Single Programming Document of Anguilla

10th European Development Fund
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Abbreviations

ACOCI  Anguilla Chamber of Commerce and Industry
ACORN  Anguilla Commercial Online Registration Network
ADB    Anguilla Development Board
ASYCUDA Automated System for Customs Data
CARTAC Caribbean Regional Technical Assistance Centre
CARICOM Caribbean Community
CCCC   Caribbean Community Climate Change Centre
CCrif  Caribbean Catastrophic Risk Insurance Facility
CDB    Caribbean Development Bank
CEDAW  Commission for the elimination of Discrimination against Women
CFTA   Caribbean Financial Action Task Force
COFOG  Classification of the Functions of Government
CPA    Country Poverty Assessment
CXC    Caribbean Examinations Council
DFID   Department for International Development
DoE    Department of Environment
ECCB   Eastern Caribbean Central Bank
ECCU   Eastern Caribbean Currency Union
ECLAC  Economic Commission for Latin America and Caribbean
EDF    European Development Fund
ESIA   Economic Social Impact Assessment
EPA    Environmental Protection Act
EXCO   Executive Council
FAA    Financial Administration and Audit Act
FBO    Fixed Base Operation
FCO    Foreign & Commonwealth Office
FDI    Foreign Direct Investment
FEDICT  Finance, Economic Development, Investment, Commerce & Tourism
FEG    Fiscal Evaluation Group
FRT    Fiscal Review Team
FSC    Financial Services Commission
GDP    Gross Domestic Product
GBS    General Budget Support
HAA    Health Authority of Anguilla
HMG    Her Majesty’s Government
ICUHAF Infrastructure, Communications, Utilities, Housing, Agriculture & Fisheries
IMF    International Monetary Fund
IRD    Inland Revenue Department
MDG    Millennium Development Goals
MTATSP Medium Term Air Transport Sector Plan
MTEF   Medium Term Expenditure Framework
MTES   Medium Term Economic Strategy
MTFS   Medium Term Fiscal Strategy
MSD  Ministry of Social Development
NAO  National Audit Office
NEMS  National Environmental Management Strategy
OCT  Overseas Countries and Territories
OECD  Organisation for Economic Co-operation and Development
OECS  Organisation of Eastern Caribbean States
PAHO  Pan American Health Organisation
PBL  Policy Based Loan
PEFA  Public Expenditure and Financial Accountability
PFI  Private Finance Initiative
PFM  Public Financial Management
PPP  Public Private Partnership
PSIP  Public Sector Investment Program
RGSM  Regional Government Securities Market
SME  Small and Medium Sized Enterprise
SPD  Single Programming Document
STMP  Sustainable Tourism Master Plan
TB  Tenders Board
TIEA  Tax Information Exchange Agreement
TSDP  Tourism Sector Development Project
TVET  Technical and Vocational Education and Training
UK  United Kingdom
UN  United Nations
VAT  Value Added Tax
WAEP  Wallblake Airport Expansion Project
The Government of Anguilla and the European Commission hereby agree as follows:

1) The Government of Anguilla, (represented by the Chief Minister of Anguilla, Mr. Hubert B. Hughes), and the European Commission, (represented by Mrs. Jolita Butkeviciene, Director of Latina America and Caribbean Directorate of the Directorate-General for Development and Cooperation – Europaid), hereinafter referred to as 'the parties', held discussions with a view to determining the general approach to cooperation between Anguilla and the European Union.

During these discussions this Single Programming Document was drawn up in accordance with the provisions of the association of the Overseas Countries and Territories with the European Union, as provided for in the treaty on the Functioning of the European Union, in particular Article 198, as well as the council decision 2011/822/EC of 27 November 2001 on the association of the Overseas Countries and Territories with the European Union.

2) The agreement of the two parties on this Single Programming Document, will be regarded as definitive within eight weeks of the date of the signature, unless either party communicates the contrary before the end of this period.

Signatures

For the Government of Anguilla

For the European Commission

Date 02/03/2012

Date 02/03/2012

Place Brussels

Place Brussels

EUROPEAN COMMISSION

Jolita BUTKEVICIENE
Director
EXECUTIVE SUMMARY

Background
Anguilla is an Overseas Territory of the United Kingdom (UK) and associated to the European Union (EU) as an Overseas Country and Territory (OCT) through the Overseas Association Decision (2001/822/EC). Anguilla is highly involved in the regional cooperation of the Caribbean through its position as an Associate member of both the Organization of Eastern Caribbean States (OECS) and the Caribbean Community (CARICOM). Furthermore Anguilla has a strong record of good governance and the Government of Anguilla is committed to promoting and protecting the highest attainable standards.

The economy of Anguilla has prospered in the past, but following the financial crisis, the sectors supplying Anguilla with growth has been struck hard. Furthermore, the social systems are under pressure following the increase in unemployment and poverty. The health and education sector is still functioning according to high standards, but continued efforts are made to improve further. In regards to environmental challenges, Anguilla is faced with the natural hazards of the Caribbean region, being hurricanes, tsunamis, earthquakes and droughts. These circumstances influence the economy through their impact on certain sectors of tourism.

The development strategy of the Government of Anguilla is to restore macroeconomic stability within Anguilla and to stimulate sustainable and diversified economic growth with supporting social development and protection and efforts to improve resilience to environmental hazards. This emphasis is to ensure the proper foundation for the long-term development of the island.

National Development Strategy
Through its status as an OCT Anguilla is eligible for support from the European Development Fund (EDF). Since the cessation of direct budgetary support from the UK Government in 2005, the EU is Anguilla’s only source of grant aid and is therefore a main stakeholder in its development and reform agenda. The Medium Term Economic Strategy - which defines how Anguilla will restore macroeconomic stability and stimulate sustainable and diversified economic growth - provides the framework for development assistance and cooperation between the Government of Anguilla and the EU.

EU Response Strategy
This support strategy is in line with a number of EU principles and policy objectives for development. Most notable for the context of Anguilla, the EU pledges to support economic and institutional reforms including: the poverty reduction, development and reform strategies of partner countries. Based on the analyses of Anguilla’s challenges and the Government of Anguilla’s development strategy, the EU response was drawn up and intends to continue to focus on the following area of support.

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1 Member states include: Anguilla, Antigua & Barbuda, British Virgin Islands, Commonwealth of Dominica, Grenada, Montserrat, St. Lucia, St. Christopher (St. Kitts) & Nevis, St. Vincent & the Grenadines.
Under the 10th EDF allocation the EU will support the implementation of the Medium Term Economic Strategy 2010-2014 (MTES) of the Government of Anguilla through the aid modality of General Budget Support. It is highly complementary with the EU financed program under the 9th EDF allocation. The MTES is based on 4 main pillars that are linked and articulated through the achievement of the goals of (i) Restoring Macroeconomic Stability, (ii) Stimulating Sustainable and Diversified Economic Growth, (iii) Providing Supporting Social Development and Social Protection and (iv) Reducing Environmental Vulnerability.

EUR 11,7 million has been allocated to Anguilla for the 10th EDF period, 2008 – 2013.
PART A: COOPERATION STRATEGY

Chapter 1: EU cooperation objectives

Anguilla is a United Kingdom Overseas Territory in the Caribbean. In accordance with Article 198 of the Treaty on the Functioning of the European Union (TFEU), the purpose of the association between the European Union and the Overseas Countries and Territories (OCTs) shall be: "to promote the economic and social development of the countries and territories and to establish close economic relations between them and the Union as a whole".

These objectives have been confirmed and reinforced in Article 18 of the Overseas Association Decision\(^2\) that specifies instruments of OCT – EU Cooperation, in particular the provision of development finance for specific areas such as those to:

- support and promote the OCTs' own efforts to achieve sustainable social, cultural and economic development on the basis of mutual interest and in a spirit of interdependence;
- contribute to the fullest participation of the population in the benefits of development in the interests of alleviating poverty;
- support the efforts of the OCTs to achieve economic diversification, *inter alia* by contributing to sustainable exploration, conservation, processing and exploitation of their natural resources;
- facilitate an increase in the financial flows to the OCTs that meet their evolving needs and support the efforts of the OCTs to harmonise international cooperation for their development through co financing of operations with other financing agencies or third parties;
- help the least-developed OCTs to overcome the specific obstacles which hamper their development efforts

Furthermore, it is required that systematic account be taken in mainstreaming into all areas of co-operation the following thematic or crosscutting themes: HIV/Aids, gender issues, environmental issues and democracy, good governance, human rights and the rights of children and indigenous people.

The development strategy of the Government of Anguilla is to restore macroeconomic stability within Anguilla and to stimulate sustainable and diversified economic growth with supporting social development and protection and efforts to improve resilience to environmental hazards. To support this process, the Government of Anguilla policy framework as outlined in the Medium Term Economic Strategy (MTES) 2010-2014, focuses on improved PFM, fiscal reform and growth through increased competitiveness and diversification. The Government has retained its focus on social development and this is demonstrated through its commitment, despite the trying economic and financial

times, to maintain the level of public assistance to at least the 2009 level of expenditure. This emphasis must be maintained, as it is by focusing on investment in education, health and other social infrastructure that the Government of Anguilla can ensure the proper foundation for the long-term development of the island is provided.

The MTES is the basis for the 10th EDF General Budget Support Program. The indicative amount of funds available to Anguilla under the 10th EDF is EUR 11.7 million, and constitutes 4.8% of the Government of Anguilla’s overall budget over the period 2011 to 2013.

The above mentioned objectives and principles and Anguilla’s policy agenda constitute the starting point for the formulation of this Single Programming Document (SPD) in accordance with the principle of territorial ownership of development strategies.

**Chapter 2: Assessment of the political, economic and social situation**

2.1 **Institutional and Political Situation**

As Anguilla is an Overseas Territory of the United Kingdom (UK). The constitution of Anguilla provides for a Governor whose function it is to exercise the executive authority of the Crown on behalf of Her Majesty the Queen. The Governor is appointed by the United Kingdom Government and has special responsibility for defence, external affairs, internal security (including the police) and the public service.

Legislative power rests with the House of Assembly, subject to the reserved legislative powers vested in the Governor and the UK Secretary of State for the Foreign and Commonwealth Office. The House of Assembly consists of a Speaker of the House, the Deputy Governor, the Attorney General, seven elected members and two nominated members. The last elections were held in February 2010 and saw a change in the administration with the Anguilla United Movement (AUM) now in power. Under the Constitution the next general election must be held by February 2015.

Anguilla remains engaged with the regional community. Anguilla is an Associate member of both the Organization of Eastern Caribbean States (OECS) and the Caribbean Community (CARICOM). Further integration with the regional community and other hemispheric initiatives such as the Caribbean Single Market Economy (CSME) and the International Monetary Fund programmes as Anguilla is an overseas territory of the UK and is not eligible to participate or benefit without an entrustment from the United Kingdom Government.

Anguilla has a strong record of good governance and the Government of Anguilla is committed to promoting and protecting the highest attainable standards of civil, political, social, economic, and cultural and human rights. As a UK Overseas Territory Anguilla is

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3 Member states include: Anguilla, Antigua & Barbuda, British Virgin Islands, Commonwealth of Dominica, Grenada, Montserrat, St. Lucia, St. Christopher (St. Kitts) & Nevis, St. Vincent & the Grenadines.
obliged to implement human rights policies in line with the international standards accepted by UKG and in accordance with the Anguilla Constitution.

Anguilla is an associate member of OECS and CARICOM and trade with member territories account for most of its remaining imports. In the context of its associate membership of OECS and CARICOM, Anguilla is harmonizing its trade regime with that of other countries in the region. As an Associate Member of CARICOM, Anguilla will not be party to the EPAs recently concluded between the EU and CARICOM countries; however, Anguilla should remain aware of any impact and opportunities for its trade relations with the EU and its ACP neighbours.

Anguilla is a full member of the Eastern Caribbean Central Bank (ECCB) which is the central bank of the OECS countries which all share a common currency, the Eastern Caribbean dollar (pegged at the rate EC$1.00 = US$0.37 since 1976). Anguilla is also a member of ECCB initiatives such as the Eastern Caribbean Securities Exchange (ECSE).

Anguilla has a reputation of being a well regulated international financial services sector, a reputation which has been acquired over years of complying with international best practices in the financial services area. Anguilla’s compliance reputation is evident by its membership in international and regional standards setting bodies such as The Egmont Group, the International Association of Insurance Supervisors (IAIS), the Caribbean Financial Action Task Force (CFATF), the Offshore Group of Insurance Supervisors (associate member), and the Caribbean Association of Insurance Supervisors. Anguilla’s compliance with the FATF’s best practices on money laundering and terrorist financial risk management (FATF’s 40 + 9 Recommendations) was evaluated in July 2009. A formal Report on the Evaluation was finalised in July 2010. The evaluation assessed Anguilla in terms of Anti-money laundering and terrorist financing risk management structure, adequacy and enforceability of legislation and compliance with international standards, capacity, responsiveness and enforcement of regulatory bodies. Anguilla received a very good Mutual Evaluation Report with ratings of largely compliant in most categories. This was mainly due to a strong regulatory regime with the passage of the Proceeds of Crime Act 2009 and other supporting legislation to prevent against Money Laundering and Terrorist Financing transactions.

