement creating potential future budget pressures.

20. An overall balance could be achieved in 2012 through a combination of revenue and expenditure measures. On the revenue side, the Tax Reform Working Group has recently finalized its recommendations in time for incorporation in the 2012 budget. Making progress with tax reform would be preferable to implementing further ad hoc measures. On the expenditure side, the 2012 budget should begin reining in the wage bill and reflect the findings of the OECS Public Expenditure Review Commission to be published in the near future. While these measures would be a drag on growth, the momentum from major tourism projects is expected to sustain a recovery.

21. Given financing restrictions and economic vulnerabilities, Anguilla needs to put in place a fiscal framework in line with the resources available and with an appropriate balance between current and capital spending. An adequate framework would build buffers in good times to allow for countercyclical spending when needed and incorporate a system of tax policy and administration that would yield sufficient revenue to meet established priorities. An illustrative medium-term projection (Table 6) which holds the nominal wage bill constant while increasing capital expenditure to its long run average underscores that restoring sustainability is feasible but only if there is also early action as discussed above. However, there are significant downside risks if the external environment deteriorates or tourism projects lose momentum.

22. The official borrowing guidelines by themselves are not sufficient as a fiscal framework. A broader Framework for Fiscal Responsibility under discussion with the UK would shift emphasis toward developing a Medium-Term Fiscal Plan as a context for annual budgets, with improved project appraisal and evaluation, more transparent procurement, and stricter management of actual and contingent liabilities. The approach would be embodied in a new public financial management law.

23. The new framework could specify a clear fiscal anchor in the form of a target for public sector debt as a percent to GDP.[6] Given that Anguilla has a small non-diversified economy subject to natural disasters and other shocks, it would be appropriate to set a target which is significantly lower than the 60 percent of GDP target set by the ECCU Monetary Council to be achieved by 2020 by ECCU members. The ECCU Common Policies Discussions Staff Report presents the case that an appropriate target for the region would be toward the lower end of the 25-45 percent range identified in the literature. With a clear fiscal framework in place, Anguilla could consider asking the CDB to reappraise the ferry port loan (6 percent of GDP).

24. A comprehensive tax reform is needed to restructure the current inefficient and inequitable tax system (Box 2). Currently, only about 40 percent of imports bear positive rates of duty, while 20 percent of imports enjoy duty concessions. The tax reform should simplify the tariff structure; impose excise taxes on fuel, alcohol,

[6] The existing borrowing guidelines relate debt and debt service to current revenue, which has been volatile as described above.

tobacco and other goods with inelastic demand; and introduce a VAT/GST and a permanent income tax to broaden the tax base and to minimize distortions.[7]

25. Significant efforts have been made to improve tax administration. Inland Revenue began to impose penalties for late filing in late 2010, which have already increased compliance. There has also been progress in reducing tax arrears. To upgrade the technology platform for customs administration, Anguilla introduced a pilot site for ASYCUDA World in December 2010. Priority areas for further improvement include moving towards an organization based on function and taxpayer size (rather than tax type), strengthening audit capacity, and upgrading the IT systems.

26. Anguilla has made some progress in improving public financial management through several ongoing initiatives, but further work is needed. CARTAC is assisting in a review of the budget process to improve fiscal discipline and the reliability of the budget. In addition, it is providing assistance in improving macroeconomic forecasting and assessing the budget implications of new policy initiatives. Finally, there is an effort to implement commitment-based accounting and to improve expenditure control and the monitoring of expenditure arrears.

27. There is significant scope to improve the quality of expenditure. One important step would be to implement performance-based salary increments based upon a pilot project under way. There is also a need to enact legislation that has been drafted to create a centralized procurement function with transparent procedures for tenders. The targeting of social programs to the truly vulnerable can be improved, drawing upon the nearly finalized Country Poverty Assessment. There is a need to establish a reliable capital program with a multi-year horizon based upon cost-benefit analysis within an overall economic strategy. Public private partnerships could be considered for projects where risks are shouldered by the private sector.

28. Statutory bodies rely heavily on central government subsidies. The government should work on a medium-term plan to reduce the dependence of statutory bodies (about 4 percent of GDP) on subsidies by eliminating duplicated functions and charging adequate fees for services.

29. Social Security Board (SSB) reserves will last until around 2040. The SSB has an asset base of EC$ 250 million (33 percent of GDP), including EC$ 11 million claims on the failed British American Insurance Company (BAICO). There is some scope for the SSB to shift its portfolio from liquid assets which bear little or no interest toward higher yielding investments abroad and carefully selected domestic investments.

30. The authorities shared the staff's concern about fiscal imbalances. They noted their efforts to restore fiscal sustainability in the last two budgets, while pointing to their limited room for maneuver given financing constraints, the weak economy, and the difficulty of rolling back entitlements.

[7] All six ECCU Fund members have implemented a VAT with one exception where implementation is under way.

C. Enhancing Growth Prospects

31. **Although the growth outlook has improved, a number of serious concerns remain.** Access to the island needs to be improved, for instance, by upgrading ferry port and extending the runway to accommodate larger jets. The market for villas, which has a significant impact on construction activity, is still recovering from the global crisis.

32. **In addition, the unbalanced and procyclical fiscal policy has created an environment which is not conducive for growth.** Capital spending during the last 1½ years has been only 0.4 percent of GDP at an annual rate. The right to draw the CDB ferry port loan expired earlier this year. A fiscal environment that is supportive to economic growth, including through adequate public investment, will be essential.

33. **Some features of the labor market are also an obstacle to growth.** Anguilla became a high labor cost environment during the boom period driven by increasing government salaries and by private sector demand for labor. However, private and public sector labor productivity did not improve in tandem, and there is a shortage of skilled labor. A call center recently relocated from Anguilla due in part to high labor costs. More importantly, the top echelon resorts operating in Anguilla will require a volume of highly skilled talent difficult to satisfy without sharply improved training and greater flexibility to import talent while domestic capacity is being developed.

34. **Given the island's high dependence on tourism, greater diversification is needed.** Improving the business environment, for instance by establishing a one-stop shop for foreign investors, would support these efforts. Further development of the offshore financial sector has some promise, but there are important tradeoffs to consider as discussed above.

35. **Global fuel and food price shocks are placing upward pressure on prices in 2011, particularly affecting the most vulnerable.** Anguilla is vulnerable to such shocks, as was seen during 2007–08. The authorities should encourage full passthrough of changes in international prices, in accordance with a 2008 ECCB Monetary Council decision, while buffering the impact on vulnerable groups through targeted assistance.

36. **There are some indications that the exchange rate is overvalued** (Box 1). The equilibrium real exchange rate approach suggests that the exchange rate is in line with fundamentals, while the macroeconomic balance and external sustainability approaches imply the rate is overvalued. Any assessment must be highly qualified given the significant data limitations.

37. **The authorities shared the assessment that the policy environment was not conducive for growth.** In particular, they agreed that fiscal policy was not sufficiently supportive, and that additional public investment was urgently needed, which would facilitate diversification. They underscored their desire to build the domestic skills base to maximize backward linkages from FDI to the local economy.

STAFF APPRAISAL

38. Anguilla is recovering from severe boom-bust cycle related to the global financial and economic crisis. This has accentuated weaknesses in the financial sector, undermined the fiscal position, and pushed the island into recession. Urgent action is needed to improve the health of the financial sector, to stabilize public finances, and to increase the potential for long-run economic growth.

39. Close cooperation will be needed to address financial sector vulnerabilities, particularly those related to the indigenous banks. A preemptive response as part of a regional strategy led by a joint task force being formed could minimize costs and risks. The strategy will need to strengthen the banks' capital and clean up their balance sheets. An action plan should spell out the respective roles of the ECCB, the Anguillan government, and the FSC of Anguilla.

40. A new fiscal framework is needed with an appropriate balance between current and capital expenditure and in line with the resources available. Fiscal policy should be designed to meet the combined objectives of debt sustainability, deficit reduction, and long-term economic growth. Given financing constraints and economic vulnerabilities, the government needs to accumulate buffers during good times to allow for countercyclical spending during slowdowns. As part of the new framework, the 2012 budget should restore capital spending to historical levels, cut current spending including wages, while ensuring adequate revenue given financing constraints.

41. In this context, the inefficient and inequitable tax system needs to be reformed. A comprehensive tax reform should simplify the tax structure and broaden the tax base. A general consumption-based tax such as a VAT/GST and a permanent income tax would attain both objectives. The complex system of customs duties and exemptions should be replaced with a tariff with few rates and limited exemptions.

42. The tourism sector, the driver of the economy, has begun to recover, benefiting from its high-end focus. Prospects have brightened now that the two major tourism projects are getting back on track. However, air and sea access to the island needs to be improved.

43. A fundamental course change is needed to increase the potential for long-term GDP growth and reduce its volatility. The short-run policy priorities should be to increase capital spending, improve the business environment including through a one-stop shop, and address skills shortages through improved training and greater labor mobility. In the longer run, the focus should be on improving access to the island and enhancing diversification, which would reduce the volatility of real GDP growth rates. There are some indications that the exchange rate is overvalued, but the evidence is not conclusive, and there are significant data limitations.

Box 1. Exchange Rate Assessment

The customer- and competitor-based real effective exchange rates (REERs) have recently been on a broadly declining trend. Following a sharp appreciation in 2008 corresponding to global food and fuel price increases, the customer-based real effective exchange rate has been depreciating, reflecting U.S. dollar depreciation against the major customer currencies, while the competitor-based real effective exchange rate has broadly been on a declining trend since 2007.

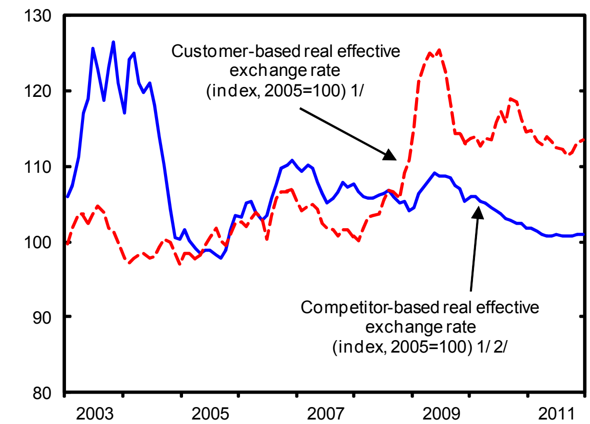
The assessment of the exchange rate using CGER methodologies is constrained by significant data limitations.

The fundamentals-based equilibrium real exchange rate approach suggests that the actual real effective exchange rate has been close to its long-run equilibrium value in recent years.[1] The actual rate has been converging toward its equilibrium from 2004 onwards.

The macroeconomic balance approach points to an overvaluation of the exchange rate. This approach indicates that the current account (CA) norm is minus 18.9 percent of GDP against the underlying CA of minus 25.7 percent. Closing the gap between the norm and the actual CA in the medium term would require a depreciation of 22.9 percent.

