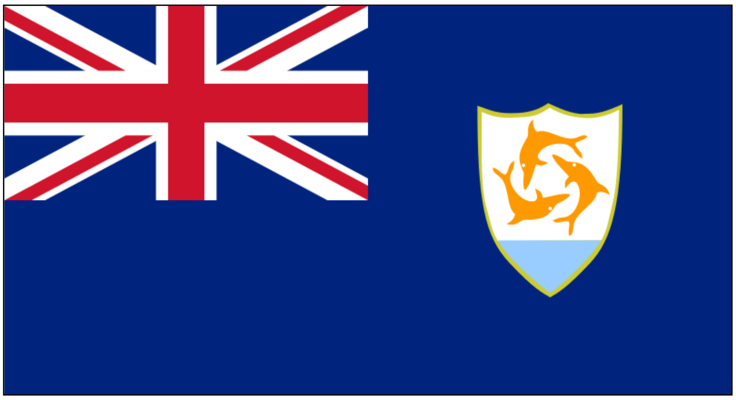
ANGUILLA DEBT PORTFOLIO REVIEW 2015



Prepared by the Debt Management Unit,
Ministry of Finance and Economic Development, Anguilla

In Collaboration with the

Canada-Eastern Caribbean
Debt Management Advisory Service (DMAS) Unit

June 2016


ANGUILLA
Atlantic Ocean
Scrub Island
Seal Island
Prickly Pear Cays
Shoal Bay East
Scilly Cay &
Island Harbour
The Fountain
Badcox Pond
Grey Pond
Little Bay
Caul's Pond
Sandy Island
The Valley
Sea Feather
Bay
Sandy
Ground
Wallblake Airport
Rendesvous
Salt Pond
Meads Bay
Blowing
Point
Maunday's
Bay
Caribbean Sea
0
4 km
0
2 miles

ACRONYMS

ADB	Anguilla Development Board
ASSB	Anguilla Social Security Board
ATB	Anguilla Tourist Board
ATM	Average Time to Maturity
ATR	Average Time to Re-fixing
BGs	Borrowing Guidelines
CCB	Caribbean Commercial Bank Anguilla Ltd
CDB	Caribbean Development Bank
DMU	Debt Management Unit
DSA	Debt Sustainability Assessment
ECCB	Eastern Caribbean Central Bank
ECCU	Eastern Caribbean Currency Union
EIB	European Investment Bank
FAA	Financial Administration and Audit Act
FDI	Foreign Direct Investment
FFSD	Framework for Fiscal Sustainability and Development
GDP	Gross Domestic Product
GoA	Government of Anguilla
NBA	National Bank of Anguilla Ltd
NDAC	National Debt Advisory Committee
MFEDICT	Ministry of Finance, Economic Development, Investment, Commerce and Tourism
MTDS	Medium Term Debt Strategy
OCR	Ordinary Capital Resources
PAS	Principal Assistant Secretary
PBL	Policy-Based Loan
PS	Permanent Secretary
SFR	Special Fund Resources
UKG	United Kingdom Government

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SECTION 1.0 EXECUTIVE SUMMARY

The Anguilla Debt Portfolio Review for the calendar year ending 31st December 2015 was compiled by the Debt Management Unit, Ministry of Finance and Economic Development, with support from the Canada-Eastern Caribbean Debt Management Advisory Service (CANEC-DMAS)[1]. The report covers public and public guaranteed external and domestic debt over the period 2011-2015. The review also explores debt related issues in terms of the country's debt management strategy and debt sustainability analysis.

The debt portfolio review is divided into three other sections as outlined below:

SECTION 2: provides an overview of the economy in terms of the economic developments over the period 2011-2015, and the impact on both the levels and composition of the debt portfolio.

SECTION 3: examines the evolution of the total public sector debt, its composition, costs and risks inherent in the current portfolio, debt sustainability indicators and the United Kingdom Government (UKG) borrowing benchmarks.

SECTION 4: concludes with the key observations in the current debt portfolio and policy recommendations.

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[1] The project which commenced in 2009 is managed by the Eastern Caribbean Central Bank and financed by the Government of Canada through Global Affairs Canada (GAC). The main objective of the project is to assist member countries of the Eastern Caribbean Currency Union in strengthening and improving debt mmanagement capabilities to effectively manage debt portfolios to sustainable levels.

SECTION 2.0 OVERVIEW OF ANGUILLA'S ECONOMY

Introduction

Anguilla is a small open economy with a narrow economic base focused on high-end tourism and construction, and to a lesser extent, offshore financial services. The performance of the economy is highly correlated with global trends and economic developments in the United States. The dependence on this narrow base has resulted in large fluctuations in economic growth over the last two decades, thus highlighting Anguilla's vulnerability to external shocks.

Anguilla is a member of the Eastern Caribbean Currency Union with the second smallest economy as at the end of 2015 accounting for 5.1 per cent of the Union's total gross domestic product (GDP). Anguilla is also a self-governing Overseas Territory of the United Kingdom (UK). This relationship requires the Government of Anguilla (GoA) to maintain fiscal and debt[2] operations within the context of the Fiscal Responsibility Act 2013.

Macroeconomic Developments

The global financial crisis which began in the fall of 2007 with the sub-prime mortgage crisis in the USA negatively impacted the economy of Anguilla by the end of 2008. Economic growth contracted continuously over the period 2008-2012. In 2013 the economy showed its first signs of recovery with real growth of 0.32 per cent as key economic sectors rebound. Economic activity was estimated to have expanded by 2.2 per cent in 2015 compared with growth of 6.7 per cent in 2014. The expansion in 2015 reflected increased activity in the hotels and restaurants, wholesale and retail trade and real estate, renting and business activities and financial intermediation sectors, tempered by a deceleration in construction activity. Diagram 1 below, depicts real GDP growth for these selected economic sectors over the period, 2011-2015.