The Financial Services Commission Act, the Act establishing the body responsible for the regulation of the financial sector in Anguilla specifically provides for the sharing of information and the provision of assistance to other regulators on regulatory matters. Anguilla has demonstrated its compliance with this provision by repeatedly providing assistance to other regulators and commitment to compliance is also reflected in the Memoranda of Understanding for the sharing of information with other regional and international regulators.

In keeping with a commitment to remain open and transparent in tax matters, the Government of Anguilla has negotiated Tax Information Exchange Agreements (TIEA’s) with OECD countries since early June 2009. As at the end of October 2010, fifteen (15)
of these TIEA’s have been signed. Anguilla also participates since 2005 in the EU savings taxation measures through tax agreements signed with the Member States.

The Anguilla legal system is based on UK Common Law as exercised by the Eastern Caribbean Supreme Court of Justice, with the UK Privy Council being the highest Court of Appeal.

2.2 Economic Situation

2.2.1 Macroeconomic Context and Performance

The Anguillan economy of the 1980’s was largely driven by construction activity of the first round of major investment in hotel plans resulting in robust growth rates and an increase in population primarily through migration. Economic growth during the 1990s was less robust and was fitful and uneven due to several hurricanes (with major hurricanes in 1995 (Hurricane Luis) and 1999 (Hurricane Lenny)) and external shocks. After many years as essentially a subsistence economy, Anguilla has subsequently developed rapidly almost entirely due to the expansion of the tourism industry.

In response to these developments the Government of Anguilla embarked upon a Fiscal Stabilisation Plan covering the period 2002 – 2004 which consisted of a number of initiatives including the stimulation of economic activity by concluding agreements with private developers for multi-million dollar investments in tourism projects. Since then Anguilla has enjoyed a period of unprecedented economic growth. Over the five year period from 2003-2007 real GDP growth averaged almost 14%, compared to average growth rates of 5% and 3% in the periods from 1993-1997 and 1998-2002 respectively.

**Figure 1- Real Annual GDP Growth 1993-2009**

[Image of a bar chart showing real GDP growth rates from 1993 to 2009.]
Source: Government of Anguilla Statistics Department

Table 1 presents selected GDP figures for the period 2002-2009. Anguilla’s nominal GDP and GDP per capita at market prices for 2007 were EC$ 808.17 million (approximately EUR 206.74 million) and EC$ 64,554.36 (approximately EUR 16,513.4) respectively (almost double the equivalent figure for 2002). Both GDP and GDP per capita increased in real terms since 2003 with GDP average growth exceeding 17% during the five-year period (2003-2007).

### TABLE 1- GROSS DOMESTIC PRODUCT OF ANGUILLA 2002-2009

<table>
<thead>
<tr>
<th>Year</th>
<th>Nominal GDP (EC$m)</th>
<th>Growth Rate</th>
<th>GDP at Market Prices (€)</th>
<th>Growth Rate</th>
<th>Real GDP (EC$m)</th>
<th>Growth Rate</th>
<th>Population</th>
<th>Growth Rate</th>
<th>GDP per capita at Market Prices (EC$m)</th>
<th>Growth Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>2002</td>
<td>369.99</td>
<td>0.42%</td>
<td>427.23</td>
<td>1.41%</td>
<td>408.52</td>
<td>-4.96%</td>
<td>11,919</td>
<td>3.10%</td>
<td>35,844.45</td>
<td>5.30%</td>
</tr>
<tr>
<td>2003</td>
<td>401.26</td>
<td>8.45%</td>
<td>459.30</td>
<td>7.51%</td>
<td>454.91</td>
<td>13.37%</td>
<td>12,200</td>
<td>2.38%</td>
<td>37,647.29</td>
<td>4.25%</td>
</tr>
<tr>
<td>2004</td>
<td>454.91</td>
<td>13.37%</td>
<td>543.47</td>
<td>18.33%</td>
<td>524.56</td>
<td>13.97%</td>
<td>12,522</td>
<td>2.64%</td>
<td>43,400.46</td>
<td>5.38%</td>
</tr>
<tr>
<td>2005</td>
<td>524.56</td>
<td>15.31%</td>
<td>619.36</td>
<td>13.97%</td>
<td>625.05</td>
<td>14.23%</td>
<td>13,638</td>
<td>4.51%</td>
<td>45,414.52</td>
<td>4.21%</td>
</tr>
<tr>
<td>2006</td>
<td>625.05</td>
<td>19.16%</td>
<td>766.22</td>
<td>24.03%</td>
<td>732.75</td>
<td>17.23%</td>
<td>14,886</td>
<td>4.52%</td>
<td>53,895.51</td>
<td>4.58%</td>
</tr>
<tr>
<td>2007</td>
<td>808.17</td>
<td>29.30%</td>
<td>960.93</td>
<td>25.09%</td>
<td>804.47</td>
<td>-0.46%</td>
<td>14,254</td>
<td>4.43%</td>
<td>60,971.87</td>
<td>2.53%</td>
</tr>
<tr>
<td>2008</td>
<td>804.47</td>
<td></td>
<td>949.21</td>
<td>-1.22%</td>
<td>625.05</td>
<td></td>
<td>15,568</td>
<td></td>
<td>60,971.87</td>
<td></td>
</tr>
<tr>
<td>2009 (Prel)</td>
<td>698.98</td>
<td></td>
<td>802.63</td>
<td>-13.11%</td>
<td>639.05</td>
<td>-13.59%</td>
<td>15,962</td>
<td></td>
<td>50,283.80</td>
<td></td>
</tr>
</tbody>
</table>

Source: Anguilla Statistics Department

Throughout this period, the economy remained dependent on only a few sectors. Figure 2 shows the composition of the Anguillian economy from 1992 to 2007. Whilst there has been some variation over time, just three sectors have typically averaged over 55% of GDP between them.
In 2007, hotels and restaurants accounted for 19.6% of real GDP, construction accounted for 19.2%, real estate, renting and business activities accounted for 12.11% and financial intermediation (includes banks and insurance) accounted for 8.57%. The construction industry and other sectors, such as real estate and mining, are driven primarily by hotel and villa development. As such, tourism effectively accounts for over half of GDP.

Anguilla’s economic activity continued to be centered on tourism and the industry continued to dominate economic output. The high levels of growth experienced were driven largely by construction activity in the tourism industry with the ongoing construction of two major development projects and it was anticipated that this would continue with permission having been granted for six other large development projects to begin over the course of the next few years.

**Figure 2 - Share of Economic Activity by Sector (% of Real GDP) 1992-2007**

Source: Government of Anguilla Statistics Department
Fiscal Performance
Table 2 shows the Government of Anguilla's budgetary performance 2004-2009.

<table>
<thead>
<tr>
<th></th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009(est.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Recurrent Revenue</td>
<td>115.71(E29.59)</td>
<td>126.65(E32.39)</td>
<td>181.30(E46.38)</td>
<td>209.70(E63.64)</td>
<td>205.60(E62.59)</td>
<td>148.33(E37.94)</td>
</tr>
<tr>
<td>Growth Rate</td>
<td>9.45%</td>
<td>43.15%</td>
<td>15.66%</td>
<td>1.96%</td>
<td>(1.96) %</td>
<td>27.85%</td>
</tr>
<tr>
<td>Recurrent Expenditure</td>
<td>94.01(E24.05)</td>
<td>108.56(E27.77)</td>
<td>144.57(E36.98)</td>
<td>170.40(E43.59)</td>
<td>208.50(E53.34)</td>
<td>204.17(E52.23)</td>
</tr>
<tr>
<td>Growth Rate</td>
<td>15.48%</td>
<td>33.17%</td>
<td>17.87%</td>
<td>22.36%</td>
<td>(2.08) %</td>
<td>(55.84)</td>
</tr>
<tr>
<td>Recurrent Balance</td>
<td>21.70(E5.55)</td>
<td>18.09(E4.63)</td>
<td>36.73(E9.39)</td>
<td>39.30(E10.06)</td>
<td>(-0.74)</td>
<td>(-14.28)</td>
</tr>
<tr>
<td>Capital Expenditure</td>
<td>44.67(E11.43)</td>
<td>32.22(E8.24)</td>
<td>43.19(E11.05)</td>
<td>59.03(E15.10)</td>
<td>36.70(E9.39)</td>
<td>10.58(E2.71)</td>
</tr>
<tr>
<td>Public Capital Grant</td>
<td>1.50(E0.38)</td>
<td>4.40(E1.13)</td>
<td>12.10(E3.09)</td>
<td>9.19(E2.35)</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>Private Capital Grant</td>
<td>0.00</td>
<td>0.00</td>
<td>2.70(E0.69)</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>Capital Revenue</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
</tr>
</tbody>
</table>

Source: Treasury Department

Recurrent revenue rose by an annual average of 27.2% over the period 2004 to 2007 with peaks in 2004 and 2006 recording growth rates of 35.9 percent and 49.8 percent respectively. Recurrent expenditure also increased but at a slower pace averaging 20.28% annually, thereby contributing to a strengthening of the current account surplus that averaged EC$22.58 million (approximately EUR 6.08 million) for the period, peaking in 2007 to EC$39.3 million (approximately EUR 10.5 million), 5.4% of GDP. The accumulation of cash reserves permitted the Government of Anguilla to increase its commercial borrowing under the agreed borrowing guidelines with the UK Government. The net debt and debt servicing also increased but were within prudent levels at 37.8% and 4.7% respectively of recurrent revenue in 2007.

2.2.2 Recent Macroeconomic and Fiscal Performance

The Anguillan economy showed its first signs of slowing down when the international financial crisis and the global recession impacted Anguilla’s strong growth of recent years and it began a sharp reversal in mid-2008. Economic growth slowed by 0.93% in 2008 and contracted by 13.59% in 2009.

Growth slowed dramatically in the majority of sectors during 2009 (2009 growth figures are estimates). The majority of sectors recorded negative growth, with the only positive growth being at very low rates. Hotels and restaurants (proxy for tourism) growth was negative by 6.15% with spinoff effects observed in related sectors. Growth in...
Single Programming Document of Aruba under the 10th European Development Fund

Construction was -50.27%, manufacturing -16.87%, transport, storage, & communications -18.86%, wholesale and retail -2.01% and mining and quarrying -39.03%. Many of these sectors are related to construction of either hotels and villas or housing development such as mining and quarrying of rock and sand, transportation of building materials and mixing of concrete and manufacturing of blocks. The highest growth rate (20.36%) was in Public Administration, Defence and Compulsory Social Security, reflecting an increase in Government recurrent expenditure between 2008 and 2009, driven by salary increases.

This slump in growth has had a marked impact on most aspects of macroeconomic performance and particularly on government finances. Current revenues declined by 27.4% during 2008-09 and despite strenuous efforts to contain expenditures, the current deficit widened to -6.7% of GDP in 2009 from a surplus of 5.5% of GDP in 2007. The deterioration on the current account was as a result of a 39.9% under collection of current revenue, reflecting the impact of the fall in economic activity.

Given the economic and financial conditions which prevailed in 2009, the government implemented a number of measures to curtail expenditure including a 10% cut in public sector salaries, a freeze in employment, cuts in overseas travel and training, as well as a reduction in capital spending. However, Government’s efforts towards fiscal adjustment in 2009 failed to stem a rapid deterioration of the fiscal accounts. At year end, recurrent expenditure totalled EC$148.33 million (approximately EUR 37.94 million) and recurrent expenditure totalled EC$204.17 million (approximately EUR 52.23 million). The Government of Anguilla recorded an overall deficit of EC$66.42 million (approximately EUR 16.99 million), the highest on record. The recurrent and overall deficits widened to unprecedented levels of -6.7% and -8.3% of GDP, respectively, and arrears amounted to EC$14 million (approximately EUR 3.77 million), or 1.7% of GDP.

Up until 2008 the Government of Anguilla maintained a modest debt profile in accordance with borrowing afforded under the borrowing guidelines to finance its fiscal deficits and primarily for the purpose of capital expenditure. As the use of debt increased, Government’s debt stock (and debt servicing) increased but still remained within prudent levels and consisted mainly of domestic debt financing to fund portions of Government’s capital expenditure. In 2008, the global financial crisis affected the fiscal position of the Government of Anguilla to the extent that reserves had to be used to meet urgent liquidity requirements. As a result the Liquid Reserve Ratio was not achieved at year end and any future borrowing requires the approval of the UK Government. The Government of Anguilla is currently engaged in discussions with the UK Government to negotiate a more relaxed level of borrowing guidelines.