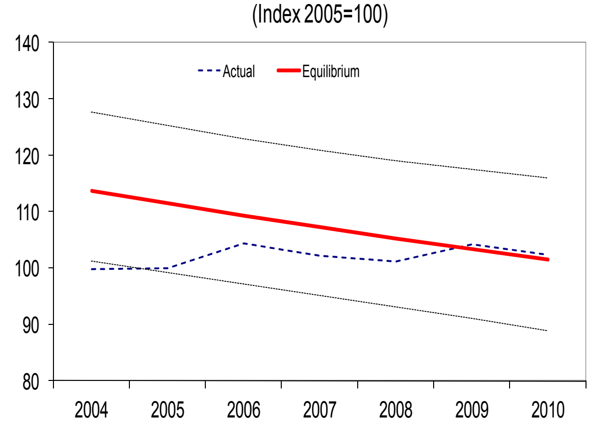
The external sustainability approach indicates an overvaluation of 58.4 percent.[2] The net foreign asset stabilizing CA is minus 8.3 percent of GDP while the underlying CA is minus 25.7 percent difference of about 17 percentage points, reflecting in part the projection of increasing FDI.

Anguilla: External Competitiveness, 2003–2011 (July)



Sources: Fund staff estimates.
1/ An increase (decrease) indicates an appreciation (depreciation).
2/ The sharp movements in the competitor-based real exchange rate in 2002–04 were largely driven by the Dominican Republic's peso.

Anguilla: Actual and Equilibrium REER, 2004–2010 1/ (Index 2005=100)



Sources: IMF, Information Notice System; and Pineda, Cashin and Sun (2009), "Assessing Exchange Rate Competitiveness in the ECCU," IMF Working Paper 09/78 (Washington: International Monetary Fund).
1/ The dotted lines around the equilibrium exchange rate represent 90 percent confidence intervals of the prediction.

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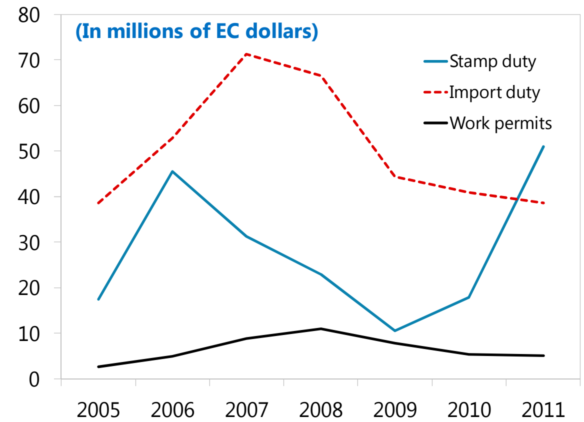
[1] The estimation takes into account productivity differentials in the tourism sector (using per capita tourist arrivals instead of per capita GDP), terms of trade for tourism, government consumption, and net foreign assets. For more details see: Pineda, Cashin and Sun, 2009, "Assessing Exchange Rate Competitiveness in the ECCU," IMF Working Paper 09/78 (Washington: International Monetary Fund).

[2] Unlike the standard CGER methodology, capital account transfers including grants were included in the estimation for the ECCU region, as they represent an important source of financing.

Box 2. The Tax System in Anguilla



Anguilla's tax revenue is disproportionately concentrated in a few volatile and transitory revenue sources. The largest revenue source in 2011 is stamp duty (EC$ 51 million), accounting for nearly 29 percent of total recurrent revenue, mostly from a single property transaction. This amount is three times the level in 2010. Three of the largest revenue items, stamp duty, import duty on items other than fuel and alcohol, and work permits, are particularly volatile due to the cyclical nature of their tax bases. The extreme volatility of the major revenue sources is an obstacle to undertaking multi-year capital projects.

The tax system is inefficient and inequitable with a narrow tax base. Taxes on imports, a crucial revenue source, are imposed unevenly and narrowly. It is estimated that approximately 40 percent of import duty revenue is lost due to concessions and exemptions. The inefficiency of taxation is aggravated by the fact that similar products can be subject to different rates of import duties, leading to distortions.

The tax system is also overly complex. This reflects in part an accumulation of ad hoc measures. Furthermore, there are a large number of fees and licenses, as well as a number of nuisance taxes. It is hoped that the Tax Reform Working Group will propose a simpler, more efficient, and more equitable tax system that is more buoyant and less volatile.

Table 1. Anguilla: Selected Indicators, 2006–12

I. Social and Demographic Indicators 1/

Population (thousands, estimate)	16.4	Infant mortality rate (deaths/1000 live births)	3.5
Population below poverty line (percent, 2002)	23.0	GDP per capita (US$)	16,712.1
Average life expectancy at birth (years)	80.9	GDP at market prices (US$ million)	273.6
Literacy rate (percent of population)	95.0	Share in regional GDP (percent)	5.2

II. Economic and Financial Indicators

	2006	2007	2008	2009	Est. 2010	Proj. 2011	Proj. 2012
(Annual percentage change)							
National income and prices							
Real GDP	15.5	17.3	-0.3	-16.5	-5.6	-1.8	1.5
GDP deflator	3.2	10.3	1.2	1.2	-3.8	2.5	4.2
Consumer prices, average	8.4	5.1	6.8	-0.7	1.0	2.5	4.2
Consumer prices, end period	10.5	3.3	5.3	-0.8	0.9	5.0	3.5
Monetary sector							
Broad money (M2)	11.3	13.5	-5.6	-4.8	-0.9	-3.9	1.6
(Annual change, in percent of M2 at the beginning of the year)							
Net foreign assets	1.1	-12.6	-19.8	-10.9	14.8	-1.3	-0.8
Net domestic credit	10.2	26.0	14.2	6.1	-15.7	-2.6	2.4
Of which							
Private sector credit	14.4	28.9	16.9	3.8	0.3	-2.8	1.9
Credit to central government	-3.2	3.4	1.1	5.1	-16.4	1.4	0.0
(In percent of GDP)							
Public sector							
Primary central government balance	1.8	-0.9	-1.3	-7.1	-0.2	3.0	-0.7
Overall central government balance	1.0	-1.6	-2.1	-8.2	-1.7	1.7	-2.5
Revenue and grants	25.4	22.1	23.1	18.7	23.9	26.8	24.4
Of which: Grants	1.9	0.0	1.0	0.0	4.5	0.0	1.8
Expenditure and net lending	24.4	23.7	25.2	26.8	25.6	25.1	26.9
Foreign financing	-0.1	-0.1	1.7	0.2	17.3	-0.3	-0.3
Domestic financing including arrears	-3.9	3.7	1.4	9.0	-15.5	-1.4	0.0
Total public debt (end-of-period) 2/	13.9	13.9	15.3	24.1	24.9	24.2	22.9
External	3.5	3.1	4.9	6.3	23.7	22.8	21.5
Domestic	10.4	10.8	10.3	17.8	1.2	1.4	1.3
(Annual percentage change)							
External sector							
Exports of goods and nonfactor services	-18.3	-25.0	24.8	-13.4	1.2	1.2	1.3
Imports of goods and nonfactor services	72.4	10.7	9.6	-44.6	-7.5	-1.6	8.0
(In percent of GDP)							
External current account balance	-52.7	-52.0	-59.5	-30.6	-22.9	-21.4	-20.4
Trade balance	-64.5	-58.3	-63.7	-41.6	-40.8	-39.8	-40.9
Services, incomes and transfers	11.8	6.3	4.2	11.0	18.0	18.4	20.5
Of which:							
Travel (net)	33.1	27.6	23.7	26.0	32.9	35.8	36.3
Capital and financial account	52.6	51.6	56.7	30.4	39.7	20.6	19.9
Of which:							
Foreign direct investment	49.6	33.1	27.6	15.7	17.0	16.2	16.9
Memorandum Item:							
GDP at market prices, current prices (in EC$ mn)	773.7	966.2	965.5	798.0	738.8	744.3	787.4

Sources: Authorities; and Fund staff estimates and projections.
1/ Estimates are for the year 2010, except where noted.
2/ Excludes central government debt to the Social Security Board.

Table 2a. Anguilla: Central Government Operations, 2006–13

					Est.	2011		Proj.	
	2006	2007	2008	2009	2010	Budget	Revised	2012	2013
	(In millions of EC dollars)								
Revenue and grants	196.2	213.8	223.4	148.3	178.2	189.7	200.9	193.9	209.7
Current	181.3	210.4	204.4	148.3	144.4	177.9	200.9	179.7	194.0
Tax revenue	153.8	164.3	155.3	111.6	103.7	137.3	162.9	139.5	151.7
International trade	74.3	97.3	93.1	65.4	60.1	73.5	65.6	69.4	73.0
Goods and services	78.9	66.3	61.5	44.7	42.1	50.2	85.6	57.7	60.7
Property tax	0.6	0.7	0.6	1.5	1.5	3.7	3.0	3.1	3.3
Income tax	0.0	0.0	0.0	0.0	0.0	10.0	8.7	9.2	14.7
Nontax revenue	27.5	46.1	49.1	36.7	40.7	40.6	38.1	40.3	42.3
Capital revenue	0.1	3.4	9.8	0.0	0.0	0.0	0.0	0.0	0.0
External grants	14.8	0.0	9.2	0.0	33.8	11.8	0.0	14.1	15.7
Current	0.0	0.0	0.0	0.0	22.3	0.0	0.0	14.1	15.7
Capital	14.8	0.00	9.2	0.00	11.6	11.8	0.0	0.0	0.0
Expenditure	188.4	229.4	243.7	213.1	190.5	211.4	188.3	213.8	219.4
Current	145.2	170.4	206.7	202.5	186.1	188.0	182.6	190.1	194.5
Wages and salaries 1/	49.1	68.5	83.9	90.7	88.2	84.5	83.0	83.0	83.0
Goods and services	52.2	53.7	59.8	48.4	35.9	45.2	37.2	37.2	39.2
Interest	6.3	7.1	8.0	8.4	10.8	11.3	9.6	14.0	13.7
Domestic	5.5	6.3	7.4	6.3	8.9	2.3	3.0	4.2	4.3
External	0.9	0.8	0.6	2.1	1.9	9.0	6.6	9.8	9.4
Transfers and subsidies	37.6	41.0	55.0	55.0	51.2	47.0	52.8	55.9	58.7
Of which: Pensions	2.6	4.9	6.4	7.3	11.7	9.5	10.6	11.1	11.7
Capital	43.2	59.0	36.9	10.6	4.4	23.4	5.8	23.7	24.9
Current account balance (after grants)	36.1	40.0	-2.4	-54.2	-19.5	-10.1	18.4	3.8	15.2
Primary balance (after grants)	14.1	-8.5	-12.3	-56.4	-1.5	-23.4	22.2	-5.9	3.9
Overall balance (after grants)	7.8	-15.6	-20.3	-64.8	-12.3	-21.7	12.6	-19.9	-9.8
Statistical discrepancy	22.9	-18.8	-9.4	-9.0	-1.1	0.0	0.0	0.0	0.0
Financing Gap	0.0	0.0	0.0	0.0	0.0	0.0	0.0	22.1	12.0
Financing	-30.7	34.4	29.6	73.7	13.4	21.7	-12.6	-2.2	-2.2
External	-0.4	-1.0	16.3	1.9	128.4	-2.2	-2.2	-2.2	-2.2
Net borrowing	-0.4	-1.0	16.3	1.9	128.4	-2.2	-2.2	-2.2	-2.2
Disbursements	0.2	0.0	17.3	2.7	127.3	0.0	0.0	0.0	0.0
Amortization	-0.6	-1.0	-1.0	-0.8	1.1	-2.2	-2.2	-2.2	-2.2
Domestic	-30.3	35.4	13.3	71.8	-115.0	23.9	-10.4	0.0	0.0
ECCB (net)	0.0	-0.3	7.4	13.7	-13.9	…	2.0	0.0	0.0
Commercial banks (net)	-30.3	35.7	5.9	43.9	-136.9	…	-12.4	0.0	0.0
Nonbank	0.0	0.0	0.0	0.0	50.0	…	0.0	0.0	0.0
Change in arrears	0.0	0.0	0.0	14.2	-14.2	…	0.0	0.0	0.0
Memorandum items:									
Gross central government debt (end of period) 2/	90.8	114.9	126.9	172.2	167.4	166.3	166.3	164.1	161.9
External	15.2	14.1	30.4	33.0	160.4	158.2	157.3	155.1	152.9
Domestic	75.6	100.8	96.5	139.2	7.0	30.9	9.0	9.0	9.0
Gross public sector debt (end of period)	107.7	134.7	147.3	191.5	185.1	184.0	181.7	181.3	179.1
External	27.3	29.9	47.6	50.0	176.3	174.1	171.0	170.7	168.5
Domestic	80.4	104.8	99.6	141.5	8.8	32.7	10.6	10.6	10.6

1/ Includes cash payments, social security contributions and medical benefit contributions.