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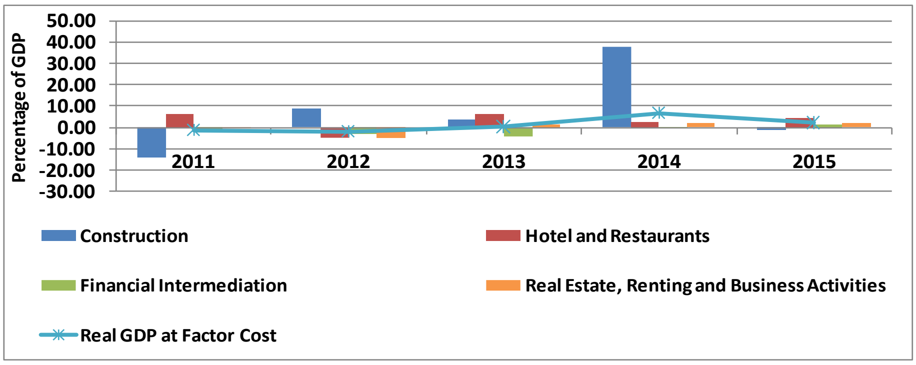
[2] Anguilla's borrowing is constrained by borrowing ratios agreed to in the Framework for Fiscal Sustainability and Development signed in April 2013 and legislated in October via the Fiscal Responsibility Act 2013 (replaced the 2003 Borrowing Guidelines Agreement.

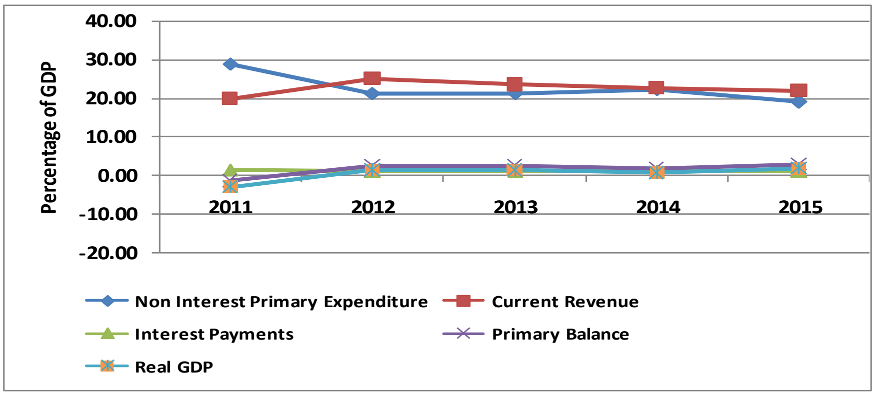
Diagram 1: Real GDP Growth, Selected Sectors Growth Performance (2011-2015)



Public Finance Trends

Diagram 2 shows the trend in central government fiscal position for the period under review.

Diagram 2: Central Government Fiscal Position 2011-2015 (as per cent of GDP)



The fiscal operations of central government in 2015 resulted in a smaller overall surplus of EC$11.4m (after grants) accounting for 1.3 per cent of GDP, compared with one of EC$20.9m (2.5 per cent of GDP) in 2014. This outturn was largely influenced by an increase in expenditure relative to revenue. A primary surplus of $12.3m was recorded in

2015 compared with $27.3m in the previous year. Total outstanding public debt fell to 24.7 per cent of GDP at the end of 2015. See Appendix: 1.

SECTION 3.0 PUBLIC DEBT STRUCTURE AND RATIOS

3.1 Total Public Debt

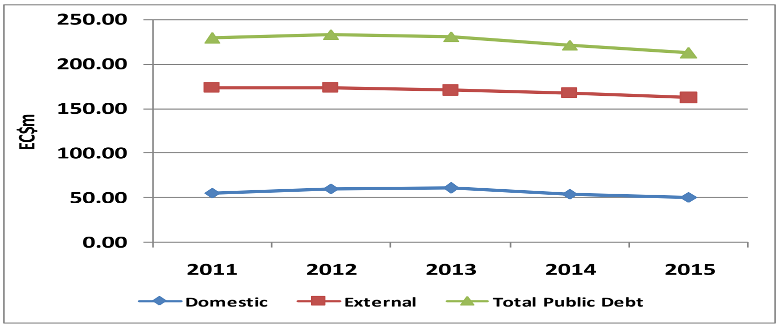
Anguilla's total public debt comprises central government debt and government guaranteed debt from domestic and external sources (see Table 1).

Table 1: Total Public Debt 2011-2015 (EC$m)

	2011	2012	2013	2014	2015
Central Government Debt	**213.12**	**217.34**	**216.79**	**209.14**	**201.52**
Domestic	53.83	59.11	59.55	53.02	49.55
External	159.29	158.23	157.24	156.12	151.97
Government Guaranteed Debt	**16.38**	**16.67**	**14.86**	**12.75**	**11.19**
Domestic	1.57	1.35	1.13	0.91	0.68
External	14.81	15.32	13.73	11.84	10.51
Total Public Debt	**229.50**	**234.01**	**231.65**	**221.89**	**212.71**
Domestic	55.40	60.46	60.68	53.93	50.23
External	174.10	173.55	170.97	167.96	162.48

At the end of 2015 total disbursed outstanding public sector debt stood at EC$212.7m or 24.7 per cent of GDP. Over the five year period (2011-2015) debt stock declined at an average annual rate of 1.8 per cent. The downward trajectory in debt was attributable primarily to scheduled amortization payments exceeding new borrowing. External debt accounted for the predominant share of the portfolio with a share averaging 75.0 per cent while domestic debt averaged 25.0 per cent (see diagram 3).