The stock of total public debt in Anguilla increased by 12.6% from EC$170 million (approximately EUR 43.5 million) (17.9% of GDP) at end of 2008 to an estimated EC$191.5 million (approximately EUR 51.5 million) (23.9% of GDP) at end of 2009. The total outstanding debt of the Government, which represents 89.9% of the total public sector debt, rose by 15% in 2009 to EC$172.2m, reflecting growth in borrowing to finance the fiscal deficit and debt refinancing programme with domestic banks. During
the latter part of 2008 and throughout 2009 a major portion of domestic debt was refinanced with shorter-term instruments with foreign banks to create liquidity in the local domestic banking system. In addition, the Government entered into short-term arrangements with the domestic banks and the ECCB to refinance the overdraft. The refinancing arrangements involved higher interest rates and resulted in higher debt servicing costs for the government. This led to further challenges in the financing of recurrent and capital expenditure and prospects for improvement were heavily dependent upon securing the Policy Based Loan.

In 2009 the Government of Anguilla began the preparation of a more comprehensive plan in the form of a Medium Term Economic Strategy for the period 2010 – 2014. This Strategy incorporated and expanded upon the immediate initiatives undertaken as a result of the crisis and is supported by a Medium Term Fiscal Strategy and expenditure framework. This presents a medium term expenditure framework detailing a fiscal forecast for the period 2010-2014, identifying the financing gaps and proposes a set of policy measures to close the gap and address other structural issues. In the MTES, the Government of Anguilla is embarking upon a programme of economic reform which encompasses both short term stabilisation and medium term support for economic and social reforms. In addition, it details reforms to promote better public financial management and accountability and to maintain and strengthen fiscal discipline.

2.2.3 Trade

Anguilla is a highly open economy and imports virtually everything (energy products, food, consumer goods and intermediary goods). The value of imports represented approximately 111% of GDP with exports representing less than 8% of GDP in 2006. The balance of visible trade was approximately 3.0% higher than the amount of GDP the same year.

The high negative trade balance contributed heavily to the deficit of the current account of the balance of payments despite the importance of visitor expenditures. Overall the trade balance and the current account are structurally negative and have been negative in the last twenty years. The capital account and the overall balance of payments are positive due to the significant amount of foreign direct investments. Foreign direct investments followed the trend in visitors and more than quadrupled during the period 2003-2006 from about EC$ 101.62 (approximately EUR 27.36 million) million in 2003 to EC$ 445.4 (approximately EUR 119.93 million) million (or 88% of GDP) in 2006. Both the capital account and the overall balance of payments have been structurally positive since 1994.

Overall the Anguillan economy has an extremely weak production base of goods and relies significantly on external demand for services (exogenous factors such as foreign visitors and foreign direct investments). The rising number of visitors experienced up to 2006 pushed up demand and prices for basic food items and household goods. In addition the increase in foreign direct investments experienced up to 2006 caused significant rises in the price of land and property. Moreover shortages in the labour market and the resulting influx of foreign workers pushed up wages and rents. Following the financial
crisis the price of land remains high however wages and rents have fallen as foreign workers have returned home.

Under Part IV of the TFEU, notably Articles 199 and 200, and the OAD, the EU offers OCTs a single, comprehensive, unilateral and asymmetric trade regime. This means that OCT exports to the EU benefit from a duty free and quota free (DFQF) access to the EU market while EU exports to OCT markets may still be subjected to both duties and quantitative restrictions. For the purposes of the OAD, all OCTs are considered to form a single customs territory.

2.3 Social Situation
Anguilla has made significant strides since the early 1980s. Expanded economic development and the increases in government revenues can be seen in the provision of free education and heavily subsidised healthcare. There is between 95% -100% enrolment at both primary and secondary levels. On the health side, infectious and waterborne diseases such as malaria and tuberculosis are non-existent. As a result, infant mortality is low (around 6 per 1000) and life expectancy is high (74 years). Housing on the island is generally solidly built (hurricane-proof), with access to potable water, electricity and good sanitation. Ownership of many modern consumer goods is high: vehicles (74%), telephone (84%), TV (90%), washing machines (79%) and refrigerators (95%).

2.3.1. Health
The health care system is comprised of both private and public sector entities. Public sector health care is delivered by the Health Authority of Anguilla. Primary Health Care is provided in five health centers throughout the three health districts and they are staffed by Physicians, Pharmacist, Dentist, Public Health Nurses, Nurse Midwives, Physiotherapist, Community health aides and Clinic aides. The services provided include Maternal and Child health, Family Planning, Immunization, Nutrition advice, Care of the elderly, Management of chronic diseases, Health education, Pharmacy Services, Physiotherapy, Home Visiting, General Medical Care and Community Mental Health care.

Secondary Health Care is provided in the Princess Alexandra Hospital, a 31-bed facility which provides Emergency treatment, Surgical Care, General medical care, Pediatric care, Gynecological and obstetric care, Laboratory services, Radiological and Diagnostic services, Pharmacy services and Physiotherapy. In addition there is also a Long-term Care, 16-bed, senior citizen’s home and a 12-bed in-patient psychiatric wing that provides acute in patient care for the short term stabilisation of critical cases.

2.3.2. Education
Anguilla’s education system includes coverage from pre-primary to post secondary levels. There are 10 private pre-schools of which 9 receive a subsidy to enable access. Each school’s subsidy amounts to EC$650 (approximately EUR 175) per child annually of which 12.5% is kept at the Education Department for the purchase of resources. The
remaining funds are disbursed monthly to the management of the school. In addition, each teacher receives a monthly contribution of EC$450 (approximately EUR 121) from the Government. There are also six public and two private primary schools with two Special Education Centers attached to two of the larger primary schools. These centers teach students with multiple and profound learning difficulties. Secondary Education is provided through one comprehensive secondary school, the Albena Lake Hodge Comprehensive School. The schools' curriculum includes a range of Caribbean Examination Council (CXC) subjects as well as technical and vocational subjects.

Anguilla has achieved the UN Millennium goal 2 of achieving universal primary and secondary education and the associated targets of all children being able to complete a full course of primary and secondary education and all children of pre-school age having access to early childhood education. By Part 6 Sections 51 and 52 of the Anguilla Education Act, school is compulsory for children aged 5 to 17 and is free in all six public schools. In addition it is estimated that 100% of the 3-5 year cohort are enrolled in pre-school education. Therefore the issue for Anguilla is not ‘accesses to education at pre-school, primary or secondary level’. Several key stakeholders have noted, however, that the ‘quality’ of the system, especially at primary and secondary levels need to be addressed given emerging issues related to literacy, weak student performance at Caribbean Examinations Council (CXC) level, limited options available for children with different learning styles as well as increasing violence and indiscipline within the system. It is anticipated that the next five year Education Development Plan 2011-2015 will accord high priority to improving the quality of the system.

2.3.3. Poverty and Social Protection

The Social Development Department administers a range of safety net and public assistance initiatives that temporarily respond to specific vulnerabilities of the poor and other at risk groups in Anguilla. As a result of the economic crisis, there has been increasing demand for these services which has not been matched by increases in the agencies financial or skilled human resources. This restricts its ability to expand its services to interventions that would result in more sustainable gains. Although the Government of Anguilla has been responding to increased demands through higher public assistance transfers, it is becoming increasingly difficult due to the current economic situation. Social programmes offered are: Public Assistance, Water Assistance, Medical Exemptions, Food Vouchers, Funeral Grants, Medical Treatment Overseas, Educational Assistance, Foster Care and Education Scholarships.

The most recent completed Country Poverty Assessment (CPA) was conducted in 2002 by the Caribbean Development Bank (CDB) and funded by the UK Department for International Development (DFID). It found that the current level of poverty in Anguilla is low by Caribbean standards - around 20% of households and 23% of the population. Indigence or severe poverty is very low at less than 2% of households. (In the study the indigence and poverty lines are taken as EC$3,100 (approximately EUR 830) and EC$7,900 (approximately EUR 2120) respectively for an adult per annum).
The occurrence of poverty was not found to be concentrated in a particular homogenous group; however, the Country Poverty Assessment identified three principal themes found in poor households: teenage motherhood, unaccompanied elderly persons and the working poor\(^4\). The working poor have a high dependency on the tourism sector and are more likely to be involved in lower paid and less secure occupations, both of which increase their vulnerability to any economic downturn. This vulnerability is exacerbated by the high cost of living, which means that any reduction in income can have a serious impact on household finances, especially given that almost all food is imported and is subject to import duties.

The CPA found that, overall; poverty in Anguilla was not severe at that time – most poor households enjoy a reasonable standard of living, own their property, have good access to education and health services and have at least one person in employment. It concluded that the principal determinant of future income poverty in Anguilla would be the health of the tourism sector. Without growth in this sector unemployment will increase and government revenues will decline making it difficult to sustain current education, health and general social development policies. The follow-up CPA commenced in 2007 and will be concluded in 2011. Preliminary findings again suggest low levels living in extreme poverty but approximately 17% of the population estimated as vulnerable to poverty.

2.3.4 Gender Disparities

The gender disparities evident in human development indicators (health, education, poverty) suggest that certain gender issues exist in Anguilla. Most notable of these are the vulnerability of female-headed/single-parent households to poverty and the underachievement of young men and their involvement in violence and crime. Other issues to be monitored include minimum wage concerns particularly for vulnerable women and the incidence of violence against women.

Ongoing and recent measures include the Convention for the Elimination of All Forms of Discrimination against Women (CEDAW) that has been extended to Anguilla, finalising bills such as the Domestic Violence Bill under the Family Law Reform Committee and the future establishment of a Gender Affairs Commission. Anguilla is receiving assistance in the development of a mandate for the Commission from UN Women, UN Population Fund, the UK Department for International Development and the Commonwealth Secretariat.

2.4 Environmental Situation\(^5\)

Anguilla is particularly vulnerable to a number of natural hazards, including tropical storms and hurricanes, flooding, droughts, earthquakes and tsunamis. In particular, Anguilla’s economic industry and infrastructure has a high vulnerability to the increasing

\(^4\) The definition of the 'working poor' can vary according to demographics and poverty levels. In Anguilla, the 'working poor' are basically described as those that earn minimum wages and are as a result vulnerable to poverty induced by negative changes in the economy or market prices.

\(^5\) A copy of Anguilla’s Environmental profile is included at Annex I.
frequency and intensity of natural hazards. This was illustrated by three significant events in recent years resulting in serious economic, social and environmental impacts - Hurricanes Lenny (1999), Omar (2008) and Earl (2010).

Anguilla’s location, geography and the concentration of tourism in the coastal zone, makes it extremely vulnerable to coastal erosion, hurricanes and to the long-term risks associated with rising sea levels and climate change. In addition, Anguilla’s infrastructure development has been largely unplanned and this places significant pressure on the natural resource base that could very well jeopardise Anguilla’s economic prospects. There are growing concerns of solid waste management, degradation of coastal and marine resources, beach erosion, pollution threat to critical groundwater resources and the degradation and loss of valuable biodiversity and biological resources.

In 2005, the Government formally approved and established a new Department of Environment (DoE) with the ultimate responsibility for Environmental Management. The objective of the DoE was to improve and maintain the well being of the people of Anguilla, their quality of life and the sustainable use of natural resources along with preservation and conservation of significant aspects of the islands ecosystems and heritage. This required a process of designing and taking action to strengthen and/or change values, knowledge, technologies and institutions (when and where necessary) with the ultimate goal of improving and maintaining the human, marine and terrestrial environment. This decision to ensure the development and integration of biodiversity conservation and environmental protection into the policy and plans of the Government of Anguilla is to be achieved through the implementation of the National Environmental Management Strategy (NEMS) where these priorities are held:

a) Sustainable and more productive land use of natural resources to promote investments and entrepreneurship

b) Sustainable land use planning that adheres to the principles of sustainable development, economic growth, environmental protection and social equity.

c) Protection of vulnerable and ecologically fragile areas, especially natural resources and areas where biodiversity is threatened.

d) Pollution and hazard management towards a healthier environment for the population; and

e) Mitigating the occurrence of natural and human disasters to prevent the loss of natural resources, functions and services.

Added to the National Environmental Management Strategy, the Bill for the Environmental Protection Act (EPA) provides a succinct avenue to key decision makers and planners on the premise that sustainable development must incorporate the integration of environmental management data for holistic management decisions before implementation to national sustainable development.

Continued implementation of public education and awareness campaigns by key environment agencies and the finalization of draft policy documents and legislation related to energy and climate change are ongoing and will continue, increasing in efficiency. Investment in alternative energy will not be limited to biomass, solar, wind
but will include hybrid systems to reduce dependence on fossil fuels. Increasing the share of renewable, alternative and fuel blends in the energy mix is important not only for energy independence but also in terms of benefiting the environment and addressing climate change concerns. This would include energy auditing schemes and certification, systems optimization, and energy labelling and standards for appliances and equipment.

2.5 Medium Term Challenges

2.5.1. Economic Challenges

The maintenance of macroeconomic and fiscal stability within Anguilla is paramount and is contingent upon improvement of the international economic environment. Possible delay in the recovery of economies until well into 2012 resulting in continued reduced visitor numbers and continued uncertainty about the viability of many of the large financial institutions in the developed world leading to a shortfall in liquidity and a lack of investment funds for development projects and mortgages. The result would be that government revenues such as accommodation tax, import duties, stamp duties and other major revenue heads would continue to perform below expectations.