2/ Excludes central government debt to the Social Security Board

Table 2b. Anguilla: Central Government Operations, 2006–13

					Est.	2011		Proj.	
	2006	2007	2008	2009	2010	Budget	Revised	2012	2013
	(In percent of GDP)								
Revenue and grants	25.4	22.1	23.1	18.7	23.9	25.3	26.8	24.4	25.1
Current	23.4	21.7	21.2	18.7	19.4	23.7	26.8	22.7	23.3
Tax revenue	19.9	17.0	16.1	14.0	13.9	18.3	21.7	17.6	18.2
International trade	9.6	10.0	9.6	8.2	8.1	9.8	8.7	8.7	8.7
Goods and services	10.2	6.8	6.4	5.6	5.7	6.7	11.4	7.3	7.3
Property tax	0.1	0.1	0.1	0.2	0.2	0.5	0.4	0.4	0.4
Income tax	0.0	0.0	0.0	0.0	0.0	1.3	1.2	1.2	1.8
Nontax revenue	3.6	4.8	5.1	4.6	5.5	5.4	5.1	5.1	5.1
Capital revenue	0.0	0.3	1.0	0.0	0.0	0.0	0.0	0.0	0.0
External grants	1.9	0.0	1.0	0.0	4.5	1.6	0.0	1.8	1.9
Current	0.0	0.0	0.0	0.0	3.0	0.0	0.0	1.8	1.9
Capital	1.9	0.0	1.0	0.0	1.6	1.6	0.0	0.0	0.0
Expenditure	24.4	23.7	25.2	26.8	25.6	28.2	25.1	26.9	26.3
Current	18.8	17.6	21.4	25.5	25.0	25.1	24.4	24.0	23.3
Wages and salaries 1/	6.3	7.1	8.7	11.4	11.9	11.3	11.1	10.5	9.9
Goods and services	6.7	5.5	6.2	6.1	4.8	6.0	5.0	4.7	4.7
Interest	0.8	0.7	0.8	1.1	1.5	1.5	1.3	1.8	1.6
Domestic	0.7	0.6	0.8	0.8	1.2	0.3	0.4	0.5	0.5
External	0.1	0.1	0.1	0.3	0.3	1.2	0.9	1.2	1.1
Transfers and subsidies	4.9	4.2	5.7	6.9	6.9	6.3	7.0	7.0	7.0
Of which: Pensions	0.3	0.5	0.7	0.9	1.6	1.3	1.4	1.4	1.4
Capital	5.6	6.1	3.8	1.3	0.6	3.1	0.8	3.0	3.0
Current account balance (after grants)	4.7	4.1	-0.2	-6.8	-2.6	-1.3	2.4	0.5	1.8
Primary balance (after grants)	1.8	-0.9	-1.3	-7.1	-0.2	-3.1	3.0	-0.7	0.5
Overall balance (after grants)	1.0	-1.6	-2.1	-8.2	-1.7	-2.9	1.7	-2.5	-1.2
Statistical discrepancy	3.0	-1.9	-1.0	-1.1	-0.1	0.0	0.0	0.0	0.0
Financing Gap	0.0	0.0	0.0	0.0	0.0	0.0	0.0	2.8	1.4
Financing	-4.0	3.5	3.1	9.3	1.8	2.9	-1.7	-0.3	-0.3
External	-0.1	-0.1	1.7	0.2	17.3	-0.3	-0.3	-0.3	-0.3
Net borrowing	-0.1	-0.1	1.7	0.2	17.3	-0.3	-0.3	-0.3	-0.3
Disbursements	0.0	0.0	1.8	0.3	17.1	0.0	0.0	0.0	0.0
Amortization	-0.1	-0.1	-0.1	-0.1	0.1	-0.3	-0.3	-0.3	-0.3
Domestic	-3.9	3.7	1.4	9.0	-15.5	3.2	-1.4	0.0	0.0
ECCB (net)	0.0	0.0	0.8	1.7	-1.9	...	0.3	0.0	0.0
Commercial banks	-3.9	3.7	0.6	5.5	-18.4	...	-1.7	0.0	0.0
Nonbank	0.0	0.0	0.0	0.0	6.7	...	0.0	0.0	0.0
Change in arrears	0.0	0.0	0.0	1.8	-1.9	...	0.0	0.0	0.0
Memorandum items:									
Gross central government debt (end of period) 2/	11.7	11.9	13.1	21.7	22.5	22.2	22.2	20.7	19.4
External	2.0	1.5	3.2	4.2	21.5	21.1	21.0	19.6	18.3
Domestic	9.8	10.4	10.0	17.5	0.9	4.1	1.2	1.1	1.1
Gross public sector debt (end of period)	13.9	13.9	15.3	24.1	24.9	24.5	24.2	22.9	21.5
External	3.5	3.1	4.9	6.3	23.7	23.2	22.8	21.5	20.2
Domestic	10.4	10.8	10.3	17.8	1.2	4.4	1.4	1.3	1.3

1/ Includes cash payments, social security contributions and medical benefit contributions.

2/ Excludes central government debt to the Social Security Board

Table 3. Anguilla: Summary Balance of Payments, 2006–16

					Est.			Proj.			
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
	(In millions of U.S. dollars)										
Current account	**-150.9**	**-186.5**	**-212.7**	**-90.1**	**-63.0**	**-59.4**	**-59.8**	**-63.9**	**-75.5**	**-80.2**	**-91.6**
Trade balance	**-184.8**	**-209.0**	**-227.7**	**-122.6**	**-112.5**	**-110.5**	**-120.0**	**-131.3**	**-143.8**	**-152.0**	**-166.4**
Exports	12.3	9.2	11.5	10.0	10.1	10.2	10.3	10.5	10.6	10.8	11.0
Imports	-197.1	-218.2	-239.2	-132.6	-122.6	-120.7	-130.4	-141.8	-154.4	-162.8	-177.4
Services and income	**40.1**	**32.6**	**22.4**	**38.0**	**45.9**	**55.9**	**60.0**	**66.4**	**73.1**	**76.7**	**79.7**
Services	32.3	30.9	30.7	43.7	54.7	61.5	66.7	73.0	80.1	83.2	86.4
Of which: Travel (net)	94.8	99.1	84.7	76.5	90.7	99.5	106.6	114.4	122.8	128.1	133.6
Income	7.8	1.7	-8.3	-5.7	-8.8	-5.7	-6.7	-6.7	-7.0	-6.5	-6.7
Compensation of employees	3.7	-0.1	2.1	3.4	3.6	3.6	3.6	3.6	3.6	3.6	3.6
Investment income	4.1	1.8	-10.4	-9.1	-12.4	-9.3	-10.3	-10.3	-10.6	-10.1	-10.3
Current transfers	**-6.2**	**-10.2**	**-7.4**	**-5.5**	**3.6**	**-4.8**	**0.2**	**1.0**	**-4.9**	**-4.9**	**-4.9**
General government	0.0	0.0	0.0	0.0	8.2	0.0	5.2	5.8	0.0	0.0	0.0
Other sectors	-6.2	-10.2	-7.4	-5.5	-4.6	-4.8	-5.0	-4.8	-4.9	-4.9	-4.9
Capital and financial account	**150.6**	**185.3**	**202.8**	**89.6**	**109.5**	**57.2**	**58.3**	**64.7**	**76.3**	**81.1**	**92.6**
Capital transfers (net)	**17.9**	**13.8**	**16.4**	**11.5**	**16.2**	**11.9**	**11.8**	**10.2**	**12.4**	**13.0**	**12.7**
Official (net)	5.5	0.0	3.4	0.0	4.3	0.0	0.0	0.0	0.0	0.0	0.0
Private (net)	12.4	13.8	13.0	11.5	11.9	11.9	11.8	10.2	12.4	13.0	12.7
Financial account (net)	**132.7**	**171.5**	**186.5**	**78.1**	**93.3**	**45.3**	**46.5**	**54.5**	**63.9**	**68.1**	**79.9**
Direct investment	142.0	118.9	98.7	46.3	46.9	44.9	49.8	57.2	65.8	69.1	79.5
Portfolio investment	3.5	-0.3	5.4	2.1	2.2	2.2	2.3	2.4	2.6	2.7	2.8
Public sector capital	0.2	1.0	6.6	-0.4	47.6	-0.8	-0.8	-0.8	-0.8	-0.8	-0.8
Commercial banks	-1.8	52.0	83.6	41.9	5.6	7.9	3.9	4.1	4.6	5.2	6.4
Other capital	-11.2	0.0	-7.8	-11.8	-8.9	-8.8	-8.6	-8.5	-8.3	-8.1	-8.0
Errors and omissions	2.4	4.3	6.0	-3.0	-44.1	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance	2.1	3.1	-3.9	-3.5	2.4	-2.3	-1.5	0.7	0.8	0.9	1.0
Financing	-2.1	-3.1	3.9	3.5	-2.4	2.3	1.5	-0.7	-0.8	-0.9	-1.0
Change in imputed reserves (- accumulation)	-2.1	-3.1	3.9	3.5	-2.4	2.3	1.5	-0.7	-0.8	-0.9	-1.0
	(In percent of GDP)										
Current account balance	-52.7	-52.0	-59.5	-30.6	-22.9	-21.4	-20.4	-20.7	-23.3	-23.6	-25.7
Trade balance	-64.5	-58.3	-63.7	-41.6	-40.8	-39.8	-40.9	-42.5	-44.3	-44.7	-46.7
Exports	4.3	2.6	3.2	3.4	3.7	3.7	3.5	3.4	3.3	3.2	3.1
Imports	-68.8	-60.8	-66.9	-45.0	-44.5	-43.5	-44.4	-45.9	-47.6	-47.9	-49.8
Services, incomes and transfers	11.8	6.3	4.2	11.0	18.0	18.4	20.5	21.8	21.0	21.1	21.0
Of which: Travel (net)	33.1	27.6	23.7	26.0	32.9	35.8	36.3	37.0	37.8	37.7	37.5
Current transfers	-2.2	-2.8	-2.1	-1.9	1.3	-1.7	0.1	0.3	-1.5	-1.4	-1.4
Capital and financial account	52.6	51.6	56.7	30.4	39.7	20.6	19.9	20.9	23.5	23.9	26.0
Of which: Direct investment (net)	49.6	33.1	27.6	15.7	17.0	16.2	16.9	18.5	20.3	20.3	22.3
Overall balance	0.7	0.9	-1.1	0.0	0.0	-0.8	-0.5	0.2	0.3	0.3	0.3
	(Annual percentage change)										
Exports of goods and nonfactor services	-18.3	-25.0	24.8	-13.4	1.2	1.2	1.3	1.4	1.5	1.5	1.6
Imports of goods and nonfactor services	72.4	10.7	9.6	-44.6	-7.5	-1.6	8.0	8.7	8.9	5.5	9.0
Travel, net	24.5	4.6	-14.6	-9.7	18.6	9.7	7.1	7.3	7.4	4.3	4.3
Memorandum Items:											
Imputed gross reserves, US$ millions	41.8	44.9	41.0	37.5	39.9	37.6	36.2	36.9	37.7	38.6	39.6
in months of current year imports	1.7	1.7	1.5	2.2	2.6	2.5	2.2	2.1	2.0	1.9	1.8
GDP at market prices, US$ millions	286.5	357.9	357.6	295.5	273.6	275.7	291.6	306.7	322.2	337.5	353.9

Sources: Eastern Caribbean Central Bank, Authorities; and Fund staff estimates and projections.