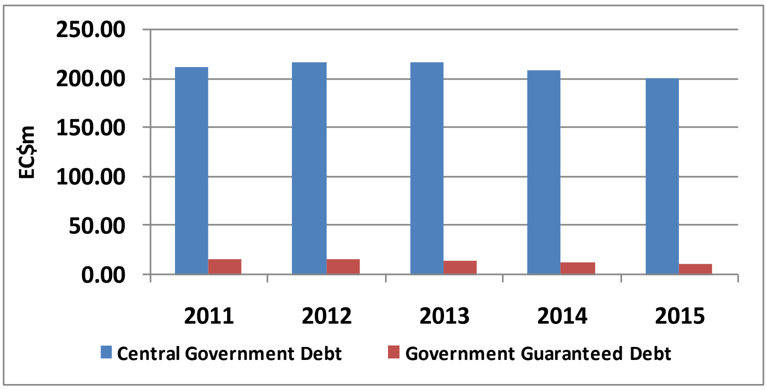
Diagram 3: Total Public Debt by Category (EC$m)



Central Government and Government Guaranteed Debt

As shown in diagram 4, central government debt accounted for 94.7 per cent (EC$201.5m) of the total disbursed outstanding debt at the end of 2015, growing from a 92.9 percentage share (EC$213.1m) in 2011. For the same period, the share of government guaranteed debt[3] declined from 7.1 per cent (EC$16.4m) to 5.3 per cent (EC$11.2m). Over the five year period central government debt and government guaranteed debt had an average annual decline of 1.4 per cent and 8.9 per cent respectively.

Diagram 4: Central Government and Government Guaranteed Debt (EC$m)

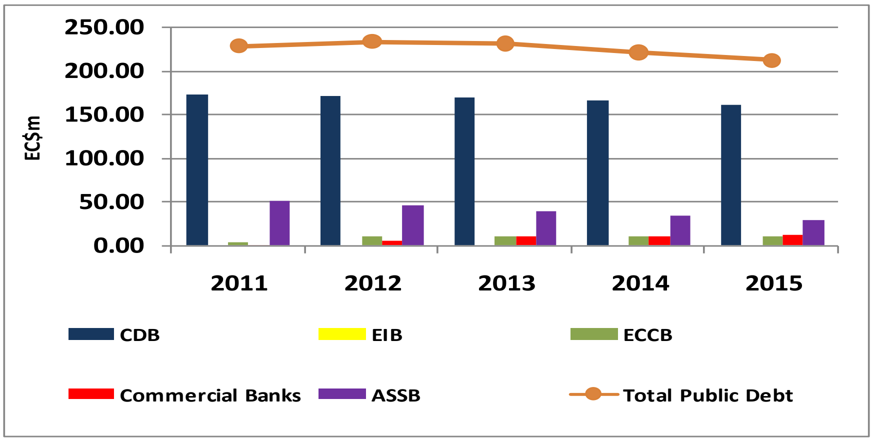


3.2 Public Debt Composition

Diagram 5 shows that at the end of 2015, the Caribbean Development Bank (CDB) held the largest share of total debt accounting for 76.0 per cent (EC$161.6m) of the portfolio. The share of debt owed to the other creditors, in descending order, were Anguilla Social Security Board (ASSB) 13.2 per cent (EC$28.1m), Caribbean Commercial Bank (CCB) 5.9 per cent (EC$12.5m), Eastern Caribbean Central Bank (ECCB) 4.5 per cent (EC$9.6m) and European Investment Bank (EIB) 0.4 per cent (EC$0.9m).

Diagram 5: Creditor Category of Public Debt (EC$m)

[3] Guaranteed debt was held by two statutory bodies, the Anguilla Development Board and the Anguilla Tourist Board.



External Debt

Over the period under review, the external debt portfolio consisted entirely of loans. External debt declined steadily moving from EC$174.1m in 2011 to EC$162.5m in 2015. This represented an annual average decrease of 1.7 per cent.

External Debt by Creditor

Anguilla's external debt over the period under review was owed to two multilateral creditors, the European Investment Bank and the Caribbean Development Bank. The latter has been the dominant holder with an average annual share of 99.4 per cent.

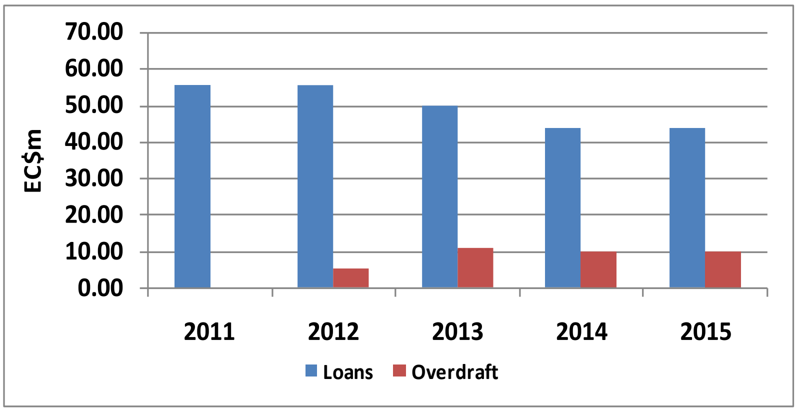
Domestic Debt

Domestic debt in 2011 and 2015 stood at EC$55.4m and EC$50.2m respectively. The level fluctuated over the five-year period largely due to end of year balances on the two short facilities (the overdraft and the Eastern Caribbean Central Bank cash advance). At the end of 2015 the overdraft stood at EC$12.1m and the cash advance totalled EC$9.6m.