As a small, open economy, growth and development in Anguilla is inextricably linked to demand conditions in the global economy, in particular the US economy. This is why imbalances in the U.S are often followed by decreases in Anguilla's tourism industry and an increase in the overall vulnerability of Anguilla. It is anticipated that there will be a positive but very low level of economic growth in Anguilla during 2011. The annual economic review prepared by the FCO of the UK Government predicted that economic recovery is therefore likely to be slow and gradual with US growth predicted to be 2.1% in 2010, increasing slightly to 2.4% in 2011. A small administration and weak statistical capacity is also a major challenge for Anguilla and is the prime reason for the lack of results oriented targets, as reflected in the country’s medium term economic strategy.

Tourism
Demand for luxury holidays is likely to begin to pick up as the US economy recovers. As this rate of growth is currently slow, recovery in this sector is expected to be gradual. Competition from other Caribbean islands will remain strong. The experience of the financial crisis is likely to leave holidaymakers more prudent with their finances which may impact on the net profits of the resorts. Nevertheless, expectations are that the 2010-11 tourist season will be stronger than 2009-10, albeit not by much.

Construction
Although international credit conditions have slackened somewhat since last year, they are not back to 2007 levels. Financing is likely to remain challenging over the next couple of years, an indicator that construction activity on major projects will take some time to improve.

Financial Services
The Government of Anguilla has had reasonable success at developing its fledgling off-shore business services industry and this sector has performed well, especially in the areas of offshore insurance and mutual funds. In 2008 the sector contributed 21.33% to GDP but in the latter part of 2008 banking and insurance encountered some liquidity problems as the global recession continued to take its toll.

Since 2000, Anguilla has been an active participant in a global effort directed at strengthening regulatory and supervisory frameworks, especially in the area of money laundering. In addition, the growing pressure from the OECD, IMF, and FATF with respect notably to the harmful tax competition initiative and has ensured that the regulatory environment meets international standards.

Anguilla also faces other significant challenges to remaining competitive such as:

- Insufficient funds to adequately maintain the ACORN system and ensure its position as the world’s foremost registry software.
- Conflict with tourism marketing which is itself limited to high net worth individuals.
- Competition against older, more established jurisdictions.
- The worldwide development of online registries which can erode part of Anguilla’s competitive advantage.

The expectation of the industry is that a sustained recovery in financial services business is 3-5 years away.

2.5.2. Budgetary Challenges

The weak revenue performance of recent years has been exacerbated by the fact that the major revenue categories in Anguilla have been hit most severely by the recession. There have been significant declines in the major tax categories such as stamp duties, accommodation tax and import duties. Revenue collection is also being constrained by deficiencies in tax administration, as well as by significant leakage from concessions.

Government of Anguilla recorded significant increases in recurrent expenditure, with spending rising sharply from ECS$82.9 million (approximately EUR 22.3 million) to ECS$209.4 million (approximately EUR 563.83 million) in 2009. Salaries and wages accounted for the largest component of this expenditure growth, due in part to the level of salary increases that were granted to public sector employees in 2008. Additionally, Anguilla’s debt profile rose to unsustainable levels in 2009 owing to the global financial crisis. The total outstanding debt of Government of Anguilla rose by 15% in 2009 to ECS$172.2 million (approximately EUR 463.6 million), reflecting growth in borrowing to finance the fiscal deficit and debt refinancing programme with domestic banks.

Chapter 3: Policy agenda of Anguilla

The general policy statement of the aims and objectives of the Government of Anguilla are outlined in the Anguilla United Movement Manifesto Blueprint for Anguilla’s Rescue
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and Development – which sets out the current administration’s agenda. This document was approved by the Executive Council of the Government of Anguilla in March 2010.

Government’s aims and objectives are further detailed in the Medium Term Economic Strategy (MTES), for the period 2010-2014, which was formally adopted by Executive Council in August 2010.

In order to address the most important concerns and debilitating aspects of the global crisis in a coherent manner, there was a consideration of the main issues and challenges that Anguilla faces and this revealed a number of factors that will shape Anguilla’s recovery and growth over the medium term.

The result is a strategy that is focused on 4 themes articulated through the focus on the following 4 National Development Goals and pursuit of the related objectives:

National Development Goal 1 - Restore Macroeconomic Stability
• 1.1 Improve Public Financial Management
• 1.2 Improve Fiscal Management and Performance
• 1.3 Improve Debt Management
• 1.4 Enhance capacity for Fiscal Planning and Management

National Development Goal 2 - Stimulate Sustainable and Diversified Economic Growth
• 2.1 Enhance growth potential and competitiveness
• 2.2 Facilitate economic diversification
• 2.3 Provide supporting physical infrastructure

National Development Goal 3 - Provide Supporting Social Development and Social Protection
• 3.1 Develop Human Resources and the Labour Market
• 3.3 Strengthen the Social Protection System

National Development Goal 4 - Reduce Environmental Vulnerability
• 4.1 Improve resilience to environmental hazards
• 4.2 Promote Environmental Sustainability

The Government of Anguilla medium term fiscal strategy responds to the country’s budgetary challenges. It presents a medium term expenditure framework detailing a fiscal forecast for the period 2010-2014, identifies the financing gaps and proposes a set of policy measures to close the gap and address other structural issues. In particular, it operates on the basis of a number of targets that are considered to be achievable, sustainable and conducive to macroeconomic stability over the medium term. These targets include: a return to real GDP growth of approximately 1.5% by 2012; return the overall budget into balance by 2013; maintain a targeted debt to GDP ratio of 45% by 2020; build reserves to the equivalent of 15 days of recurrent expenditure by 2014; maintain unemployment rate below 5%; and maintain average inflation rate below 5% per annum.
At present, revenue continues to perform below expectations and the scope for additional expenditure cuts is limited and often counterproductive. In addition, the Government of Anguilla has critical capital investments to make in physical and social infrastructure such as airport development, seaport development, road development, water development, education development, health development and general social development. These investments may also have the additional impact of stimulating activity in the local economy.

In summary the Government of Anguilla remains committed to the following:
- achieving a significant and steady rate of economic growth and improvements in the standard of living of the people of Anguilla;
- distribution of the increased national income generated as a result of economic prosperity to ensure that all the people are able to benefit and poverty is reduced in line with the UN Millennium Goal 1 of eradicating extreme poverty and hunger and the associated target of halving, between 1990 and 2015 the proportion of people that suffer from hunger.
- strengthening and improving democracy and the systems of governance and expanding the degree of self-determination;
- improving the quality of life and ensuring access by all to acceptable levels of social and community services;
- maintaining a secure, peaceful and stable social environment; and,
- ensuring the planned and sustainable management of the physical resources and natural environment of Anguilla.

Chapter 4: Assessment of past and ongoing EU cooperation

4.1 EU Support under previous EDF Cycles

The EU has provided assistance to Anguilla since 1976 through the 4th to 8th EDF cycles to a total of EUR 9.55 million. This assistance was focused on the upgrade of infrastructure and major projects funded were the construction of Road Bay Jetty, a new electricity power station, road improvement, development of the water supply, storage and distribution system and a road development programme intended to improve the access to commercial and tourism sites – mainly a road linking the ferry terminal at Blowing Point (the main port of entry for visitors and day trippers from St Martin/Maarten) to the capital of Anguilla, The Valley.

4.2 Status of the 9th EDF Programme

Territorial Programme

Under the 9th EDF, Anguilla was allocated EUR 8.29 million. A programme for Sectoral Budget Support was prepared for the implementation of the Medium Term Air Transport Plan, which included infrastructural, technical and managerial improvements to the Air Transport Sector. The EU pledged an additional EUR 3.95 million following the Midterm Review bringing the total country allocation to Anguilla under the 9th EDF to EUR 12.24 million. All funds have been disbursed.
Phase I of the Wallblake Airport Expansion Project (WAEP) was undertaken as part of the Medium Term Air Transport Sector Plan and these components included the extension of the runway from 3600ft to 5400ft, the construction of additional apron parking; the upgrade of the existing terminal building, the establishment of a fixed base operation (FBO) for private jets; the provision of refuelling services by the FBO operator to meet also the needs of scheduled carriers and charter aircraft; new tower control equipment; new and improved navigation lighting; and, new and improved fire fighting equipment.

The project was primarily financed from the US$15 million (approximately EUR 10.8 million) loan from a commercial bank that was taken in the interim of receiving the 9th EDF funds.

Regional Programme
Regional Projects of direct interest to Anguilla include: the Strengthening of Planning in Government Services which provides technical assistance and training for the move to programme budgeting, strengthening medical laboratories in Caribbean OCTs, the HIV/AIDS Programme being implemented by Pan American Health Organisation and the Automated System for Customs Data project, designed to improve customs collections and administration and the Regional Risk Reduction Initiative (R3I). The objective of R3I is to develop the local capacities of the overseas countries and territories and provide them with the tools and best practices to support a comprehensive disaster risk management approach.

4.3 Experiences and lessons learnt
Anguilla chose to operate under Budgetary Support for the 9th EDF as it fit into the Government of Anguilla’s desire to move into multi-year programme budgeting, the success of which is predicated on well defined sectoral strategies with the resource requirements identified and properly budgeted.

The main lessons from this experience were that consideration had to be taken of the impact of possible delays on Anguilla’s financial position. Timing of the request for tranche releases should preferably be within the first quarter of the fiscal year to allow full reporting on the economic and financial activities from the preceding and next year and to coincide with the formal review by development partners. This should then allow sufficient time for the release of funds and greater predictability in the programming of funds into the budget.

Consideration must also be given to the capability to fulfil the indicators that are set within the given time frame as well as clarity on what constitutes supporting evidence for general conditions and variable tranche indicators. Strategic budgeting and refocusing the budget from an annual plan for spending inputs to a multi year plan to achieve policies is also important.
4.4 Programmes of Other Donors

Anguilla’s only remaining significant donor is the Caribbean Development Bank (CDB) which has financed port development, road development and electricity development projects in the past. It has also provided funds for ongoing lending by the Anguilla Development Bank, which lends to the small business and enterprise sector. In 2003, the CDB provided EC$9.9 million (approximately EUR 2.6 million) in loan funds for the rehabilitation of roads damaged by Hurricane Lenny in 1999. The CDB has indicated that it is prepared to continue to support Anguilla’s economic development needs and has recently funded technical assistance in the areas of port development and community college development as well as offering loans for further development in these areas. In 2010 the Caribbean Development Bank approved and disbursed a Policy Based Loan in the amount of US$55m (approximately EUR 40 million) the purpose of which was to achieve debt restructuring through the refinancing of the Government of Anguilla’s most expensive debt.

The provision of direct development assistance from the UK ceased in 2005. However, the UKG is committed to providing emergency aid in response to natural disaster situations and the Overseas Territories Programme Fund (OTPF) provides strategic funding to help maintain the security, governance stability and prosperity of the Overseas Territories. Anguilla has access to this fund.

Chapter 5: Response strategy

Summary of the response strategy

This chapter outlines the EU response strategy for Anguilla for the period 2008-2013 and is based on and prepared in the context of several preceding and concurrent consultative processes, with the Government of Anguilla and its regional and international development partners. The reports, findings and subsequent synergies were incorporated in the formulation of the MTES 2010-2014, the key strategy of the Government of Anguilla and formal response to the severe impacts and continuing development challenges of the global, economic and financial crisis. The totality of 10th EDF resources will be mobilized to support the implementation of the MTES through General Budget Support. The experiences of the 9th EDF indicate the great importance of complementarity of other donor actions along with supporting reforms undertaken by the Government through the provision of supporting elements to allow successful completion, sustainable impacts and improved capacity going forward. Complementary actions include consultancy support from the Foreign & Commonwealth Office of the UK Government, a Policy Based Loan from the Caribbean Development Bank (CDB), Technical Assistance and training from the Caribbean Regional Technical Assistance Centre (CARTAC) and participation in the Stabilisation and Growth Programme of the Eastern Caribbean Currency Union (ECCU).

Key objective and main areas for EU Action

The key objective of EU cooperation in 2008-2013 will be the maintenance of macroeconomic stability through improved economic and fiscal management; and, the stimulation of sustained and diversified economic growth by supporting Anguilla in
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reaching the National Development Goals outlined in the MTES. There is a need for Anguilla to focus on maintaining its economic growth into the future and have an economy, while largely based on tourism, where efforts are made to increase the returns from what already exists along with economic diversification into new areas in order to reduce vulnerability.

The overall objective of this General Budget Support (GBS) programme is to facilitate and sustain the economic growth and development of Anguilla. The specific objective of this General Budget Support programme is to support the implementation of the MTES.

Relevance and sustainability of the support strategy
Anguilla’s vulnerability to external shocks and the current economic decline, caused by the global financial and economic crisis, has contributed to the selection of the focal area for the support strategy under the EDF 10 Programme.

The MTES is the basis for the 10th EDF General Budget Support Programme. It presents a macro-economic framework and fiscal reform agenda aimed at restoring Anguilla’s macroeconomic stability combined with a programme for stimulating sustainable and diversified economic growth within the context of enhanced social and environmental protection. The Strategy is the basis for framing Government of Anguilla’s priorities over the period as the strategic objectives are aligned and integrated with the operational plans and budgets of Ministries and Departments. Additionally, it is a roadmap and framework for cooperation and harmonisation of support between Anguilla and its local, regional and international development partners.