Table 4. Anguilla: Monetary Survey, 2006–12

	2006	2007	2008	2009	2010	Proj. 2011	2012
(In millions of Eastern Caribbean dollars, end of period)							
Net foreign assets	**528.3**	**396.3**	**160.1**	**37.5**	**196.4**	**182.5**	**174.6**
Central bank (imputed reserves)	112.9	121.2	110.7	101.1	107.7	101.6	97.6
Commercial banks (net)	415.4	275.1	49.4	-63.6	88.7	80.9	77.0
Net domestic assets	**522.5**	**796.1**	**965.0**	**1,034.0**	**865.9**	**838.6**	**863.1**
Public sector credit, net	-81.1	-71.5	-67.9	-33.2	-180.6	-178.4	-173.1
Central government	23.0	58.4	71.7	129.3	-46.9	-31.9	-31.9
ECCB	-0.2	-0.5	6.9	20.6	6.7	8.7	8.7
Commercial banks	23.1	58.9	64.8	108.7	-28.2	-40.6	-40.6
Rest of the public sector	-104.0	-129.9	-139.6	-162.5	-133.7	-146.5	-141.2
Credit to private sector	861.9	1,165.3	1,367.3	1,409.6	1,412.5	1,383.0	1,402.2
Other items (net)	-258.3	-297.6	-334.3	-342.4	-366.0	-366.0	-366.0
Money and quasi-money (M2)	**1,050.8**	**1,192.4**	**1,125.2**	**1,071.5**	**1,062.4**	**1,021.1**	**1,037.7**
Money	46.9	55.2	52.9	48.3	40.2	38.8	39.4
Currency outside banks	13.5	12.4	15.4	16.4	11.6	11.2	11.4
Demand deposits	33.4	42.7	37.5	31.9	28.5	27.6	28.0
Quasi-money	1,003.9	1,137.2	1,072.3	1,023.2	1,022.2	982.3	998.3
Time deposits	86.1	101.0	68.5	102.4	118.7	114.8	116.6
Savings deposits	81.3	96.3	101.1	101.2	102.2	98.7	100.4
Foreign currency deposits	836.6	939.9	902.7	819.6	795.4	768.8	781.3
(12-month percentage change)							
Net foreign assets	2.0	-25.0	-59.6	-76.6	423.7	-7.1	-4.3
Net domestic assets	22.6	52.4	21.2	7.1	-16.3	-3.2	2.9
Of which: Credit to the private sector	18.7	35.2	17.3	3.1	0.2	-2.1	1.4
Broad money	11.3	13.5	-5.6	-4.8	-0.9	-3.9	1.6
Money	44.9	17.6	-4.2	-8.5	-16.9	-3.5	1.6
Quasi-money	10.1	13.3	-5.7	-4.6	-0.1	-3.9	1.6
(12-month change in percent of M2 at the beginning of the period)							
Net foreign assets	1.1	-12.6	-19.8	-10.9	14.8	-1.3	-0.8
Net imputed reserves	0.6	0.8	-0.9	-0.8	0.6	-0.6	-0.4
Commercial banks NFA	0.5	-13.4	-18.9	-10.0	14.2	-0.7	-0.4
Net domestic assets	10.2	26.0	14.2	6.1	-15.7	-2.6	2.4
Public sector credit (net)	-4.4	0.9	0.3	3.1	-13.8	0.2	0.5
Of which: central government	-3.2	3.4	1.1	5.1	-16.4	1.4	0.0
Credit to the private sector	14.4	28.9	16.9	3.8	0.3	-2.8	1.9
Other items (net)	0.2	-3.7	-3.1	-0.7	-2.2	0.0	0.0
Memorandum item:							
Income velocity of M2	0.8	0.9	0.9	0.8	0.7	0.8	0.8

Sources: Eastern Caribbean Central Bank; and Fund staff estimates and projections.

Table 5. Anguilla: Vulnerability Indicators 2005–11

	2006	2007	2008	2009	2010	2011 2/
Real sector indicators						
Real GDP growth (percent)	15.6	17.3	-0.3	-16.5	-5.9	...
CPI inflation (period average, in percent)	8.4	5.1	6.8	-0.7	1.0	...
Financial indicators 1/						
Capital/risk weighted asset	15.8	14.7	14.7	17.0	16.5	13.8
Of which: Tier 1 capital/risk weighted assets	14.4	13.6	13.6	14.5	16.4	14.1
Liquid assets/total assets	39.5	31.6	23.3	21.2	24.0	24.9
Liquid assets/current liabilities	62.6	56.0	40.3	35.7	40.6	41.8
Total loans/total deposits	71.5	85.3	101.2	110.0	102.4	101.0
Net liquid assets/total deposits	45.9	34.4	21.8	16.1	23.4	25.8
Nonperforming loans/total loans	8.2	6.4	9.0	13.5	22.1	35.2
Indigenous banks	10.2	7.7	10.7	17.4	27.0	36.0
Foreign banks	1.7	0.9	1.1	1.8	5.0	32.3
Provisions for loan losses/nonperforming assets	19.4	21.2	15.9	21.3	17.2	14.0
Indigenous banks	15.7	18.3	14.0	20.5	16.9	15.3
Foreign banks	91.8	121.2	101.4	43.3	22.8	8.9
Gross government claims/total assets	9.0	8.6	7.9	9.1	1.3	1.4
FX deposits/total deposits	76.0	75.2	75.4	74.1	71.4	71.6
Net foreign currency exposure/capital (indigenous banks)	58.8	55.6	110.2	138.5	184.8	217.7
Contingent liabilities/capital (indigenous banks)	105.7	103.1	61.3	55.5	87.8	103.3
Before-tax profits to average assets (percent)	1.7	1.7	1.4	1.1	1.7	-0.7
Broad money (percent change, 12-month basis)	11.3	13.5	-5.6	-4.8	-0.9	-3.9
Private sector credit (percentage change, 12-month basis)	18.7	35.2	17.3	3.1	0.2	...
U.S. treasury bill rate (percent per annum)	4.7	4.4	1.5	0.2	0.1	...
External indicators						
Exchange rate (per US$, end of period)	2.7	2.7	2.7	2.7	2.7	2.7
Exports of goods and nonfactor services (percent change, 12-month basis)	19.9	5.1	-9.9	-6.3	5.7	...
Imports of goods and nonfactor services (percent change, 12-month basis)	69.2	11.2	1.5	-38.7	-7.1	...
Travel receipts (gross, percent change, 12-month basis)	25.0	6.7	-10.9	-9.3	14.4	...
Current account balance (percent of GDP)	-52.7	-52.0	-59.5	-30.6	-22.9	...
Capital and financial account balance (percent of GDP)	52.6	51.6	56.7	30.4	39.7	...
Net FDI inflows (percent of GDP)	49.6	33.1	27.6	15.7	17.0	...
Gross international reserves (GIR) in the ECCB (in US$ millions)	41.8	44.9	41.0	37.5	39.9	...
GIR in months of imports of goods and nonfactor services	1.7	1.7	1.5	2.2	2.6	...
GIR to broad money (percent)	10.7	10.2	9.8	9.4	10.1	...
Public gross external debt (in US$ million)	10.1	11.1	17.6	18.5	65.3	...
Public gross external debt to exports of goods and services (percent)	7.4	7.7	13.7	15.3	51.1	...
Public gross external interest payments to exports of goods and services (percent)	0.0	0.0	0.0	0.1	0.1	...
Public gross external amortization to exports of goods and services (percent)	0.0	0.0	0.0	0.0	0.0	...
Public gross external interest payments to fiscal revenue (percent)	0.5	0.4	0.3	1.4	1.3	...
Public gross external amortization payments to fiscal revenue (percent)	0.0	0.0	0.0	-0.1	0.1	...

Sources: Eastern Caribbean Central Bank (ECCB); and Fund staff estimates and projections.

1/ All banks include indigenous and foreign banks.

2/ As of June, 2011.

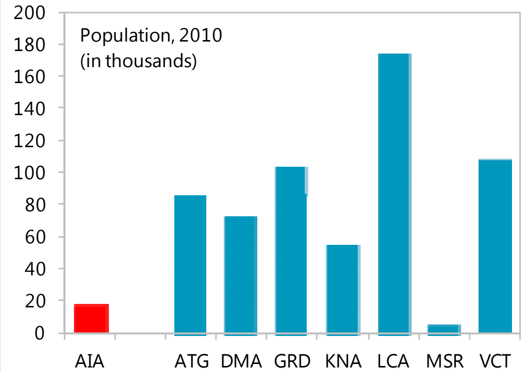
Table 6. Anguilla: Medium Term Macro Framework, 2006–16