Domestic Debt by Instrument

The domestic debt portfolio consisted of loans and an overdraft facility over the period (see diagram 6).

Diagram 6: Domestic Debt by Instrument (EC$m)

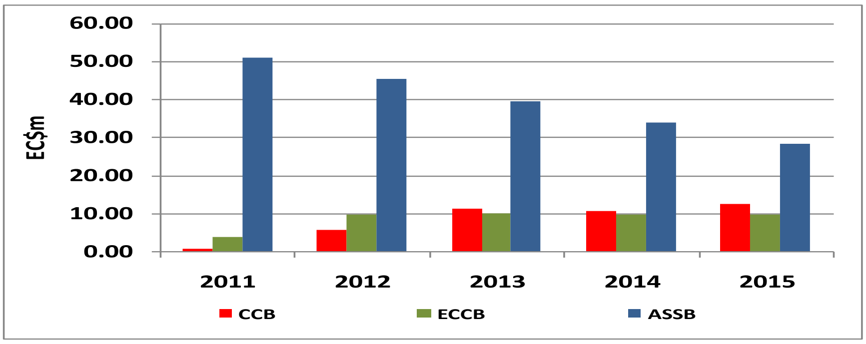


Loans accounted for 87.3 per cent of the domestic debt portfolio over the five years. Domestic loans span across the commercial banks, the Anguilla Social Security Board and the Eastern Caribbean Central Bank. For a similar period, the overdraft facility which was provided by Caribbean Commercial Bank Anguilla Ltd (CCB) accounted on average for 10.1 per cent of the portfolio.

Domestic Debt by Creditor

As depicted in diagram 7, the ASSB has been the dominant holder of the domestic debt portfolio. At the end of 2015 debt owed to the ASSB stood at EC$28.1m or 56.0 per cent of total domestic debt. Other domestic creditors included, the CCB with an amount of EC$12.5m (24.8 per cent) and the ECCB EC$9.6m (19.2 per cent).

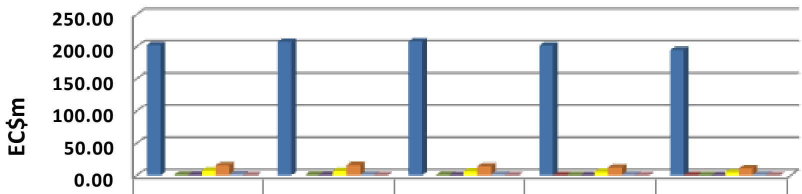
Diagram 7: Domestic Debt by Creditors (EC$m)



3.3 Debt by Economic Sector

Diagram 8 below captures Anguilla's total public debt by economic sector. Over the period 2011-2015, Budget Support accounted for the largest proportion of public debt, with an average annual share of 89.8 per cent. Multi-sector and Infrastructure followed with shares averaging 6.2 per cent and 2.8 per cent respectively. The remainder of the portfolio (1.2 per cent) was shared among five other economic sectors. Financing during the period was acquired largely to finance recurrent expenditure.

Diagram 8: Public Debt by Economic Sector (EC$m)



	2011	2012	2013	2014	2015
Budget Support	202.33	207.61	208.05	201.52	194.96
Education & Training				0.06	0.15
Housing	1.08	0.90	0.72	0.54	0.36
Industrial Development	0.88	0.67	0.47	0.26	0.05
Infrastructure	7.67	6.98	6.27	5.57	4.86
Multi-Sector	15.75	16.18	14.52	12.56	11.15
Roads and Bridges	1.30	1.22	1.21	1.01	0.86
Tourism & Hotel Industry	0.49	0.45	0.41	0.37	0.32

3.4 New Borrowing and Debt Service Payments

New Borrowing

No new debt was contracted in 2015. However, during the year disbursements on existing debt totalled EC$0.39m. The major portion (EC$0.30m) was attributed to an Anguilla Development Board loan. The remainder was on the EC$8.7m Anguilla Community College Project loan which had an undisbursed balance of EC$8.4m at the end of the period.

Debt Service Payments

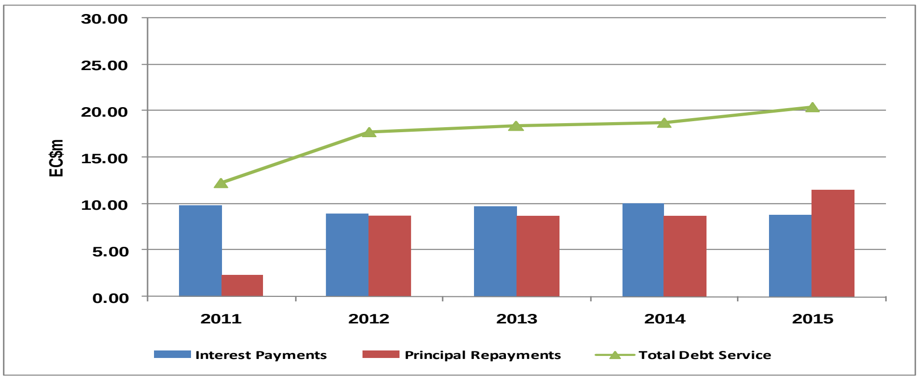
Anguilla's total public sector debt service increased on average by 14.8 per cent moving from EC12.3m in 2011 to EC$20.4m in 2015 (see table 2).