The MTES sets out the strategic objectives, policies and activities to be pursued and implemented by Government of Anguilla in order to facilitate and sustain economic growth and development over the period 2010 -2014. It presents actions and initiatives under four pillars and incorporates both a Medium Term Fiscal Strategy and PFM Reform Action Plan. The MTES is articulated through the achievement of the following goals: Restore Macroeconomic Stability; Stimulate Sustainable and Diversified Economic Growth; Provide Supporting Social Development and Social Protection; and Reduce Environmental Vulnerability.

This strategy is relevant because it focuses on building capacities that are imperative for securing economic success and addressing the challenges of economic decline that are being experienced in Anguilla. It also highlights and aims to address areas in which Government activities have been lacking or have lapsed, such as policy development and public financial management. In summary, the Strategy will essentially strengthen the foundation for the development of Anguilla.

Anguilla’s economic industry and infrastructure has a high vulnerability to the increasing frequency and intensity of natural hazards, including tropical storms and hurricanes, flooding, droughts, earthquakes and tsunamis. Anguilla is also vulnerable to the impact of climate change including rising sea levels, increased temperatures, ocean acidification,
changing precipitation patterns and an increase in the magnitude and frequency of extreme events.

Anguilla’s location, geography and the concentration of its tourism plant in the coastal zone, makes it extremely vulnerable to coastal erosion, hurricanes and to the long-term risks associated with rising sea levels and climate change. Sea level rise, accompanied by increases in storm surge and wave run-up will heighten risks faced, as will destruction of reefs and protective environmental systems. Until the adoption of the MTES (which is the focus of the support through the 10th EDF allocation) Anguilla’s physical development has been largely unplanned. This has placed significant pressure on the natural resource base that could well jeopardise the economic prospects of Anguilla.

Furthermore, there are growing problems of solid waste management, degradation of coastal and marine resources, beach erosion, pollution threat to critical groundwater resources and the degradation and loss of valuable biodiversity and biological resources. Sustainability of the strategy is enhanced because of the support from all of Anguilla’s development partners and the complementary role that each have to play in this programme of fiscal and economic reform.

Coherence with other EU policies and cross cutting issues
This support strategy for EU cooperation is in line with a number of EC principles and policy objectives for development. The EU development policy has as its primary objective the eradication of poverty in the context of sustainable development, including pursuit of the MDGs, as well as the promotion of democracy, good governance and respect for human rights. The EU undertakes to pursue these objectives and apply them to the development assistance component of all their cooperation strategies with partner countries.

Most notable for the context of Anguilla, the EU pledges to support economic and institutional reforms, including the poverty reduction, development and reform strategies of partner countries; while paying close attention to their impacts in terms of growth, macroeconomic stability and the effects on poverty reduction. They place particular emphasis on improvements in public finance management – the sound and transparent management of public finances which is fundamental to promoting efficient public spending.

The EU also has the opportunity to advance its principles of complementarity, coordination, harmonisation and alignment as Anguilla aims to lead its own development process with a broad donor-wide engagement. In addition the support strategy is coherent with the policies of the EU in the Overseas Association Decision as listed in Chapter 1.

Complementarity with other donor assistance
This assistance is complementary to the assistance from other international and regional donors such as the UK Government, the Caribbean Development Bank, the Canadian International Development Agency through the Eastern Caribbean Central Bank and the
Caribbean Regional Technical Assistance Technical Assistance Centre and the activities of the Government itself.

In view of the funds available, the Government of Anguilla sees an opportunity for the EU, in conjunction with other development partners, to take part in Anguilla's efforts towards reform. This will enable Anguilla to restore its macroeconomic stability and establish the conditions conducive to sustained and diversified growth, social development and protection through the implementation of the MTES.

Risk assessment
There are a number of risks that could have an adverse impact on the successful implementation of the General Budget Support programme. The maintenance of macroeconomic stability is a key assumption for the implementation of this programme and therefore there are risks associated with the possibility of a protracted impact of the economic and financial crisis and the consequent delay in recovery for the Anguilla economy. The implementation of the MTES and EU support to its implementation is expected to mitigate the current risks. Moreover, there is close monitoring of the economy and annual budgets by the UK Government.

There exists a risk of the limited capacity of the Government of Anguilla to implement the General Budget Support programme, in a timely and successful manner. UK, the Caribbean Development Bank and the Caribbean Regional Technical Assistance Centre are currently providing assistance to the government of Anguilla in various areas. In addition, although no separate technical assistance (TA) component is foreseen. The Government of Anguilla has as its disposal the budget support tranches, which can be used to contract TA services as the Government sees fit. The Government also shows a strong commitment of its resources to implementation of the MTES and general reform.

Finally, there is the threat of hurricanes and unanticipated expenditures associated with the rebuilding of infrastructure damaged by natural disasters, as evidenced more recently by the passages of Hurricanes Lenny (1999) and Omar (2008). Government of Anguilla maintains an annual allocation of funds to be used for the purpose of Disaster Mitigation and Recovery and participates in the Caribbean Catastrophic Risk Insurance Facility (CCRIF). Anguilla is also a beneficiary of the Global C Envelope Regional Project under the 9th EDF, namely the Regional Risk Reduction Initiative.
PART B: TERRITORIAL PROGRAMME

Chapter 6: Territorial Programme for sector support of development strategies - Action Fiche

6.1. Identification

<table>
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<td>DAC-code</td>
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6.2. Rationale and country context

6.2.1. Country Context and National Policy and Strategy

Economic and social situation and poverty analysis

The Anguillan economy of the 1980's was largely driven by construction activity of the first round of major investment in hotel plant, which resulted in robust growth rates. Economic growth during the 1990s was less robust and highly erratic due in part to the impact of several hurricanes (Hurricane Luis in 1995 and Hurricane Lenny in 1999) and the compounded effect of the downturn in global economic activity as the long run of economic expansion in the US came to an end in 2000. This was then further exacerbated by the activities of September 11, 2001. Over the period 2001-2003, Anguilla experienced a severe economic downturn and growth in GDP averaged a mere 1% per annum. In response to these developments, the Government of Anguilla embarked upon a Fiscal Stabilisation Plan covering the period 2002 – 2004. Consequently, in the years that followed, Anguilla enjoyed a period of unprecedented economic growth. The Anguillian economy showed its first signs of slowing in 2008 when it experienced growth of 3.8% in real terms. Thereafter, economic activity declined drastically following the onset of the global recession and the closure of a major tourism development project.

During the more prosperous years Anguilla made significant strides in social development and the eradication of poverty. The 2002 Country Poverty Assessment (CPA) found that, overall; poverty in Anguilla was not severe at that time – with most poor households enjoying a reasonable standard of living with access to education and health services and had at least one person in employment. More recent findings (preliminary) of the 2008/09 Country Poverty Assessment suggests, however, that while there are low levels of Anguillans living in extreme poverty, there are high levels of the population that have been estimated as vulnerable to poverty. The latter move in and out of poverty as a result of the economic and employment dynamic of the country and can be plunged into poverty in the event of further exogenous shocks or natural disaster. This
dynamic was considered to be applicable to approximately 17% of the population who remain poor or vulnerable to poverty.

National Development/Cooperation Policy and Strategy

From 1993-2005, the Government of Anguilla in cooperation and partnership with the UK Government focused on targeted plans of action and priorities for development that were detailed in a Country Policy Plan and later a Strategic Country Programme. These past policy documents have all since expired and, in the interim, Anguilla’s broad development policy and programme priorities were usually laid out in the ruling political party’s Manifesto which in some cases were officially adopted by the Executive Council as the Government’s programme agenda.

The global economic and financial crisis severely impacted the island and the Government of Anguilla responded to these challenges with the implementation of a Fiscal and Economic Recovery Plan (FERP) 2009 - 2011. The Plan was prepared in conjunction with work conducted by the Eastern Caribbean Central Bank on a response to the crisis in the form of an Eastern Caribbean Currency Union Stabilisation and Growth Programme. In parallel, the Government of Anguilla began in 2009 the preparation of a more comprehensive plan in the form of a Medium Term Economic Strategy (MTES) for the period 2010 – 2014. This Strategy incorporated and expanded upon the initiatives of the Fiscal and Economic Recovery Plan and also incorporated a Medium Term Fiscal Strategy and expenditure framework. In this strategy, the Government of Anguilla is embarking upon a programme of economic reform which encompasses both short term stabilisation and medium term support for economic and social reforms.

6.2.2. Eligibility for budget support

National Development or Cooperation Policy and Strategy

Anguilla’s Medium Term Economic Strategy (MTES) can be considered a timely response to the severe impacts and emerging development challenges that Anguilla has faced since 2008. It presents a macro-economic framework and fiscal reform agenda aimed at restoring Anguilla’s macroeconomic stability combined with a programme for stimulating sustainable and diversified economic growth within the context of enhanced social and environmental protection. The Strategy is the basis for framing The Government of Anguilla’s priorities over the period as the strategic objectives are aligned and integrated with the operational plans and budgets of Ministries and Departments; additionally, it is a roadmap and framework for cooperation and harmonisation of support between Anguilla and its local, regional and international development partners. Specifically, the Medium Term Economic Strategy sets out the strategic objectives, policies and activities to be pursued and implemented by The Government of Anguilla in order to facilitate and sustain economic growth and development over the period 2010-2014. It presents actions and initiatives under four pillars and incorporates both the Medium Term Fiscal Strategy and the PFM Reform Action Plan. As such, the Medium Term Economic Strategy is the basis for the 10th EDF General Budget Support Programme. It is articulated through the achievement of the following goals: Restore
Macroeconomic Stability; Stimulate Sustainable and Diversified Economic Growth; Provide Supporting Social Development and Social Protection; and Reduce Environmental Vulnerability.

The strategy was prepared between 2009 and 2010 and involved consultation with a cross section of The Government of Anguilla, the public, civil society and regional and international bodies. The MTES was finalised and approved by the Government of Anguilla on 20 August 2010. Monitoring of the MTES will be carried out on a weekly basis as part of the agenda of the FERP Committee, which comprises representatives from all ministries involved in the implementation of the MTES. An annual review of the MTES will be conducted by the Committee during each December of 2010-2014 and a formal review report will be produced in January of the following year.

In conclusion, the analysis of national policy and strategy confirms that a well defined national policy and strategy that responds to the challenges and problems faced by the Government of Anguilla is in place and under implementation. As a result this national strategy is an appropriate basis for providing EU general budget support.

Macroeconomic situation

In recent past, Anguilla enjoyed a period of unprecedented economic growth. Over the five year period from 2003-2007, real GDP growth averaged almost 14%, compared to average growth rates of 5% and 3% in the periods from 1993-1997 and 1998-2002, respectively. Anguilla’s nominal GDP and GDP per capita for 2007 were US$ 212.2 million (approximately EUR 154 million) and US$ 14,258 (approximately EUR 10,350) respectively (almost double the equivalent figure for 2002).

The international financial crisis and the global recession impacted both Anguilla’s tourism industry and the construction sector and as such, Anguilla’s strong growth of recent years began a sharp reversal in mid-2008. Economic growth slowed by 3.8% in 2008 and contracted by 21.5% in 2009. This slump in growth has had a marked impact on most aspects of macroeconomic performance and particularly on government finances. Given the economic and financial conditions which prevailed in 2009, the government implemented a number of measures to curtail expenditure including a 10% cut in public sector salaries, a freeze in employment, cuts in overseas travel and training, as well as a reduction in capital spending. However, Government’s efforts towards fiscal adjustment in 2009 failed to stem a rapid deterioration of the fiscal accounts. At year end, The Government of Anguilla recorded an overall deficit of EC$66.42 million (approximately EUR 17,8 million), the highest on record. Moreover, the stock of total public debt in Anguilla increased by 12.6% from ECS 170 million (approximately EUR 45,6 million) (22.9% of GDP) at end of 2008 to an estimated ECS 191.5 million (approximately EUR 51,4 million) (33.1% of GDP) at end of 2009.

In conclusion, the impact of the global economic and financial crisis was harsh on the Anguillian economy, which is now faced with a decline in economic activity in the key sectors of tourism and construction, increasing and unsustainable fiscal deficits, mounting arrears and serious debt servicing problems. However, the Government of Anguilla has
prepared a Medium Term Fiscal Strategy/ Medium Term Expenditure Framework (MTEF) for the period 2010-2014, which is a plan for achieving the UK mandated requirement of returning to a balanced position by 2013 and this Fiscal Plan was accepted by the UK Government and subsequently by the Caribbean Development Bank. In addition, The Government of Anguilla has undergone a period of intense budget revision. The Government has also made decisions on a number of structural reforms to take place over the period 2010-13 in order to restore stability through measures to enhance revenues, streamline expenditures and restructure the public debt. This is to be achieved in conjunction with priority safety-net programmes to protect vulnerable families from falling into poverty. Thus, it is recognized that although the current situation in Anguilla is challenging the country's return to stability as reflected in its MTES and MTEF is well organized and ongoing. Additionally, taking into account support of the MTES by the Foreign & Commonwealth Office as well as the granting of the Caribbean Development Bank policy based loan to The Government of Anguilla- the Delegation's assessment is that the government of Anguilla is moving in the right direction and is well poised to foster economic resurgence. Therefore, Anguilla should be considered eligible for General Budget Support.