	2006	2007	2008	2009	Est. 2010	Proj. 2011	2012	2013	2014	2015	2016
					(Annual percentage change)						
National income and prices											
Real GDP	15.5	17.3	-0.3	-16.5	-5.6	-1.8	1.5	2.0	2.5	2.5	2.8
GDP deflator	3.2	10.3	1.2	1.2	-3.8	2.5	4.2	3.1	2.5	2.2	2.0
Consumer prices, average	8.4	5.1	6.8	-0.7	1.0	2.5	4.2	3.1	2.5	2.2	2.0
Consumer prices, end period	10.5	3.3	5.3	-0.8	0.9	5.0	3.5	2.7	2.3	2.1	2.0
					(In percent of GDP)						
Central government											
Revenue and grants	25.4	22.1	23.1	18.7	23.9	26.8	24.4	25.1	23.2	23.2	23.2
Revenue	23.4	21.7	21.2	18.7	19.4	26.8	22.7	23.3	23.2	23.2	23.2
Of which: tax revenue	19.9	17.0	16.1	14.0	13.9	21.7	17.6	18.2	18.2	18.1	18.1
Grants	1.9	0.0	1.0	0.0	4.5	0.0	1.8	1.9	0.0	0.0	0.0
Expenditure and net lending	24.4	23.7	25.2	26.8	25.6	25.1	26.9	26.3	25.2	24.8	24.3
Current expenditure	18.8	17.6	21.4	25.5	25.0	24.4	24.0	23.3	22.3	21.9	21.4
Of which:											
Wages and salaries	6.3	7.1	8.7	11.4	11.9	11.1	10.5	9.9	9.5	9.0	8.6
Goods and services	6.7	5.5	6.2	6.1	4.8	5.0	4.7	4.7	4.7	4.7	4.7
Interest payments	0.8	0.7	0.8	1.1	1.5	1.3	1.8	1.6	1.1	1.1	1.1
Capital expenditure	5.6	6.1	3.8	1.3	0.6	0.8	3.0	3.0	2.9	2.9	2.9
Primary balance (after grants)	1.8	-0.9	-1.3	-7.1	-0.2	3.0	-0.7	0.5	-0.9	-0.5	-0.1
Overall balance (after grants)	1.0	-1.6	-2.1	-8.2	-1.7	1.7	-2.5	-1.2	-2.0	-1.6	-1.2
Public sector debt	13.9	13.9	15.3	24.1	24.9	24.2	22.9	21.5	20.3	19.9	19.3
External debt	3.5	3.1	4.9	6.3	23.7	22.8	21.5	20.2	18.5	17.6	16.6
Domestic debt	10.4	10.8	10.3	17.8	1.2	1.4	1.3	1.3	1.8	2.2	2.7
					(Annual percentage change)						
External sector											
Exports of goods and nonfactor services	-18.3	-25.0	24.8	-13.4	1.2	1.2	1.3	1.4	1.5	1.5	1.6
Imports of goods and nonfactor services	72.4	10.7	9.6	-44.6	-7.5	-1.6	8.0	8.7	8.9	5.5	9.0
					(In percent of GDP)						
External current account balance	-52.7	-52.0	-59.5	-30.6	-22.9	-21.4	-20.4	-20.7	-23.3	-23.6	-25.7
Trade balance	-64.5	-58.3	-63.7	-41.6	-40.8	-39.8	-40.9	-42.5	-44.3	-44.7	-46.7
Services, incomes and transfers	11.8	6.3	4.2	11.0	18.0	18.4	20.5	21.8	21.0	21.1	21.0
Of which:											
Travel (net)	33.1	27.6	23.7	26.0	32.9	35.8	36.3	37.0	37.8	37.7	37.5
Capital and financial account	52.6	51.6	56.7	30.4	39.7	20.6	19.9	20.9	23.5	23.9	26.0
Of which:											
Foreign direct investment	49.6	33.1	27.6	15.7	17.0	16.2	16.9	18.5	20.3	20.3	22.3
Memorandum Item:											
GDP at market prices (in EC$ mn)	773.7	966.2	965.5	798.0	738.8	744.3	787.4	828.0	869.9	911.3	955.5

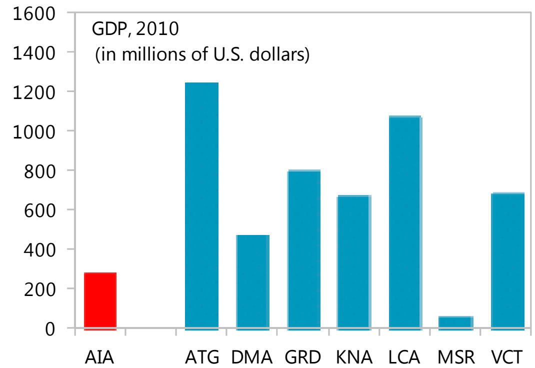
Sources: Authorities; and Fund staff estimates and projections.

Figure 1. Anguilla: Key Characteristics 1/

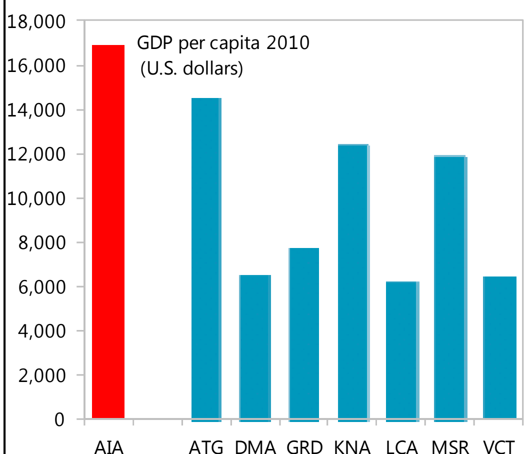
Anguilla is a relatively small island, by population...



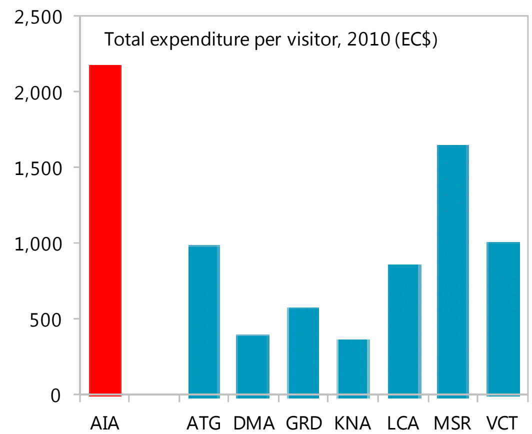
... and by GDP...



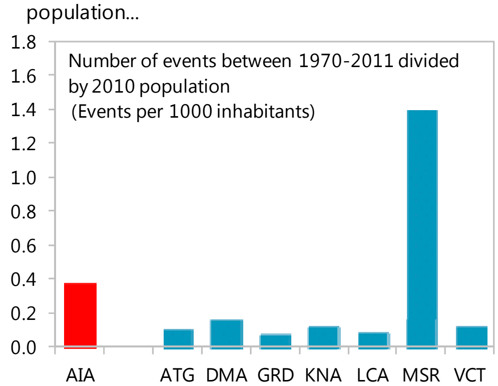
...but its GDP per capita is high by regional standards...



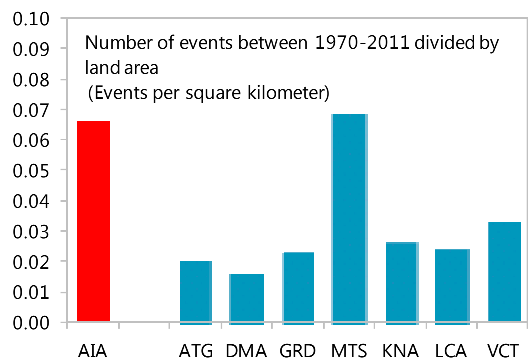
...the tourism sector is high-end.



The island is vulnerable to natural disasters relative to population...



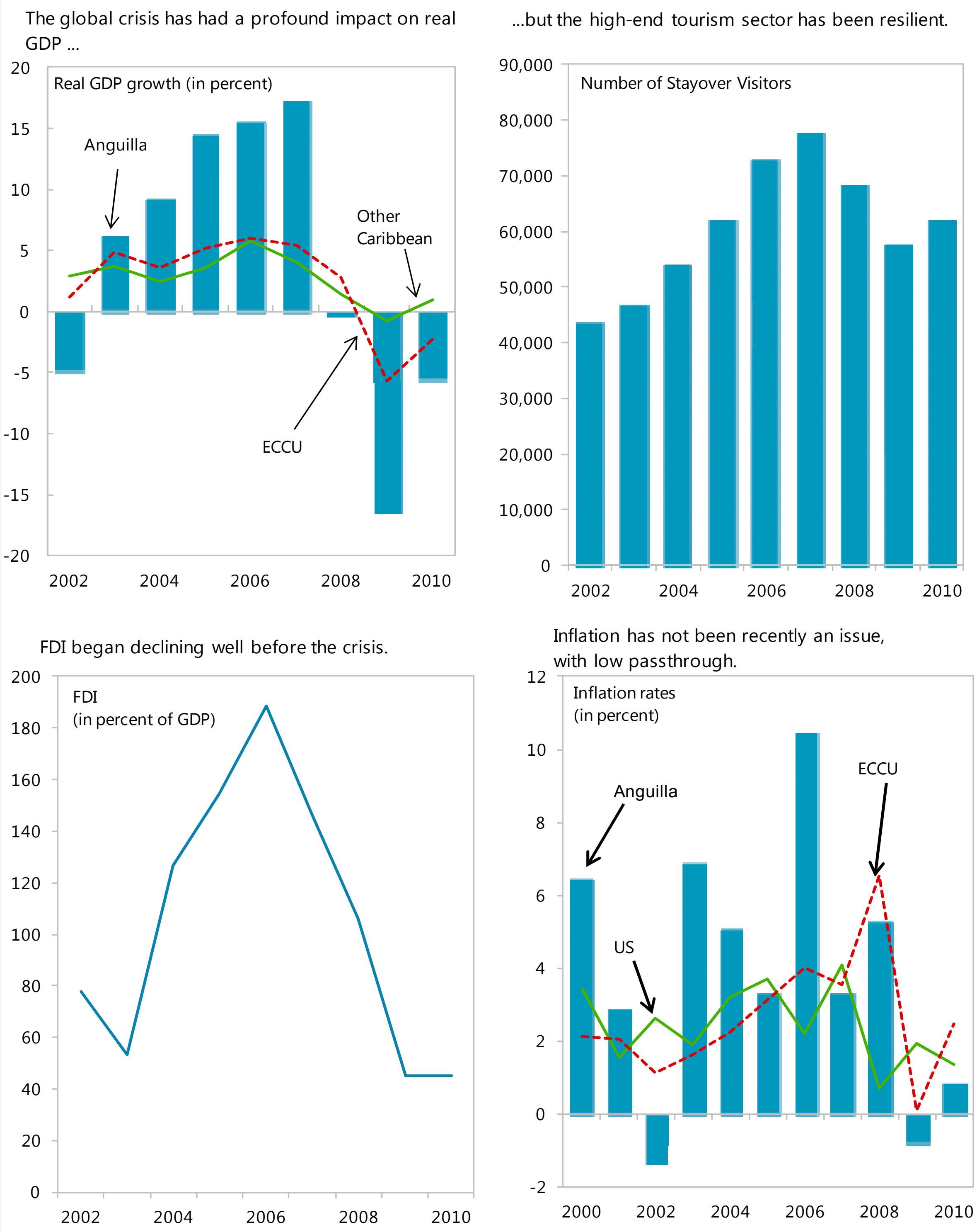
...and land area.



Source: ECCB; EM-DAT; and Fund staff estimates.