Table 2: Total Public Sector Debt Service 2011-2015 (EC$m)

Debt Service Payments (EC$m)	2011	2012	2013	2014	2015
Total Debt Service	**12.25**	**17.77**	**18.43**	**18.74**	**20.41**
Principal Repayments	*2.37*	*8.77*	*8.69*	*8.71*	*11.55*
Interest Payments	*9.88*	*9.00*	*9.74*	*10.03*	*8.86*
External Debt Service	**9.27**	**9.48**	**9.48**	**9.75**	**12.17**
Principal Repayments	*2.16*	*3.00*	*2.91*	*2.93*	*5.77*
Interest Payments	*7.11*	*6.48*	*6.57*	*6.82*	*6.40*
Domestic Debt Service	**2.98**	**8.29**	**8.95**	**8.99**	**8.25**
Principal Repayments	*0.21*	*5.77*	*5.78*	*5.78*	*5.78*
Interest Payments	*2.77*	*2.52*	*3.17*	*3.21*	*2.46*

This increase in debt service was mainly due to commencement of principal repayments on a domestic ASSB loan and the external CDB PBL whose grace periods expired in 2012 and 2015 (last quarter) respectively. As shown, total principal repayments moved from EC$2.4m in 2011 to EC$11.6m in 2015. On the other hand, for a similar period total interest payments declined from EC$9.9m to EC$8.9m. The trend in debt servicing is illustrated in diagram 9.

Diagram 9: Debt Service 2011-2015 (EC$m)



3.5 Risk Analysis

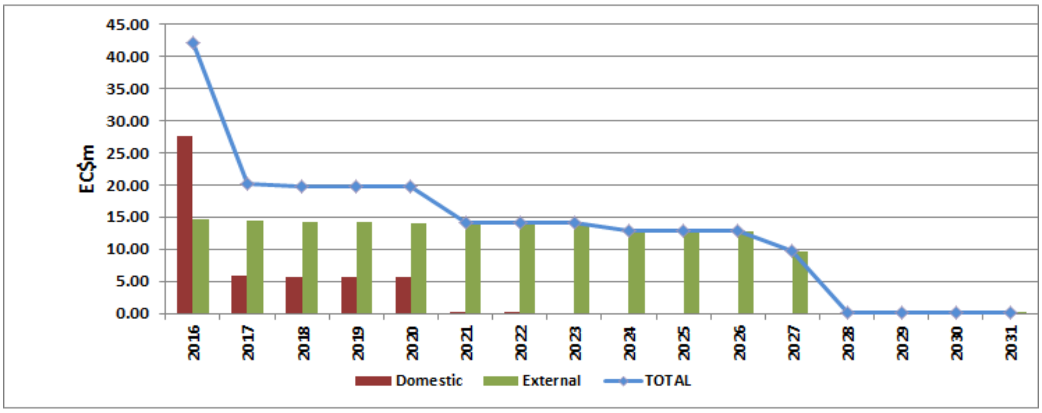
Risk refers to the potential for the cost of debt to deviate from its expected outcome due to variations in interest rate and exchange rate. Exposure of Anguilla's debt portfolio to risk is assessed using the following risk indicators: refinancing risk, interest risk and exchange risk.

Refinancing Risk

Refinancing risks (rollover risk) refers to the risk a borrower faces when the actual cost of re-borrowing funds may exceed projected cost of financing existing obligations. Two measures used to assess Anguilla's exposure to refinancing risk are the maturity/redemption profile of debt and the Average Time to Maturity (ATM).

The maturity profile refers to the amount of debt that is falling due in a given period of time. This indicator shows the specific points of a country's vulnerability which is manifested by high debt service payments (principal repayments) in the debt repayment schedule. Diagram 10 depicts the maturity structure of Anguilla's debt given the stock of debt as at the end of 2015.

Diagram 10: Maturity Profile of Public Debt



The proportion of debt with a remaining maturity of 1 year or less (short-term) stood at 19.8 per cent (EC$42.1m) of total debt. External payments account for EC$14.6m due mainly to CDB. Domestic payments amount to EC$27.5 comprising of EC$21.7m for short term facilities (overdraft and ECCB cash advance).

Debt falling due within 2 to 5 years (medium term) accounts for 37.4 per cent (EC$79.5m) of maturing debt. External payments account for EC$56.9m (71.6 per cent) with payments to the CDB totalling EC$56.7m. Domestic payments average EC$5.6m and are due largely to the Anguilla Social Security Board.

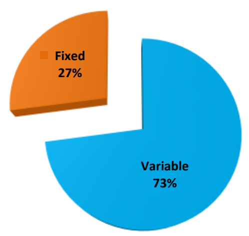
The proportion of debt with a remaining maturity exceeding 5 years (long term) was 42.8 per cent (EC$91.0m). Principal outlays (EC$90.4m) are primarily to CDB.

The analysis shows that Anguilla's public debt's susceptibility to refinancing risk is moderate to high. This is corroborated by the refinancing risk indicator, average time to maturity (ATM), which measures the sum of redemptions weighted by the time to maturity. It shows how long it takes on average to rollover the debt portfolio. The ATM of Anguilla's public is 4.8 years.

Interest Rate Risk[4]

At the end of the period under review, 73.0 per cent of disbursed outstanding debt was attributed to instruments with variable interest rates and 27.0 per cent to fixed rate instruments (see diagram 11). All domestic debt had fixed interest rates, with rates ranging between 4.5 to 8.5 per cent. External debt had a mixture of both fixed and variable interest rates. The fixed interest rates related to the loan with the EIB which carried a rate of 0.75 per cent per annum and the Special Funds Resources (SFR) portion of CDB debt. The variable interest rate debt was associated with the Ordinary Capital Resources (OCR)[5] share of CDB loans.