Public Financial Management

The assessment of Anguilla’s Public Finance Management was undertaken in September 2008 as part of the EC requirements for assessment of eligibility for Budget Support under the 10th EDF. It found many positive aspects such as a good degree of budget credibility; high levels of comprehensiveness and transparency borne out by succinct budget information and wide public access to fiscal information; predictability and control in budget execution and good accounting, recording and reporting. However, looking at budgetary outcomes, it found that fiscal discipline is negatively impacted by significant differences between actual and originally budgeted primary expenditure and separated budget processes for recurrent and investment expenditures. This, as well as the need to cost sector strategies, was found to weaken the overall process of allocating resources. The Public Expenditure and Financial Accountability also found that there was no formal process for the planning, execution and monitoring of PFM reforms in Anguilla as they fall under the broad responsibility of the Minister of Finance, Economic Development, Investment Commerce and Tourism.

The Government notes that since its preparation in September 2008, the recommendations of the PEFA assessment became the unofficial, informal plan for PFM reforms. The Government of Anguilla made considerable progress in addressing the Public Expenditure and Financial Accountability recommendations, however, there was no formal monitoring of PFM reforms and there was sometimes slippage on achievement of some of the milestones as a result of the shift in focus of the limited staff to address the issues of the economic crisis. Progress on PFM reform since 2008, to mention a few,

6 It should be noted that both the EU Budget Support and the Policy Based Loans are key components in meeting the targets of the fiscal framework and the implementation of the Medium Term Economic Strategy over the medium term should lead to improvement of the macroeconomic outlook.
includes: draft of new Financial Regulations, transition to Classification of the Functions of Government classification of the budget, ceilings included in Budget Circular, MTEF devised for 2010-2014, draft Tax Administration Act, new Procurement Legislation and auditing of the 2008 financial accounts. To circumvent the absence of a formal monitoring mechanism for PFM reforms, Government of Anguilla prepared and approved on August 20, 2010, a comprehensive PFM Reform Action plan, with the assistance of CARTAC. The Plan is structured by respective PEFA indicators and outlines the issues/challenges (weaknesses identified), the medium term objectives, PFM reform objectives, deadlines, performance indicators, partner agencies, TA or financial support, costing and progress achieved. Additionally, the plan outlines the cost of implementation and identifies for most actions, the partner and estimated technical assistance and support needed.

The analysis of public financial management set out above shows that Anguilla has established and is implementing a credible and relevant programme of improvement in public financial management and that the evidence from the PFM diagnostic and the PFM reform process shows that trends in PFM justify the eligibility for budget support.

6.2.3. Lessons learnt

Anguilla chose to operate under Budgetary Support for the 9th EDF and the main lessons from this experience were that consideration has to be taken of the impact of possible delays on Anguilla’s financial position. Timing of the request for tranche releases should preferably be within the first quarter of the fiscal year to allow full reporting on the economic and financial activities from the preceding and next year and to coincide with the formal review by development partners. This should then allow sufficient time for the release of funds and greater predictability in the programming of funds into the budget. Consideration must also be given to the capability to fulfill the indicators that are set within the given time frame as well as clarity on what constitutes supporting evidence for general conditions and variable tranche indicators. Strategic budgeting and refocusing the budget from an annual plan for spending inputs to a multi year plan to achieve policies is also important. These outcomes were incorporated in the MTES.

6.2.4. Complementary actions

The EU is the largest development partner to the Government of Anguilla followed by the Caribbean Development Bank. The CDB is providing assistance through a Policy Based Loan of US$55 million (approximately EUR 39,9 million). UNDP have confirmed that they will provide assistance to facilitate the preparation of the PRSP following the imminent completion of the Country Poverty Assessment. CARTAC has provided the services of cash flow modelling and fiscal projections experts and are planning training in Preparation of Medium Term Budgeting Frameworks, Revenue Modelling and Forecasting and Macroeconomic Statistics for Economists: An Introduction to Macroeconomic Statistical Systems, while the UK Government commissioned both a revenue and expenditure studies for the Government of Anguilla.
6.2.5. Donor coordination

Coordination between Anguilla and development partners will be driven, for the most part, by Anguilla with national responsibility for donor coordination vested in the Ministry of Finance, Economic Development, Investment, Commerce and Tourism (FEDICT). The MTES is the principal document guiding this cooperation and support through the following arrangements: European Union’s Budget Support Programme under the 10th European Development Fund (EDF) – EUR 11.7 million; Policy Based Loan from the Caribbean Development Bank (CDB) – US$55m (approximately EUR 39.9 million); Technical Assistance and training from the Caribbean Regional Technical Assistance Centre (CARTAC); Stabilisation and Growth Programme of the Eastern Caribbean Currency Union (ECCU).

6.3. Description

6.3.1. Objectives

The overall objective of this General Budget Support (GBS) programme is to facilitate and sustain the economic growth and development of Anguilla. The specific objectives are in line with the four main goals of the MTES: (1) restoring macroeconomic stability (2) stimulation of sustainable and diversified economic growth (3) providing supporting social development and social protection and (4) reducing environmental vulnerability.

6.3.2. Expected results and main activities

The key results anticipated from the programme are:
- Improvement of the PFM system through strengthening of Government's own accountability mechanism, and dialogue on the PFM action plan;
- Improvement of Government's procurement systems through implementation of effective legislation and establishment of a fully operational Procurement Board;
- Strengthening of the macroeconomic environment through dialogue on the macro economy, fiscal sustainability, debt management and financial support;
- Strengthening of private sector development for reduced business transaction costs;
- Improved policy basis for poverty reduction;
- Post secondary Curriculum better adapted to labour market needs;
- Development and upgrade of essential databases and statistical capacity for improved and effective policy analysis and enhanced monitoring of important indicators in the area of trade, unemployment and population;
- Improvement of Anguilla's resilience to environmental hazards;

The programme activities relate to policy dialogue around the 3 eligibility criteria and fulfilment of variable tranche indicators and donor coordination.

6.3.3. Stakeholders

The main stakeholders and beneficiaries are the Anguillan population in general. Preparation of the MTES involved consultation with a cross section of the public, the
Government of Anguilla, civil society and regional and international bodies. The Ministry of Finance, Economic Development, Investment, Commerce and Tourism is the lead ministry for the implementation of the MTES and consequently for this budget support programme. Monitoring and implementation of the MTES will be carried out through weekly meetings of the Fiscal and Economic Recovery Planning Committee (FERP) including the Ministry of Finance, Economic Development, Investment Commerce and Tourism; the Anguilla Statistics Department, all Ministries and Departments of Government. In addition, the creation of a Development Committee is envisaged that will comprise a panel of state and non state actors that will be the forum for regular consultations on the implementation of the MTES. With respect to the preparation of this budget support programme, the process was undertaken with initiative and good collaboration of the Ministry of Finance, Economic Development, Investment, Commerce and Tourism, assuring also the NAO functions.

6.3.4. Risks and assumptions

There are a number of risks that could have an adverse impact on the successful implementation of the General Budget Support programme. The maintenance of macroeconomic stability is a key assumption for the implementation of this programme and therefore there are risks associated with the possibility of a protracted impact of the economic and financial crisis and the consequent delay in recovery for the Anguilla economy. The implementation of the MTES and EU support to its implementation is expected to mitigate the current risks. Moreover, there is close monitoring of the economy and annual budgets by the UK Government. There exists a risk of the limited capacity of the Government of Anguilla to implement the GBS programme, in a timely and successful manner. UK, CDB and CARTAC are currently providing assistance to the government of Anguilla in various areas. In addition, although no separate technical assistance (TA) component is foreseen, The Government of Anguilla has as its disposal the budget support tranches, which can be used to contract TA services as the Government sees fit. The Government also shows a strong commitment of its resources to implementation of the MTES and general reform. Finally, there is the threat of hurricanes and unanticipated expenditures associated with the rebuilding of infrastructure damaged by natural disasters, as evidenced more recently by the passages of Hurricanes Lenny (1999) and Omar (2008). Government of Anguilla maintains an annual allocation of funds to be used for the purpose of Disaster Mitigation and Recovery and participates in the Caribbean Catastrophic Risk Insurance Facility (CCRIF). Anguilla is also a beneficiary of the Global C Envelope Regional Project under the 9th EDF, namely the Regional Risk Reduction Initiative.

6.3.5. Crosscutting issues

The general budget support programme addresses the area of good governance; Through the MTES it also addresses the reduction of environmental vulnerability through promotion of environmental sustainability as one of its key pillars.

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6.4. Implementation issues

6.4.1. Budget and calendar

The total amount EUR 11,700,000 from the 10th EDF is for General Budget Support through direct centralised management. The provision for monitoring and evaluation consists of EUR 100,000. The timetable of implementation of Anguilla’s General Budget Support Programme covers 33 months (fiscal years are (January – December in Anguilla) from the signature of the Financing Agreement.

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<tr>
<td>Monitoring &amp; Evaluation</td>
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<tr>
<td>Total</td>
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**Indicative calendar for disbursement**

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<th>Second quarter of 2013</th>
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<tr>
<td>Total</td>
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<td>4,000,000</td>
<td>4,100,000</td>
<td>11,700,000</td>
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6.4.2. Budget support modalities

This direct non-targeted budget support programme, which supports the implementation of Anguilla’s Medium Term Economic Strategy (MTES) will be disbursed in three instalments corresponding to fiscal years 2011, 2012 and 2013. The funds will be accounted for in Anguilla’s Budget and transferred to the government’s consolidated fund as revenues to support budgetary execution. Foreign-exchange transfers will be entered in the accounts under the value date of the notification of credit to the account of the Eastern Caribbean Central Bank. The exchange rate will be the middle rate of the interbank foreign currency market on the day of the transfer.

6.4.3. Procurement and grants award procedures

All contracts implementing the action must be awarded and implemented in accordance with the procedures and standard documents laid down and published by the Commission for the implementation of external operations, in force at the time of the launch of the procedure in question.
Participation in the award of contracts for the present action shall be open to all natural and legal persons covered by Council Regulation (EC) No 215/2008 on the financial Regulation applicable to the 10th EDF (specifically Article 96).

6.4.4. Performance monitoring and criteria for disbursement

The fixed tranches will be disbursed in full upon fulfilment of the general conditions for budget support. So that the EU can evaluate the fulfilment of the general conditions, the Government of Anguilla shall communicate at the time of disbursement request information on the following:

(i) satisfactory progress in the implementation of the Medium Term Economic Strategy as evidenced by progress reports resulting from yearly MTES reviews; (ii) satisfactory progress in the maintenance of a stability-oriented macroeconomic policy, on the basis of FCO macroeconomic and budget reviews and government's assessment in their request for tranche release; (iii) satisfactory progress in the implementation of its programme to improve public financial management, as evidenced by government's reports on progress achieved against targets set out in the PFM Action Plan.

The variable tranches will be disbursed upon fulfilment of the general conditions mentioned above and specific conditions in the areas of: growth and private sector development, public financial management, debt and disaster management.

On the basis of the information supplied, the European Commission shall formulate an assessment before the disbursement of all tranches of budget support. Yearly budget support reviews are foreseen for policy dialogue and assessment of the budget support operations. Further, the EU will participate in The Government of Anguilla's annual reviews of the MTES and the PFM action plan and FCO macroeconomic and budgetary reviews.

6.4.5 Evaluation and audit

Monitoring and Evaluation will focus on the extent to which budget support is relevant, efficient, and effective in contributing to achieving sustainable impacts in the areas which are the focus of the objectives of budget support. The programme will be subject to an external evaluation following the end of the implementation period.

Audits are foreseen for complementary measures implemented under EDF procedures. Audit and evaluation contracts will be signed by the European Commission.

6.4.6. Communication and visibility

The Government will convene a formal high-level annual Budget Support Review of the macro-economic, fiscal and PFM situation while the programme is being implemented. This will ensure that discussions between the donors and Government take place at the
appropriate level and promote high visibility of the programme. Communication and visibility activities will be coordinated by the MOED&T.
0. Summary

Anguilla’s tourist industry is presently undergoing rapid growth, and is the territory’s dominant economic activity. The quickened pace of investment activity and heightened investor interest are prompting concerns about sustainability. Anguilla does not at present have in place solid instruments to ensure the protection of its natural beauty and richness of marine and terrestrial habitats and life, such crucial factors in making it an attractive tourist destination, will be safeguarded.