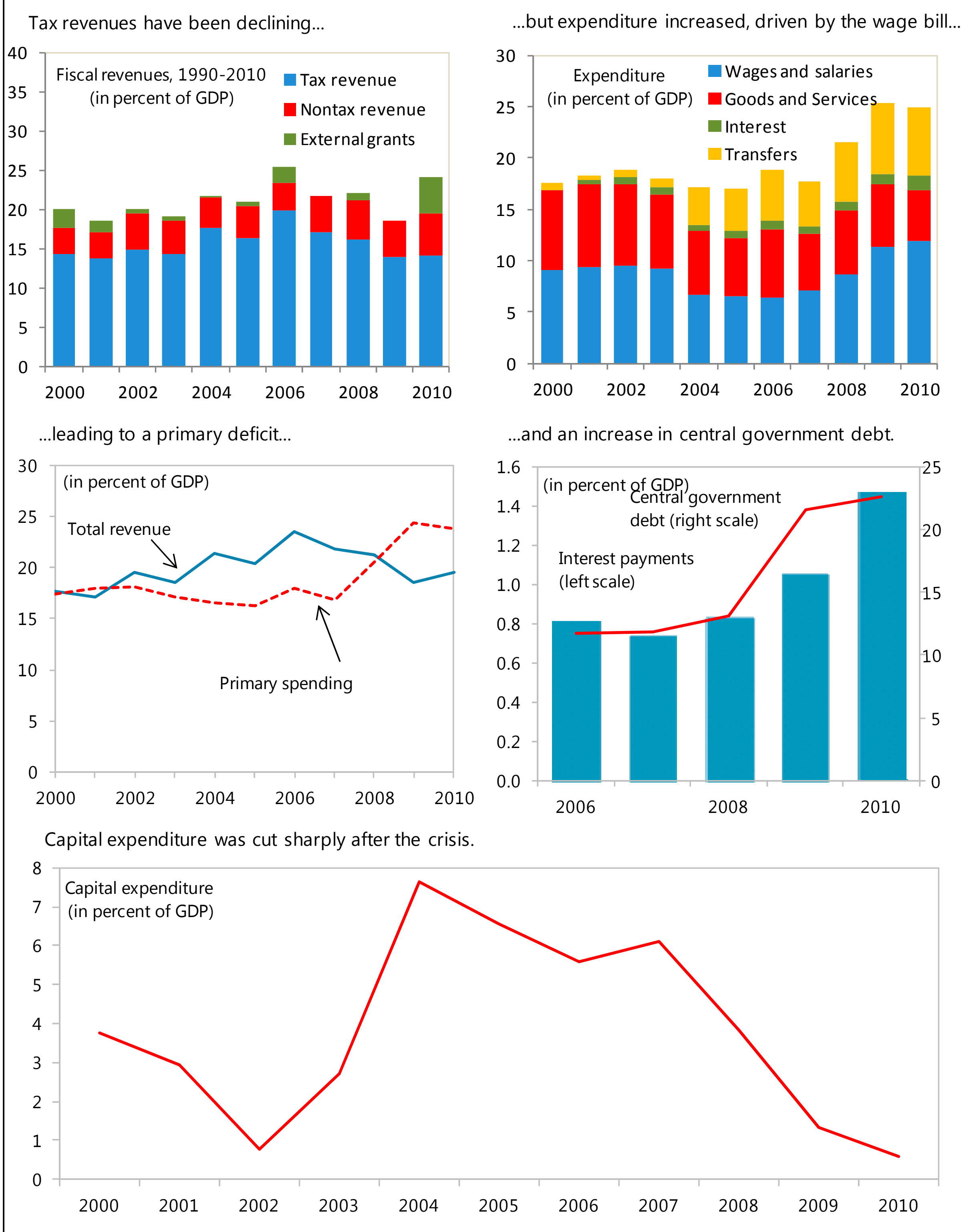
1/ AIA stands for Anguilla; ATG Antigua and Barbuda; DMA Dominica; GRD Grenada; KNA St. Kitts and Nevis; LCA St. Lucia; MSR Montserrat; VCT St. Vincent and the Grenadines.

Figure 2. Anguilla: Real Sector Developments



Source: ECCB; and Fund staff estimates.

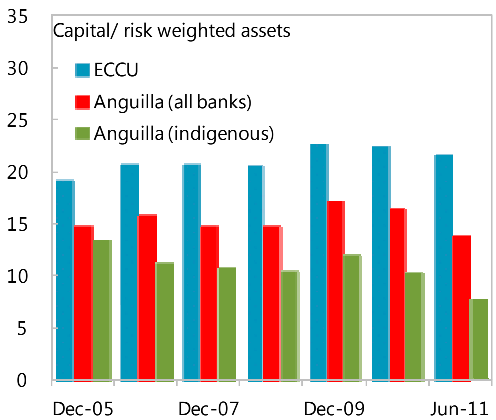
Figure 3. Anguilla: Fiscal Developments



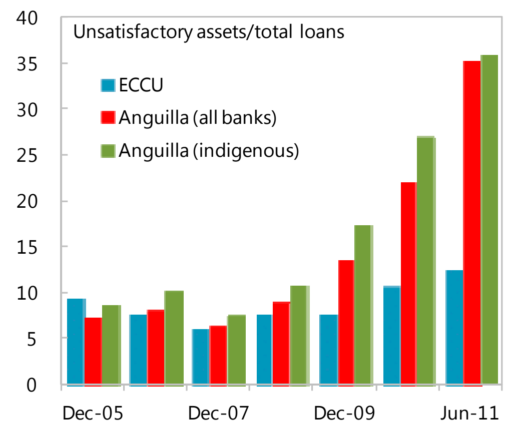
Source: ECCB; and Fund staff estimates.

Figure 4. Anguilla: Financial Soundness Indicators, 2005-2011

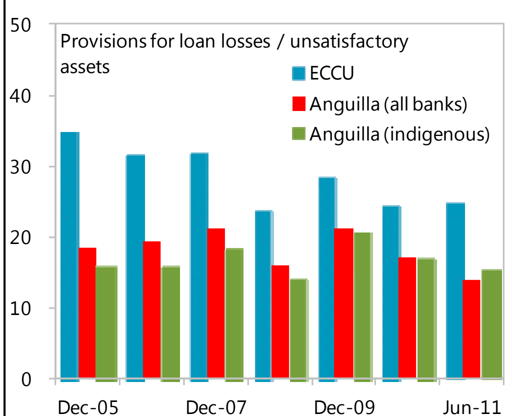
Capital adequacy ratios had been declining in the run-up to the financial crisis.



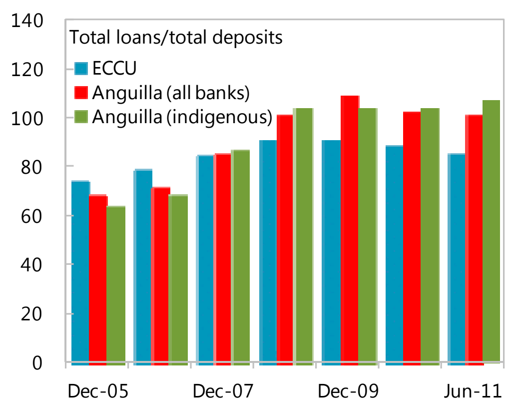
Asset quality for indigenous banks has deteriorated.



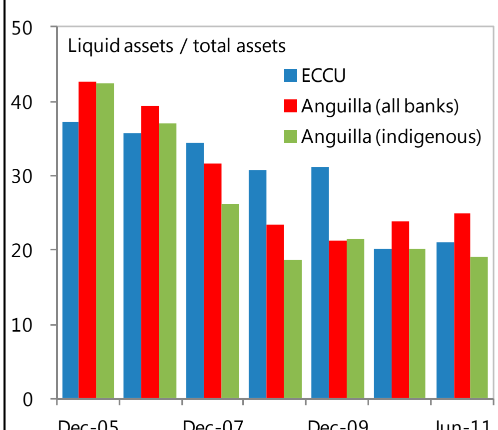
Unsatisfactory assets were under-provisioned.



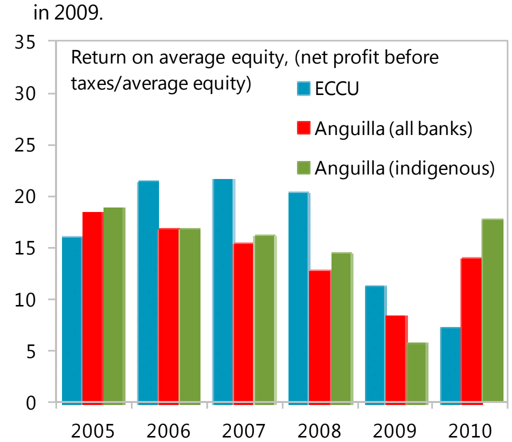
The loan-to-deposit ratio increased to over 100 percent.



Liquidity conditions have tightened.

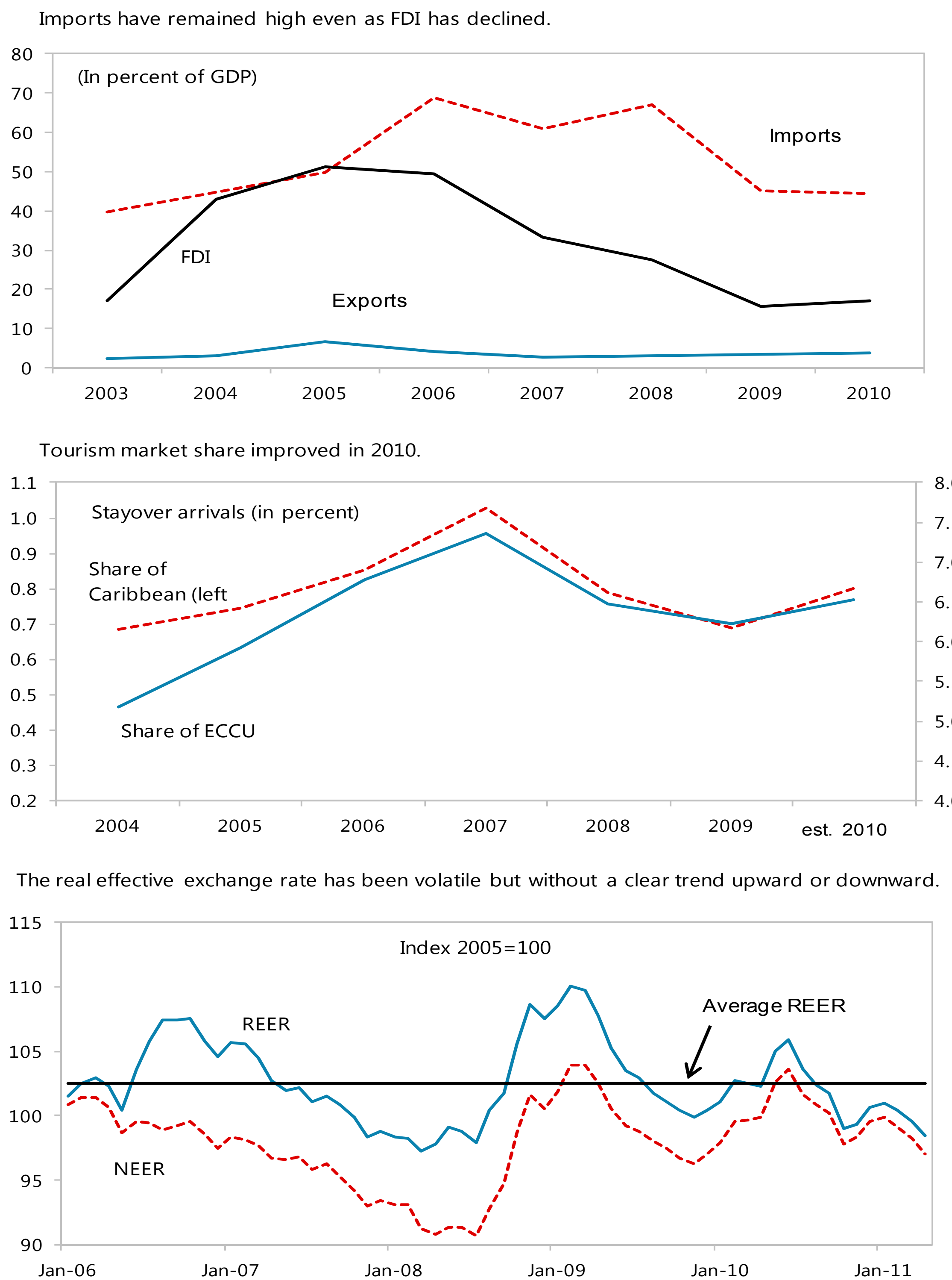


The global crisis has weighed heavily on bank profits in 2009.