Diagram 11: Interest Rate Composition



Interest rate risk refers to risk associated with movements of the interest rate on domestic and international capital markets. Changes in interest rates affect debt service payments as costs increase when interest rates rise and debt has to be refinanced. The average time to refixing (ATR) indicator measures interest rate risk. At the end of 2015 Anguilla's public debt had an average time to interest rate re-fixing (ATR)[6] of 0.9 years, which suggest that a

[4] The risk to the debt portfolio if there is a change in market interest rates

[5] OCR is the less concessional share of CDB loan portfolio. The rate is re-fixed every six months and stood at 3.43 per cent at 31st December 2015.

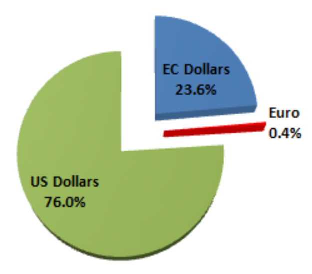
[6]The average time until the interest rate is reset on the outstanding debt.

relatively large proportion of the public debt will be subject to interest rate changes in a short period of time, thus posing a high risk portfolio.

Exchange Rate Risk

Diagram 12 shows the currency composition of the public debt profile at the end of 2015. It shows that 76.0 per cent (EC$161.6m) of Anguilla's debt stock was denominated in US dollars. The share of EC dollar denominated debt stood at 23.6 per cent ($50.2m) and Euro currency debt accounted for 0.4 per cent (EC$0.9m).

Diagram 12: Currency Composition of Total Debt



Exchange rate risk refers to risk associated with movements in the exchange rate. Given that Anguilla's domestic debt is denominated in local currency, the exchange rate risk is only applicable to the external portion of public debt.

However, the impact of foreign exchange fluctuation to the external debt portfolio is minimal based on two main factors. Firstly, the 76.0 percentage share of US dollar denominated debt acts as a buffer to the currency risk owing to the fixed exchange rate parity between the EC dollar and US dollar. Secondly, the exchange rate exposure with the Euro is minimal as it constitutes less than 1.0 per cent of the total debt portfolio.

3.6 Debt Sustainability Indicators

Debt ratios are measures of potential debt-related risks in the portfolio, which when combined with other macroeconomic variables in particular expected growth and interest rates can provide some insight as to the major risks facing the economy, conditions under which the debt level can stabilise and the possible need for policy adjustment.

In 2003, the Monetary Council of the Eastern Caribbean Central Bank agreed on the establishment of fiscal benchmarks to guide the fiscal operations of member countries. The objectives of these benchmarks are to play an important role in strengthening public finances, support fiscal consolidation and ensure debt sustainability in the Eastern

Caribbean. Two key fiscal benchmarks are to achieve a debt to GDP ceiling of 60 per cent[7], and to attain a primary balance that would meet the debt to GDP criterion by 2030.

Table 3 shows some core debt sustainability indicators over the period 2011-2015.

Table 3: Debt Sustainability Indicators (in percentages)

Sustainability Indicators	2011	2012	2013	2014	2015
Public Sector Debt to GDP	**28.74**	**30.57**	**30.13**	**26.36**	**24.70**
External Debt to GDP	*21.80*	*22.67*	*22.24*	*19.95*	*18.87*
Domestic Debt to GDP	*6.94*	*7.90*	*7.89*	*6.41*	*5.83*
Public Sector Debt Service to Revenue	**6.12**	**9.87**	**10.56**	**10.12**	**10.69**
External Debt Service Ratio	*4.63*	*5.26*	*5.43*	*5.26*	*6.37*
Domestic Debt Service Ratio	*1.49*	*4.60*	*5.13*	*4.85*	*4.32*
Interest Service Ratio	**4.94**	**5.00**	**5.58**	**5.42**	**4.64**
External Interest Service Ratio	*3.55*	*3.60*	*3.76*	*3.68*	*3.35*
Domestic Interest Service Ratio	*1.38*	*1.40*	*1.82*	*1.73*	*1.29*
External Debt Service to Exports	**49.10**	**49.95**	**160.14**	**191.55**	**293.10**

There was a downward trajectory in the public sector debt to GDP indicator in all the years except for 2012 when there was a 4.1 percentage point decrease in GDP and a 2.0 per cent increase in public debt. The debt service ratio increased moderately over the period mainly as a result of the expiry of the moratorium on principal in 2012 and 2015 on two debt instruments. The external debt service to exports ratio jumped from 49.9 per cent to 160.1 per cent in 2013, following a decrease in exports of 68.8 per cent. Exports remained depressed up to 2015 where the ratio peaked at 293.1 per cent. .

UKG Borrowing Benchmarks

In addition to the ECCB Monetary Council fiscal benchmarks, the GoA must also comply with the Fiscal Responsibility Act 2013, which incorporates the Framework for Fiscal Sustainability and Development (FFSD) agreement with the United Kingdom Government (UKG). It requires that the Government of Anguilla manage its debt operations within the corridor of three debt ratios, namely: the net debt and debt service ratios should not exceed

[7] The debt to GDP ratio (ranging between 60-75 per cent of debt to GDP) was viewed as an international debt sustainability benchmark, adopted by the European Union under the Maastricht Treaty, West African Economic and Monetary Union (WAEMU) and Central African Economic and Monetary Community (CEMAC)

80.0 per cent and 10.0 per cent[8] of recurrent revenue respectively, and liquid assets should be sufficient to cover 25 per cent (90 days) of recurrent expenditure. On a breach in any one of the ratios, explicit approval, to borrow is required from the UKG on a case by case basis. Since 2008 the government has been in breach of the benchmarks and in accordance with the FFSD was required to be compliant by the end of 2017. Subsequently, in 2016 with the UKG agreement to Anguilla's banking resolution the deadline date was extended to 2025.