1. Background information

1.1 Key facts and statistics

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<td>Unemployment rate</td>
<td>8%</td>
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<td>% below poverty line</td>
<td>18% (SPD)</td>
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1.2 Constitution

Anguilla is a United Kingdom overseas territory. The constitution provides for a governor who exercises executive authority. The Governor has special responsibility for defence, external affairs, internal security (including the police) and the public service. In other areas the governor follows the advice of the Executive Council, comprising the Chief Minister and three other elected Ministers, the Attorney General and the Deputy Governor. Following legislative elections, the leader of the majority party or the leader of the majority coalition is usually appointed chief minister by the governor. The legislative body is the House of Assembly, comprising a total of 11 seats, of which 7 elected by direct popular vote, 2 ex officio members and 2 appointed Members serve five-year terms.

In the aftermath of the dissolution of the West Indies Federation, St. Kitts, Nevis, and Anguilla became a single ‘associated state’ of the UK in 1967. Anguilla attempted to dissociate itself from that entity, and
declared unilateral independence. In 1971 the British Parliament passed the Anguilla Act, which provided that if St. Kitts-Nevis-Anguilla decided to end its associated status, Anguilla could separate from the other islands. As independence for St. Kitts and Nevis approached, Anguilla formerly separated from the state. A new Constitution took effect in Anguilla in 1982.

A process of constitutional and electoral review is taking place in Anguilla, and the concept of ‘free association’ with the UK has received quite some attention. Essentially, it is a “half-way house” towards full independence whereby Anguilla would attain full internal self-government, with defence and external relations remaining the preserve of the UK.

1.3 Physical geography

Anguilla is the most northerly of the Leeward Islands in the Eastern Caribbean, comprising a main island and several offshore islands and cays. It consists of a low-lying (maximum elevation 65 m) coral platform built on top of a submerged volcanic base.

The island is 26 km long and a maximum of 5 km wide. It enjoys clear seas and some of the best beaches in the region. The island itself is predominantly flat. Anguilla’s capital and administrative centre is the Valley (population 1,400).

Anguilla has one of the most important largely unbroken coral reefs in the Eastern Caribbean. The coastline consists of coral sand beaches, low rock outcrops and limestone cliffs, surrounded by coral reefs with an extensive barrier reef off the north coast. There are extensive sand dunes behind some of the beaches and several salt ponds. Several small uninhabited islets and sandy cays mostly near the main island -including Dog Island, Scrub Island, Sombrero Island, and the Prickly Pear Cays - form part of its territory.

The climate is tropical, moderated by the north-east trade winds. The wet season extends from June to November, but most of the island’s rain falls within a few weeks, causing flooding in low-lying areas. Anguilla is periodically hit by hurricanes such as Luis in 1995 and Lenny in 1999.

Porous rocks capture rainfall as groundwater. Anguilla and three the other islands have brackish coastal lagoons, and a few ponds on the mainland are fed by springs from the water table. Anguilla’s salt ponds are of great importance. These wetlands are a habitat for various bird species, including the endangered roseate terns, least terns and red-billed tropic birds, and act as flood control areas during hurricanes and heavy rains.

1.4 Flora and fauna

Vegetation on the arid territory is characterised by scrubland and sparse scrub oak with a few trees. Over 550 plant species have been recorded on the islands (320 indigenous), with *Rondeletia anguillensis* classified as an endemic.

Anguilla is rich in biological diversity. The habitats of the main island and its offshore cays range from coral reefs to coastal cliffs, degraded evergreen woodland with scattered areas of grassland and scrub to small areas of mangrove, and brackish and freshwater ponds. These habitats are home to some 130 bird species and 21 species of reptile, such as the black (or ground) lizard (endemic to Sombrero Island), the Anguillian racer snake, the Little Scrub Ground Lizard (endemic to Little Scrub Island) and the lesser Antillean iguana. The beaches are important nesting areas for Hawksbill (CR), Green (EN) and Leatherback (EN) turtles.

To date, 139 bird species have been recorded on Anguilla (38 breeding, 101 as regular visitors). At least 15 species of seabird currently breed on Anguilla. mostly on the uninhabited islands.

There are at least 40 endemic insects on Sombrero, 72 km to the north-west of the main island.
1.5 Demography, socio-economy

The population has been growing at an average rate of 2.8% in recent years, in part due to net inward migration. Several thousand Anguillians live and work on other Caribbean islands, in Britain and in the US.

The economy is very dependent on tourism: more than 50,000 arrivals per year. This provides about 31.5 per cent of national revenue, but accounts for 60% of GDP, 48% of employment and 50% of government revenue collections when the direct and indirect impacts are taken into account. Anguilla is an up-market tourist destination with high standard, expensive hotels. The island has experienced rapid economic development over the last decade. The tourism boom has also spawned a healthy building sector.

There is also a small but growing international financial services sector which generates some €3 million annual revenue. The British government supports this by providing the Director of Financial Services and the by developing a computerised online registration network.

Fishing is a very important economic activity in Anguilla. Fishermen produce between 300 and 500 tonnes of fish, lobster and crayfish yearly which are exported to neighbouring islands. The UK is helping to support the Longline Fisheries Development Project, aimed at improving Anguilla's fishing industry while relieving pressure on inshore fish stocks. A jetty at Island Harbour has recently been built.

Anguilla now meets its entire budgetary requirement and an increasing proportion of its capital needs from its own resources. The partnership for progress and development between the UK and Anguilla seeks economic autonomy for Anguilla. To achieve this, particular emphasis is being placed on air transport and maritime services. But government income can be severely affected by natural disasters.

Housing on the island is generally solidly built (hurricane-proof), provided with safe water, electricity and good sanitation.

2. Main environmental challenges

2.1 Overview

Rapid development and a growing tourist industry are placing multiple strains on Anguilla's environment. More than ever before, the richness of Anguilla's habitats and biodiversity is also under serious threat. A surge in development connected with housing and tourism-related activities is placing severe pressure on an already stressed environment. Furthermore, as a small and low-lying island dependent on tourism and therefore on the quality of its beaches, its coral reefs, its fish and its wildlife, Anguilla is vulnerable to the effects of climate change.

Tropical storms and hurricanes are common in this region. After Hurricane Donna in 1960 almost four decades passed without a severe hurricane until Hurricanes Luis and Marilyn struck only a week or so apart in 1995. In 1999 Hurricane Lenny passed very close to Anguilla and caused extensive erosion and sedimentation, closed most hotels and had an economic impact of some US$75 million.

2.2 Main challenges

Challenge 1 CLIMATE CHANGE SEVERE

Climate change is expected to have a whole raft of adverse effects in many countries, but these effects are likely to be particularly severe in small tropical islands. Section 3.2 in the main section of this report summarises the main impacts and implications of climate change for small Caribbean islands. The table below applies this general analysis to the specific circumstances of Anguilla.
The islands are generally low-lying and therefore vulnerable to rising sea-level. The potential loss of beaches is a serious threat for the tourist industry. The fishing industry is important in Anguilla. Climate change may affect these fisheries in unpredictable ways. Islands ringed by coral reefs, presently still in reasonable condition, but already subject to multiple threats. Only limited mangrove stands occur on Anguilla. Islands have limited groundwater resources.

Tourist industry accounts for half of GDP. Reef tourism and fishing are important attractions. This poses a severe threat; Anguilla lies within the Caribbean hurricane zone, and hurricanes already pose a threat to beaches.

Anguilla is particularly vulnerable to the threat of global warming given its dependence on the tourist industry and its low altitude. The islands are very extensively fringed by coral reefs, which are a crucial component in the delicate ecosystem found there, are very important as a tourist attraction and therefore to livelihoods on the island, as a spawning ground for fish and as a natural buffer area protecting the islands from sea damage during storms. Climate change also poses a threat to Anguilla's beaches, which have already suffered considerable hurricane erosion, so that more intense storms are a major concern.

**Challenge 2 Halting environmental and habitat degradation due to development SEVERE**

The high rate of growth of the tourist industry, coupled with the lack of strong physical planning legislation, means that the characteristic habitats of Anguilla are coming under increasing threat. Examples of this are:

- wetlands are being dredged out for marina development;
- scrub and grassy savannahs is constantly being cleared and salt ponds filled in and reclaimed. Removing vegetation from the dunes destabilises these protective sand barriers; and clearing sites inland results in increased soil and dirt particles being washed offshore and smothering coral reef systems;
- the Reefs at Risk analysis considers that all of Anguilla's reefs are threatened by human activities, particularly overfishing and coastal development. The many visitors have led to some anchor damage and breakage of shallow corals by snorkellers, although direct negative impacts to date have been limited. The Dog Island reefs are still almost pristine, and visitors are discouraged. But pollution from the shore, particularly the discharge of sewage and turbidity resulting from onshore development pose a major threat to these biological systems which protect the land, and provide coastal environments

These adverse effects on the quality of the island's natural resources and wildlife and therefore its attractiveness as a tourist destination and ultimately, livelihoods (see section 3.3 of the regional section of this report.)

The instruments needed to protect habitats and wildlife, on the other hand are largely missing:
- The Physical Planning Bill still awaits enactment.
- Environmental impact assessment (EIA) is not mandatory, and specific EIA requirements have not been laid down.
- There is no action plan or management strategy for the environment.
- An effective national parks and protected areas system has not been established. The draft legislation to implement this system has not been enacted.

<table>
<thead>
<tr>
<th>Impact</th>
<th>Severity</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Inundation of coastal land</td>
<td>6</td>
<td>The islands are generally low-lying and therefore vulnerable to rising sea-level. The potential loss of beaches is a serious threat for the tourist industry.</td>
</tr>
<tr>
<td>Stressed fisheries</td>
<td>2</td>
<td>The fishing industry is important in Anguilla. Climate change may affect these fisheries in unpredictable ways.</td>
</tr>
<tr>
<td>Coral reefs threatened (bleaching, decreasing pH)</td>
<td>6</td>
<td>Islands ringed by coral reefs, presently still in reasonable condition, but already subject to multiple threats.</td>
</tr>
<tr>
<td>Damage to mangroves</td>
<td>1</td>
<td>Only limited mangrove stands occur on Anguilla.</td>
</tr>
<tr>
<td>Salinisation of groundwater</td>
<td>2</td>
<td>Islands have limited groundwater resources.</td>
</tr>
<tr>
<td>Tourist industry</td>
<td>6</td>
<td>Tourist industry accounts for half of GDP. Reef tourism and fishing are important attractions.</td>
</tr>
<tr>
<td>More frequent and more intense storms</td>
<td>6</td>
<td>This poses a severe threat; Anguilla lies within the Caribbean hurricane zone, and hurricanes already pose a threat to beaches.</td>
</tr>
</tbody>
</table>

Nil ☛ Slight ☛ Moderate ☛ Heavy
Challenge 3 Beach erosion MODERATE

Anguilla has many superb, pristine beaches. These beaches are essential to social, economic and environmental well-being. They:

- protect coastal lands from wave action, especially during hurricanes,
- provide an important recreational resource for tourists and local residents,
- provide habitats for coastal plants and animals, and nesting sites for sea turtles,
- are a source of fine aggregate for construction, and
- are an aesthetically pleasing - and culturally important - part of the environment.

But these beaches are being subject to various pressures which endanger them:

1. Hurricanes cause severe erosion to beaches. During the hurricanes of 1995, 1998 and 1999, many of the beaches suffered badly, and although some recovery has taken place, in most cases they have not returned to pre-1995 levels.
2. Winter storms in the North Atlantic generate high swell waves or 'groundseas' which especially affect the northern coasts of Anguilla and her cays.
3. As mentioned above, climate change will exacerbate the erosion of beaches.
4. Badly planned sea defences may cause or exacerbate loss of the beach, or neighbouring beaches.
5. Building too close to the beach interferes with the natural sand movement may disturb fragile beach ecosystems, accelerate erosion and worsen the impact of natural disasters.
6. Coral reefs are coming under multiple threat. These recharge Anguilla’s beach sand. If the reefs are damaged then (i) they will provide beaches with less sand, and (ii) there will be less protection for the beaches from high wave energy.
7. Sand extraction from beaches and dunes is a major cause of erosion. Heavily mined sites such as Sile Bay and Meads Bay were especially vulnerable to the waves of Hurricane Luis. Sand mining is now prohibited on all beaches and dunes except at Windward Point.

The diagram and pictures above illustrate some of the impacts of hurricane Luis on beaches in 1995.

Hurricanes Luis and Lenny in 1999 destroyed many beachfront properties or left them protruding onto the beach. This impacted negatively on the economy, since many tourists could not be accommodated, reducing incomes and government revenue. Studies revealed that much of this damage was due to the
close proximity of structures to the high water mark. Beaches being dynamic and fast changing natural systems, need to move freely landward and seaward. When such movement is impeded by structures, erosion occurs. Permanent structures need to be set well back from the vegetation line.

Other environmental problems

1. Water and sanitation. There is a shortage of water resources on Anguilla. The two main aquifers supplying water are located in the Valley, and contain 70% of the island's groundwater resources. But these are not enough to meet Anguilla's needs, and are supplemented by rainwater collected in cisterns (28% of consumption) and desalination plants. There are also concerns about the contamination of groundwater. All homes have access to piped water within or close to the home. The commercial sector (restaurants, bars, shops, and some hotels) is the largest consumer of public water. The distribution system was poor, but the GoA received funding from the British Government and the European Union for a water development project that includes new storage and distribution facilities and upgrading the abstraction system. There is no sewerage system in Anguilla. All wastewater is treated and disposed of on-site by means of septic tanks (80% of households), soakaways, pit latrines and package treatment plants, which are used primarily by hotels, commercial establishments and government institutions.