Source: ECCB.

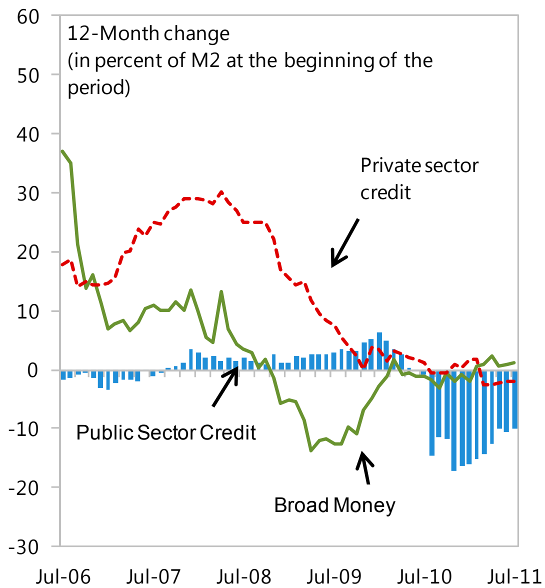
Figure 5. Anguilla: External Sector Developments



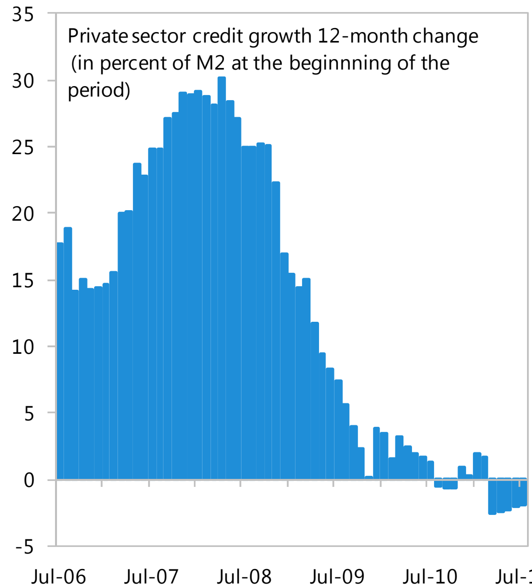
Source: ECCB; and Fund staff estimates.

Figure 6. Anguilla: Monetary Developments

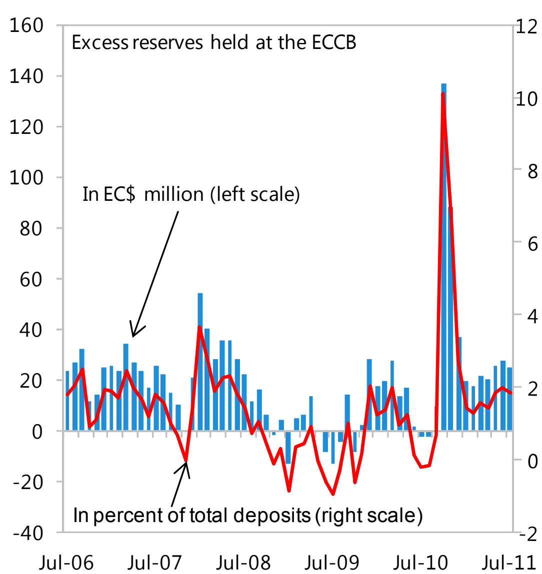
Broad money growth has stagnated since early 2010.



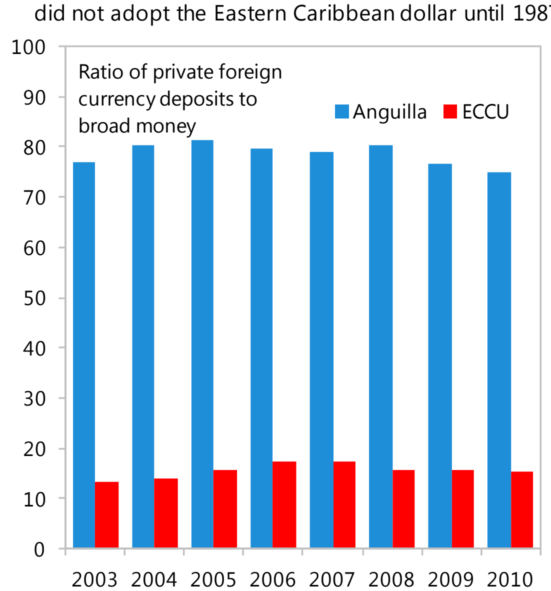
Private sector credit has been stagnant...



...while liquidity is declining.



Foreign currency deposits remain very large, as Anguilla did not adopt the Eastern Caribbean dollar until 1987.



Source: ECCB; and Fund staff calculations.

INTERNATIONAL MONETARY FUND

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EXTERNAL RELATIONS DEPARTMENT

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International Monetary Fund
700 19th Street, NW
Washington, D. C. 20431 USA

IMF Executive Board Concludes 2011 Article IV Consultation Discussions with United Kingdom–Anguilla–British Overseas Territory

On November 28, 2011, the Executive Board of the International Monetary Fund (IMF) concluded the first ever Article IV consultation discussions with United Kingdom–Anguilla–British Overseas Territory.[1]

Background

Anguilla has experienced a boom-bust cycle related to the global crisis and faces a persisting hangover. Several large resort projects fueled a FDI boom during 2003–08, which doubled nominal GDP. The stalling of one of these projects and the global crisis led to declines in real GDP of 16.5 percent in 2009 and 5.9 percent in 2010 respectively. The fiscal situation deteriorated sharply as revenue collapsed while expenditure remained elevated after the increases during the boom years, notwithstanding a series of fiscal measures.

The downturn has accentuated strains on the financial system. The asset portfolio of the banking system, which is concentrated in construction, tourism, and personal loans, was

[1] Under Article IV of the IMF's Articles of Agreement, the IMF holds bilateral discussions with members, usually every year. A staff team visits the country or territory, collects economic and financial information, and discusses with officials the country's economic developments and policies. On return to headquarters, the staff prepares a report, which forms the basis for discussion by the Executive Board. At the conclusion of the discussion, the Managing Director, as Chairman of the Board, summarizes the views of Executive Directors, and this summary is transmitted to the country's authorities. An explanation of any qualifiers used in summings up can be found here: http://www.imf.org/external/np/sec/misc/qualifiers.htm.

adversely affected, and the ratio of nonperforming loans to total loans in the indigenous banks increased to 36 percent by end-June 2011.

The growth outlook is improving with the major tourism projects getting back on course, though a slow recovery is only expected to begin in 2012. Risks are tilted to the downside given the global outlook. Nevertheless, balancing the overall budget by the start of 2013 will be challenging.

Executive Board Assessment

The Executive Directors noted that the severe boom-bust cycle related to the global crisis has accentuated weaknesses in the financial sector, undermined the fiscal position, and pushed the island into recession. They concurred that urgent action is needed to improve the health of the financial sector, to stabilize public finances, and to increase the potential for long-run economic growth.

Directors agreed that close cooperation will be needed to address financial sector vulnerabilities, particularly those related to the indigenous banks. They recommended developing a strategy to strengthen the banks' capital and clean up their balance sheets and underscored the need for an action plan which could usefully spell out the respective roles of the key players.

Directors emphasized that a new fiscal framework is needed with an appropriate balance between current and capital expenditure and in line with the resources available. Fiscal policy should be designed to meet the combined objectives of debt sustainability, deficit reduction, and long-term economic growth. Given financing constraints and economic vulnerabilities, they urged the government to accumulate buffers during good times to allow for countercyclical spending during slowdowns. As part of the new framework, they suggested that the 2012 budget restore capital spending to historical levels, cut current spending, while ensuring adequate revenue given financing constraints.

Directors welcomed efforts toward reforming the inefficient and inequitable tax system. They supported a comprehensive tax reform that would simplify the tax structure and broaden the tax base. They noted that a general consumption-based tax such as a VAT/GST and a permanent income tax would attain both objectives. The complex system of customs duties and exemptions should be replaced with a tariff with few rates and limited exemptions.

Directors noted that the tourism sector, the driver of the economy, has begun to recover, benefiting from its high-end focus. They were encouraged that prospects have brightened now that the two major tourism projects are getting back on track. However, they recognized that air and sea access to the island needs to be improved.

Directors agreed that a fundamental course change is needed to increase the potential for long-term GDP growth and reduce its volatility. They recommended that the short-run policy priorities be to increase capital spending, improve the business environment including through a one-stop shop, and address skills shortages through improved training and greater labor mobility. In the longer run, the focus should be on improving access to the island and enhancing diversification, which would reduce the volatility of real GDP growth rates.

Directors welcomed the Anguillan authorities' initiative in proposing the first ever Article IV Consultation Discussions, which had usefully informed the 2011 Eastern Caribbean Currency Union Common Policies Discussions and hoped that the close dialog developed would continue.

Public Information Notices (PINs) form part of the IMF's efforts to promote transparency of the IMF's views and analysis of economic developments and policies. With the consent of the country (or countries) concerned, PINs are issued after Executive Board discussions of Article IV consultations with member countries, of its surveillance of developments at the regional level, of post-program monitoring, and of ex post assessments of member countries with longer-term program engagements. PINs are also issued after Executive Board discussions of general policy matters, unless otherwise decided by the Executive Board in a particular case.