Table 4 shows the Government of Anguilla's performance against the UK debt benchmarks over the period 2011-2015.

Table 4: UK Borrowing Guidelines/FFSD Ratios - 2011-2015

Debt Indicators (%)	Targets	2011	2012	2013	2014	2015
Net Debt/Recurrent Revenue	≤80%	99.92	106.37	109.23	97.90	92.95
Variance		19.92	26.37	29.23	17.90	12.95
Debt Service/Recurrent Revenue	≤8%-10%	5.07	8.32	9.35	8.98	9.73
Variance		-2.93	0.32	-0.65	-1.02	-0.27
Liquid Assets/Recurrent Expenditure	≥25%	9.21	17.01	16.59	17.16	14.41
Variance		-15.79	-7.99	-8.41	-7.84	-10.59

The Government of Anguilla has been in breach of the net debt and liquid asset targets throughout the period being reviewed. On the other hand, the debt service ratio was in breach in only one year (2012).

SECTION 4.0 CONCLUSION

The five year review of Anguilla's debt shows that there has been a steady decline in public sector debt over the period 2011-2015. The downward trajectory was attributable primarily to scheduled amortization payments exceeding new borrowing.

[8] Under the 2003 Borrowing Guidelines (BGs) the debt service target was 8% (up to 2012); the target was increased to 10% under the 2013 FFSD. The FFSD also requires that the risk-weighted debt service cost of government guarantees be included in the calculation of the debt service ratio which was not the case under the BGs.

Anguilla experienced a slump in economic activity as a result of the effects of the global recession on key economic sectors. The country recorded five consecutive years (2008-2012) of negative growth which adversely impacted fiscal performance. During 2013 to 2015 there were signs of economic recovery with modest real growth. Over the period, the debt to GDP ratio remained well below the 60.0 per cent ECCU prudential debt benchmark, however the GoA continue to be in breach of the UKG borrowing benchmarks.

The risks embedded in Anguilla's public debt portfolio can be classified as moderate to high particularly due to potential liquidity challenges. In May 2015 Anguilla's 2014 Draft Medium Term Debt Management Strategy was updated. The authorities therefore need to approve and implement the strategy to address the inherent risks in the public debt portfolio.

APPENDICES

Appendix 1: Selected Economic Indicators 2011-2015

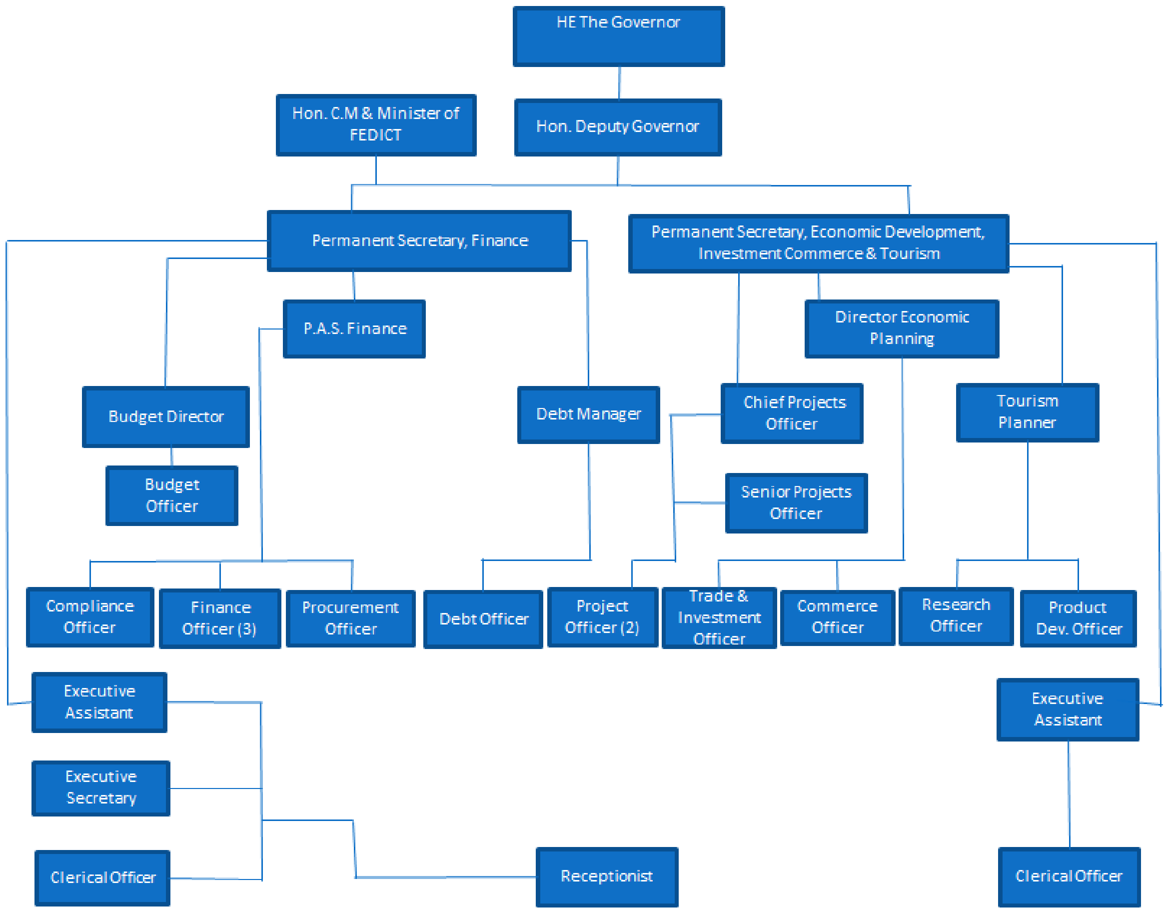
Selected Economic Indicators	2011	2012	2013	2014	2015
Total Revenue and Grants	200.16	191.74	190.25	200.03	194.78
Current Revenue	200.16	180.10	174.53	185.21	191.04
Total Expenditure	189.14	181.41	185.95	182.15	190.86
Current Expenditure	179.57	171.89	177.68	178.72	183.52
Interest Payments	9.12	8.35	9.11	9.43	8.38
Domestic	2.65	2.42	3.08	3.13	2.41
External	6.47	5.93	6.03	6.30	5.97
Capital Revenue	-	11.64	15.72	14.82	3.74
Capital Expenditure	9.57	9.52	8.27	3.43	7.33
Primary Balance before grants	20.14	18.67	13.41	27.31	12.31
Overall Balance (before grants)	11.02	10.32	4.30	17.88	3.93
Overall Balance (after Financing)	11.02	10.32	4.30	20.88	11.43
Current Balance	20.59	8.21	(3.15)	6.49	7.52
Liquid Assets	16.55	29.24	29.47	30.67	26.45
Financing*	-	-	-	3.00	7.50
Memo Items					
Nominal GDP at Market Prices (EC$M)	798.53	765.57	768.74	841.78	861.1
Merchandise Exports (EC$M)	18.88	18.98	5.92	5.09	4.15
Merchandise Imports (EC$M)	395.29	396.00	391.11	409.44	410.96
Real GDP (%)	(1.16)	(1.77)	0.32	6.74	2.24
Average Interest Rate (%)	4.20	4.23	4.19	4.35	4.11
External	4.03	3.71	3.81	4.01	3.82
Domestic	4.65	5.76	5.21	5.26	4.94
As % of GDP					
Total Expenditure	23.69	23.70	24.19	21.64	22.16
Non Interest Primary Expenditure	21.16	21.26	22.44	18.39	20.73
Current Revenue	25.07	23.52	22.70	22.00	22.18
Interest Payments	1.14	1.09	1.18	1.12	0.97
Primary Balance	2.52	2.44	1.74	3.24	1.43
Fiscal Balance	1.38	1.35	0.56	2.12	0.46
Real GDP	(1.16)	(1.77)	0.32	6.74	2.24
Public Debt (% of GDP)	28.74	30.57	30.13	26.36	24.70
Public Debt	229.50	234.01	231.65	221.89	212.71
Domestic Debt	55.40	60.46	60.68	53.93	50.23
External Debt	174.10	173.55	170.97	167.96	162.48
* Grants from previous years					