2. Water pollution. There is evidence of degradation of the coastal and marine environment due to pollution caused by the discharge of sewerage from hotels and restaurants and the discharge of sewerage and oil from visiting yachts and ships. The extent is not known because there is no monitoring of coastal water. The groundwater is at risk of contamination from direct discharges of effluents, chemicals, and pesticides in areas near the aquifer; intrusion of salt water; and uncontrolled disposal of solid waste. Poor design of septic tanks frequently results in malfunction and the release of untreated effluent into the groundwater system. The Environmental Health Department lacks the expertise and means to monitor ground water quality or the effluent from package treatment plants.

3. Solid waste. The Environmental Health Department retains responsibility for collection of refuse from government institutions, public roads, and beaches. Domestic solid waste is collected twice weekly, free of charge. No provision is made for the removal of construction waste, old appliances, and derelict vehicles. Hotels and other commercial establishments are required to make their own arrangements for waste collection. An estimated 12 tons of garbage are disposed of daily at the 10-acre landfill, where waste is placed in pre-excavated trenches and covered with fill.

4. Natural disasters. A variety of hazards, natural and human induced, large and small scale, threaten the sustainable development of Anguilla and the well-being of its population. Anguilla is prone to (irregular) hurricanes. As seen above, Hurricanes Jose and Lenny caused heavy damage to property, and although no lives were lost, many were endangered. The hurricanes resulted in 6 ½ miles of the northern coastline experiencing severe slope instability and beach erosion, and in the loss of 20% of the seagrass beds. Anguilla also lies in a seismically active area: earthquakes are typically in the range Richter 4-5. Tsunamis are also a possibility (see regional section).

3. Environmental policies and institutions

3.1 Institutional structure, manpower and budgets

There is no environmental department as such, although there is a Director of Environment within the Chief Minister's Office. The Environmental Health Department is responsible for managing solid and liquid waste, monitoring drinking water, sanitation, beach and road cleaning. The department is constrained by inadequate manpower, limited training, and lack of technology. The Department collects domestic and beach waste, but not bulky waste objects, auto wrecks, etc. Hotels and other commercial establishments are required to make their own arrangements for collecting waste.
The **Anguilla National Trust** (ANT) was established by law in 1988, and is charged with protecting the territory’s natural resources and preserving Anguilla’s historical and cultural heritage. It receives an annual subvention from the government, and collaborates with the Departments of Physical Planning, Fisheries & Marine Resources and the Director of Environment in the Chief Minister’s Office. The ANT is staffed by an Executive Director, a Protected Areas Manager, and an Administrative Manager. It also has an awareness-raising role. The ANT is collaborating with regional and international partners in developing a system of parks and protected areas. It is implementing a Strategic Development Plan 2005-2008.

Other local organisations, such as the Anguilla Beautification Club and the School Environment Clubs also play a part in promoting environmental awareness.

The **Anguilla Water Authority** is responsible for water supply. It treats and tests groundwater, while the Environmental Health Department inspects cisterns. Water Authority monitoring is not continuous.

The **National Disaster Office** (NDO) is responsible for disaster-preparedness and response. Staff comprises a single full-time person, the National Disaster Coordinator (NDC). The annual operating budget for the National Disaster office is about €3000 excluding the contribution to CDERA. Its activities focus on hurricane awareness, capacity building and the annual field exercise for utility services and related government departments.

### 3.2 Mechanisms for integrating environment into development

The Environment Charter (see section 3.3), signed by the UK and Anguilla governments in September 2001, includes a commitment by the latter to ensure that environmental considerations are integrated into social and economic planning processes, and that sustainable patterns of production and consumption are promoted within the Territory.

The Physical Planning Act provides that an EIA can be required for certain prescribed types of development or if Board considers that a proposal could have adverse effects. Implementing regulations have not yet been made determining the content and format of environmental impact statements. Furthermore the Physical Planning Act has not yet been implemented.

The UKG has agreed in principle to provide technical assistance to the GOA to formulate a national strategy for sustainable development, which will include detailed strategic plans and programmes for transport, tourism and other sectors to form an integrated development plan for Anguilla. Work on the national strategy for sustainable development was expected to start in early 2004.

### 3.3 Environmental strategy and policy

Because of a shortage of human and financial resources, there is an absence of a solid national strategy and policy framework for environmental protection and management in Anguilla:

- There has to date been little progress in implementing the Environmental Charter (see 3.2). For example there has been no bringing together of the major stakeholders to formulate a detailed strategy for action (Commitment 1 of the GoA).
- There is not yet a national environmental action plan.
- The land use plan has remained in draft form for over 10 years. A physical planning bill was introduced in 2005, but has not yet been enacted.
- There is no comprehensive legislation for establishing and managing protected areas, despite the fact that draft legislation was prepared five years ago.

A draft National Environmental Management Strategy and Action Plan was formulated, but an overall policy statement outlining the government’s commitment to the prescribed actions was lacking, and the agencies responsible for implementing the recommended actions and the resources needed were not identified.
3.4 Policy instruments

The legislation most relevant to environmental protection in Anguilla is indicated in the table below.

<table>
<thead>
<tr>
<th>Item of legislation</th>
<th>Comments / detail</th>
</tr>
</thead>
<tbody>
<tr>
<td>Anguilla National Trust Ordinance of 1988</td>
<td>Established the Anguilla National Trust</td>
</tr>
<tr>
<td>Marine Parks Ordinance</td>
<td>Implemented by Marine Parks Regulations, 1993</td>
</tr>
<tr>
<td>Plant Protection Act</td>
<td></td>
</tr>
<tr>
<td>Protection of Animals Act</td>
<td></td>
</tr>
<tr>
<td>The Wild Birds Protection Ordinance 1913</td>
<td>protects listed wild bird species and their eggs. It needs to be repealed and replaced with appropriate legislation.</td>
</tr>
<tr>
<td>The Fisheries Protection Ordinance no. 4 1988</td>
<td>regulates the taking and killing of certain marine species and establishes close seasons</td>
</tr>
<tr>
<td>Emergency Powers Ordinance</td>
<td>gives the Governor extraordinary powers in an emergency or disaster.</td>
</tr>
<tr>
<td>Fisheries Protection (Amendment) Regulations 1995</td>
<td>enforces a moratorium on the harvesting of sea turtles and their eggs.</td>
</tr>
<tr>
<td>Beach Control Act</td>
<td></td>
</tr>
<tr>
<td>Beach Protection Act</td>
<td></td>
</tr>
<tr>
<td>Litter Abatement Act</td>
<td></td>
</tr>
<tr>
<td>Physical Planning Act (not yet enacted)</td>
<td>It will provide for: • plant preservation orders to protect specific plant (group)s; • recommendations to be made on ‘environmental protection areas’; Minister can require an EIA for a development within such an area; • Director may prepare environmental protection area management plan; • the Board on advice of the Director may require an EIA for an application for a development permit for specified developments. Regulations required to define procedures, format, etc.</td>
</tr>
</tbody>
</table>

Generally the legislation is outdated and not adapted to the needs of modern environmental management and participation in the relevant multilateral environmental agreements.

A draft ordinance on National Parks and Protected areas, though drafted some time ago, has not yet been enacted. Comprehensive disaster-related legislation has not yet been enacted. Disaster management legislation based on the CDERA 1996 model has not yet been completed.

To date, most funding for conservation has been received from international agencies. Consideration has been given to securing financial sustainability by establishing an environmental trust fund or conservation fund, for example by adding 1% the present accommodation tax. No decision has yet been taken on this. Anguilla has five marine protected areas (MPAs); Dog Island, Prickly Pear Cays, Little Bay, Shoal Bay/Island Harbour and Sandy Island. These were designated under the Marine Parks Ordinance in 1982, but were not managed until the implementing regulations came into force in 1993. Management responsibility for the MPAs lies with the Department of Fisheries and Marine Resources.

The government has transferred two sites (East End Pond Conservation Area and the Big Spring Heritage Site) to the ANT, making these the first terrestrial protected areas in the Territory.

3.5 Monitoring

There is no monitoring of water quality (seawater, groundwater), and no systematic monitoring of waste dumps on Anguilla. There is sporadic monitoring of cisterns by the Environmental Health Department.
Seven beaches have been monitored since 1992, and in 1994 six new beaches were added including two offshore cays. This is undertaken by the Department of Fisheries and Marine Resources.

### 3.6 Enforcement

Much of the key environmental legislation has not yet been enacted, so that enforcement does not yet arise. Enforcement must be one of the issues considered in designing the structures needed to administer a viable environmental policy.

### 4. International cooperation

#### 4.1 MEAs

The Ramsar Convention is the only MEA that has been extended to Anguilla.

<table>
<thead>
<tr>
<th>MEA</th>
<th>Remarks</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ramsar Convention</td>
<td>This Convention was extended to Anguilla in February 1991. No Ramsar site has yet been officially confirmed, but 5 sites have been nominated (Anguilla mainland wetlands, Dog Island &amp; Middle Cay, Prickly Pear Cays, Scrub &amp; Little Scrub Islands and Sombrero Island), awaiting approval.</td>
</tr>
</tbody>
</table>

Although other MEAs have been examined, the Anguillian government has not yet requested that any others be extended to include Anguilla.

#### 4.2 Funding by international community for environmental projects

**EU**

Total aid to Anguilla under the 4th to the 8th EDFs was €9.55 million. This was mainly for infrastructural projects - water, roads, port facilities, electricity generation, as well as aid to tourism. In addition, Anguilla benefited from a number of activities carried out by regional organisations with funding from EDF’s regional resources. The 9th EDF provides €8 million in budgetary assistance to support infrastructure, and in particular air transport (extension of the Wallblake Airport to give access to larger aircraft in an effort to attract more tourists). Additional support is available from the 9th EDF’s regional resources.

**UK**

The UK Department for International Development (DfID) is providing aid for Anguilla under a Strategic Country Programme (€4.5 million). These provide support for education, health, governance, social development programmes.

Environmental projects funded in recent years include:

- technical assistance to recruit the first Protected Areas Manager for the ANT;
- technical assistance for the recruitment of an advisor to guide extension and initiate implementation of the SPAW Protocol, CBD, CMS and CITES;
- establishment of a Heritage Tour of the eastern end of the island for ecotourists;
- publication of a guide to the flora of Anguilla
- a Darwin Initiative project on capacity building for biodiversity.

Anguilla’s other remaining significant donor is the Caribbean Development Bank (CDB) which has financed port development, road development and electricity development projects in the past.

Other donors include the UNDP, Canadian International Development Agency (CIDA), Organisation of eastern Caribbean States-Environment & Sustainable Development Unit (OECS-ESDU), UK Royal
4.3 Other international cooperation on the environment

Anguilla is a full member of the ECCB (Eastern Caribbean Central Bank) and of ECCB initiatives such as the Eastern Caribbean Securities Exchange (ECSE). It participates in CDB the (Caribbean Development Bank), and is a member of CDERA.

Anguilla is an associate member of CARICOM (Caribbean Community) (so not subject to the common external tariff), the OECS (Organisation of Eastern Caribbean States), the ACS (Association of Caribbean States and ECLAC (Economic Commission for Latin America and the Caribbean).

Anguilla is not a member of the Free Trade Area of the Americas; as a UK Overseas Territory it would have to seek the permission of the UK government for this.

5. Conclusions and Recommendations

Sustainable tourism

Anguilla's tourist industry is presently undergoing rapid growth, and is the territory’s dominant economic activity. This is placing increasing pressures on the natural environment. The survival of island ecosystems is a precondition not only for the health of the tourism industry but the well-being of the islands as a whole. Success in finding a balance will only come if the islands ensure their tourist industry is truly sustainable. But at present the administrative structures and policy and legislative instruments needed to underpin this sustainability are lacking.

Recommended areas for cooperation between Anguilla and the EU are as follows:

- Identify what the bottlenecks are in moving forward with the establishment of environmental management policy structures and instruments (mismatch between aspirations and financial resources? lack of human resources? lack of sufficiently senior patron? lack of political will?).
- Support in preparing a realistic and feasible environmental action plan which recognises and addresses these bottlenecks, covering in particular the establishment of modern legislation (and the appropriate management structures) for environmental impact assessment, protected areas and allowing Anguilla to join the most relevant MEAs. Support in establishing the environmental trust fund, particularly if cost is a major bottleneck.
- Encourage the territory to link up with and participate in other sustainable tourism initiatives in the region.

Increase resilience to natural disasters and climate change

- Facilitate entry into or creation of regional and global initiatives or associations with other countries or entities which face similar threats for the purpose of drawing the attention of the world community to their special vulnerabilities.
- Identify areas where Anguilla, by virtue of its characteristics, can make a special contribution to research or monitoring of climate change, if necessary in collaboration with other international institutions.
- Align with other regional initiatives for adaptation to climate change, for example MACC.