Anguilla. Selected Indicators, 2006–12

	2006	2007	2008	2009	Est. 2010	Proj. 2011	Proj. 2012
	(Annual percentage change)						
National income and prices							
Real GDP	15.6	17.3	-0.3	-16.5	-5.9	-1.8	1.5
GDP deflator	3.0	10.3	1.2	0.7	-2.2	2.5	4.2
Consumer prices, average	8.4	5.1	6.8	-0.7	1.0	2.5	4.2
Consumer prices, end period	10.5	3.3	5.3	-0.8	0.9	5.0	3.5
Monetary sector							
Broad money (M2)	11.3	13.5	-5.6	-4.8	-0.9	-3.9	1.6
	(Annual change, in percent of M2 at the beginning of the year)						
Net foreign assets	1.1	-12.6	-19.8	-10.9	14.8	-2.1	-3.9
Net domestic credit	10.2	26.0	14.2	6.1	-15.7	-1.8	5.5
Private sector credit	14.4	28.9	16.9	3.8	0.3	-2.8	1.9
Credit to central government	-3.2	3.4	1.1	5.1	-16.4	1.6	0.7
	(In percent of GDP)						
Public sector							
Primary central government balance	1.8	-0.9	-1.3	-7.1	-0.2	3.0	-0.7
Overall central government balance	1.0	-1.6	-2.1	-8.2	-1.7	1.7	-2.5
Revenue and grants	25.4	22.1	23.1	18.7	23.9	26.8	24.4
Of which: Grants	1.9	0.0	1.0	0.0	4.5	0.0	1.8
Expenditure and net lending	24.4	23.7	25.2	26.8	25.6	25.1	26.9
Foreign financing	-0.1	-0.1	1.7	0.2	17.3	-0.3	-0.3
Domestic financing including arrears	-3.9	3.7	1.4	10.8	-17.4	0.5	0.9
Total public debt (end-of-period)	13.9	13.9	15.3	24.1	24.9	27.1	28.4
External	3.5	3.1	4.9	6.3	23.7	22.8	23.4
Domestic	10.4	10.8	10.3	17.8	1.2	4.3	5.0
	(Annual percentage change)						
External sector							
Exports of goods and nonfactor services	-18.3	-25.0	24.8	-13.4	1.2	1.2	1.3
Imports of goods and nonfactor services	72.4	10.7	9.6	-44.6	-7.5	-1.6	8.0
	(In percent of GDP)						
External current account balance	-52.7	-52.0	-59.5	-30.6	-22.9	-21.4	-19.1
Trade balance	-64.5	-58.3	-63.7	-41.6	-40.8	-39.8	-40.9
Services, incomes and transfers	11.8	6.3	4.2	11.0	18.0	18.4	21.8
Of which: Travel (net)	33.1	27.6	23.7	26.0	32.9	35.8	37.3
Capital and financial account	52.6	51.6	56.7	30.4	39.7	20.6	18.6
Of which: Foreign direct investment	49.6	33.1	27.6	15.7	17.0	16.2	16.9
Memorandum Item:							
GDP at market prices, current prices (in EC$ million)	773.7	968.5	965.5	794.8	744.2	749.7	793.2

Sources: Authorities; and Fund staff estimates and projections.

INTERNATIONAL MONETARY FUND

UNITED KINGDOM—ANGUILLA—BRITISH OVERSEAS TERRITORY

November 15, 2011

STAFF REPORT FOR THE 2011 ARTICLE IV CONSULTATION DISCUSSIONS—INFORMATIONAL ANNEX

Prepared By	The Western Hemisphere Department.

CONTENTS

ANNEX I: FUND RELATIONS

- The consultation discussions with the authorities in Anguilla, which are part of the 2011 Article IV discussions with the United Kingdom, were held in The Valley during July 20–29, 2011. The staff team comprised Messrs. Monroe (head), Mrkaic, and Ms. Viseth (all WHD), Ms. Yang (FIN) and Mr. Akçakoca (external consultant). It met with the Governor of Anguilla, the Chief Minister (who is also the Minister of Finance) and senior officials of the government of Anguilla, members of the Anguillan parliament, and representatives of labor unions, business associations, banks, and pension and health care funds.

- As a British Overseas Territory, Anguilla falls under UK sovereignty. The UK has accepted the obligations under Article VIII. Anguilla maintains an exchange system free of restrictions.

United Kingdom

I. **Membership Status:** Joined: December 27, 1945.

II. **General Resources Account:**	**SRD Million**	**Percent of Quota**
Quota	10,738.50	100.00
Fund holdings of currency	7,427.25	69.16
Reserve position in Fund	3,311.37	30.84
Lending to the Fund	1,126.00	

III. SDR Department:	**SDR million**	**Percent of Allocation**
Net cumulative allocation	10,134.20	100.00
Holdings	9,334.54	92.11

IV. **Outstanding Purchases and Loans: None**

V. **Financial Arrangements: None**

VI. **Projected Payments to Fund** (SDR million; based on existing use of resources and present holdings of SDRs):

	Forthcoming				
	2011	**2012**	**2013**	**2014**	**2015**
Principal					
Charges/Interest	0.64	2.12	2.12	2.12	2.12
Total	**0.64**	**2.12**	**2.12**	**2.12**	**2.12**

Anguilla

VII. **Exchange Rate Arrangement:**

The Eastern Caribbean Dollar has been pegged to the U.S. dollar at EC$2.7 per US$1 since July 7, 1976.

VIII. **Article IV Consultation Discussions:**

The 2011 Article IV consultation discussions are the first bilateral Fund discussions with Anguilla.

IX. **Financial Sector Supervision, FATF Evaluation, and OFC Assessment:**

The evaluation of Anguilla's compliance with the Financial Action Task Force (FATF) 40+9 Recommendations on AML/CFT was conducted jointly by the FATF and the Caribbean Financial Action Task Force during June 2010.

X. **Technical Assistance:**

CARTAC is providing technical assistance to Anguilla in the areas of macroeconomic analysis, forecasting and performance monitoring, public finance management, budget preparation, Chart of Accounts reform, and cash management and forecasting.

ANNEX II: ANGUILLA'S RELATIONS WITH THE CARIBBEAN DEVELOPMENT BANK

(As of June 30, 2011)

The Caribbean Development Bank (CDB) has approved loans totalling US$106.5 million, of which US$1.1 million are undisbursed.

Major Projects:

1. *Policy-Based Loan*— is intended to support the Government of Anguilla's medium-term reform programme to achieve fiscal and debt sustainability, thereby creating the conditions for overall economic growth and poverty reduction. The PBL assisted the Government to: (a) restructure its public debt to reduce debt service payments by lengthening the maturity structure and reducing the rate of interest on some of its public debt; (b) strengthen the framework for fiscal and economic management for sustained improvements in the fiscal position; and (c) support and maintain social safety nets to cushion the worst effects of the adjustment measures on the most vulnerable in the country.

2. *Fifth Consolidated Line of Credit*—the provision of a loan of US$5 million to assist the Anguilla Development Bank in continuing its lending programme in the agriculture, industry, tourism, housing, education sectors and small and medium enterprises. The Project is to assist in: (a) financing technically sound and financially viable projects in the productive sectors (agriculture, industry, tourism and services related to those sectors) and (b) improving human resource capacity for Anguilla by upgrading skills at the technical, vocational and professional levels.

3. *Fifth Power Project*— consists of the purchase and installation of two generators of approximate size 3.5 MW and ancillary switchgear, associated civil works, extension to the power house, the installation of a fuel tank and provision of an instrumentation and control system. The project will provide additional generating capacity to satisfy projected electricity demand and to replace existing engines that are past their useful lives.

4. *Natural Disaster Management Project*— to contribute to the rehabilitation of economic infrastructure caused by Hurricane Lenny. The project consists of rehabilitating a Bypass road and drainage structures and repairs to other infrastructure and public buildings. The project promotes the reduction of vulnerability to natural disasters through support for the development and adoption of mitigation policies, standards and practices.

I. CURRENT PORTFOLIO

(In millions of U.S. dollars)

	Approved	Disbursed	Undisbursed
Policy-Based Loan	55.00	55.00	0.00
Fifth Consolidated Line of Credit	5.00	3.89	1.10
Fifth Power Project	6.09	6.09	0.00
Disaster Management – Rehab. Hurricane Lenny	3.34	3.34	0.00

II. LOAN DISBURSEMENT

(In millions of U.S. dollars)

	2007	2008	2009	2010	2011[1]
Net Disbursement	0.67	(0.64)	(1.10)	53.45	(0.81)
Disbursement	1.87	1.03	0.48	55.12	0.00
Amortization	1.20	1.67	1.58	1.67	0.81
Interest and charges	1.00	1.00	0.88	0.99	1.51
Net resource flow	(0.33)	(1.64)	(1.98)	52.46	(2.32)

[1/] As of June 30.

ANNEX III. STATISTICAL ISSUES

As of November 15, 2011

I. Assessment of Data Adequacy for Surveillance	
General: Macroeconomic statistics have some shortcomings, but are broadly adequate for surveillance. There are shortcomings in coverage, accuracy, frequency, and timeliness. Priority should be given to compilation and dissemination of labor market data and tourism data.	
Real Sector: National account data are based on the 1993 System on National Accounts. They are compiled and disseminated annually; Anguilla does not disseminate quarterly GDP data. Anguilla recently rebased its national accounts to base year 2006 for the period 2000 to 2009 and new GDP data have 2006 for the base year. The rebasing led to a significant increase in the nominal GDP due to an extension of data compilation to previously underestimated sectors and activities, for example communication. GDP data by type of expenditure are not available at constant prices. Private final consumption expenditure is estimated as a residual. Monthly CPI data are reported regularly but with a long lag. An important weakness of macroeconomic statistics is the lack of appropriate labor market data.	
External Sector Statistics: The Eastern Caribbean Central Bank monitors the external sector in collaboration with member countries' statistical offices. BOP data are published annually in a format that is consistent with the fifth edition of the IMF Balance of Payments Manual. There are no data on private external debt.	
Government Finance Statistics: The data on central government finances are published by the ECCB and are broadly in line with the methodology in the Government Finance Statistics Manual 1986. The data are published annually with a lag of approximate six months.	
Monetary and Financial Statistics: Monetary data are compiled by the ECCB on a monthly basis and reported regularly to the Fund. There is a need to improve the institutional coverage that currently only comprises the ECCB and commercial banks.	
II. Data Standards and Quality	
Anguilla does not participate in the General Data Dissemination System.	No data ROSC is available.
III. Reporting to STA	
The authorities do not report fiscal data for publication in the IFS. The ECCB provides monetary and financial statistics data to STA.	

Anguilla—Table of Common Indicators Required for Surveillance
(As of November 15, 2011)

	Date of latest observation (dd/mm/yy)	Date received (dd/mm/yy)	Frequency of data[1]	Frequency of reporting[1]	Frequency of publication[1]
Exchange rates[2]	1/15/2011	1/15/2011	D	D	D
International reserve assets and reserve liabilities of the monetary authorities[3]	07/2011	19/09/2011	M	M	M
Reserve/base money	07/2011	19/09/2011	M	M	M
Broad money	07/2011	19/09/2011	M	M	M
Central bank balance sheet	11/09/2011	19/09/2011	W	W	W
Consolidated balance sheet of the banking system	07/2011	14/09/2011	M	M	M
Interest rates[4]	19/09/2011	19/09/2011	I	D	D
Consumer price index	03/2011	07/01/2011	M	M	M
Revenue, expenditure, balance and composition of financing[5]— General government[6]			NA	NA	NA
Revenue, expenditure, balance and composition of financing[5]— Central government	2010	07/2011	A	A	A
Stocks of central government and central government-guaranteed debt[7]	2010	07/2011	A	A	A
External current account balance Exports and imports of goods and services	2010	07/2011	A	A	A
GDP/GNP	2010	07/2011	A	A	A
Gross external debt	2010	07/2011	A	A	A
International investment position[8]			NA	NA	NA

[1] Daily (D); weekly (W); monthly (M); quarterly (Q); annually (A); irregular (I); and not available (NA).
[2] The Eastern Caribbean Dollar is pegged to the US Dollar.
[3] Any reserve assets that are pledged or otherwise encumbered should be specified separately. Also, data should comprise short-term liabilities linked to a foreign currency but settled by other means as well as the notional values of financial derivatives to pay and to receive foreign currency, including those linked to a foreign currency but settled by other means.
[4] Both market-based and officially-determined, including discount rates, money market rates, rates on treasury bills, notes and bonds.
[5] Foreign, domestic bank, and domestic nonbank financing.
[6] The general government consists of the central government (budgetary funds, extra budgetary funds, and social security funds) and state and local governments.
[7] Including currency and maturity composition.
[8] Includes external gross financial asset and liability positions vis-à-vis nonresidents.