Appendix 2: Legal and Institutional Framework

Institutional Framework

Debt management functions are shared across various departments and an inter-ministerial committee, the National Debt Advisory Committee (NDAC). The main debt management activities reside in the Ministry of Finance, Economic Development, Investment, Commerce and Tourism (MFEDICT). Key personnel include the Permanent Secretaries for Finance and Economic Development, staff of Economic Development and of the Debt Management Unit (DMU)[9]. The organizational structure of the MFEDICT is shown in Diagram 3 below.

Diagram 3: Organisation Chart: Ministry of Finance, Economic Development, Investment, Commerce & Tourism



[9] DMU staff complement at the end of 2014 stood at two.

The Permanent Secretary of Finance is largely responsible for front office functions. These functions are shared with the Permanent Secretary Economic Development who is responsible for mobilizing funds for capital projects. Middle office functions are undertaken by the Debt Manager. Back office functions are performed by the Debt Officer. There is a National Debt Advisory Committee (NDAC)[10] with functions which are inter alia, to discuss debt and financing options for government through analysis of current debt stock against U.K benchmarks.

Legal Framework

The legal framework which guides borrowing in Anguilla includes the Fiscal Responsibility Act 2013, the Financial Administration and Audit Act (FAA), the Treasury Bill Act, and the Development Bonds Act.

The Fiscal Responsibility Act, 2013 embodies government's commitment to responsible fiscal management, improved fiscal transparency and incorporates the Framework for Fiscal Sustainability and Development (FFSD) agreement signed on 5 April 2013 between the GoA and UKG. It establishes transparent and sound procedures in the management of public debt to ensure that the level of debt is sustainable and consistent with macroeconomic and fiscal sustainability and financial stability in the short, medium and long term to minimize the cost and risk of the public debt portfolio.

The FAA explicitly gives the Minister of Finance the authority to borrow. It provides that borrowing can only be undertaken through a resolution of the House of Assembly.

The Treasury Bill Act 2009 governs the issuance of treasury bills. It authorises the Minister of Finance to borrow money by issuing treasury bills and it also stipulates that the principal sum of treasury bills outstanding at any one time shall not exceed 10.0 per cent of the estimated revenue of the Government of Anguilla (GoA) during the financial year. The Development Bond Act 2009 gives authority to the Minister of Finance to borrow using development bonds. The Act specifies the purposes for which the Minister may use the funds borrowed, namely for:

(a) The repayment of money granted to the Government by statutory corporations;
(b) The financing of projects approved in the estimates prepared in accordance with the appropriation act;
(c) The repayment of public debt;

[10] The Committee comprises PS Finance, PS Economic Development, PAS, Debt Officer, Accountant General, and Budget Officer among others. The Committee has not met regularly and some of its functions are sometimes subsumed under the Fiscal and Economic Recovery Team.

(d) The meeting of expenses incurred in raising and administering loans.

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