

SUR/11/100

November 29, 2011

**The Acting Chair's Summing Up
United Kingdom—Anguilla—British Overseas Territory—
2011 Article IV Consultation Discussions
Executive Board Meeting 11/114
November 28, 2011**

Executive Directors welcomed the Fund's engagement with Anguilla. They agreed with the thrust of the staff appraisal. Directors noted that, like other members of the Eastern Caribbean Currency Union (ECCU), Anguilla faces increased fiscal and financial vulnerabilities following the global crisis. These call for a comprehensive strategy and close coordination at the regional level to improve the health of the financial sector, and accelerated efforts to stabilize public finances and enhance the potential for long-run economic growth. While the Fund's recommendations made in the context of the discussion on ECCU common policies are also relevant to Anguilla, Directors highlighted the following specific points.

To address financial vulnerabilities, the authorities were urged to develop plans to strengthen the banks' capital, clean up their balance sheets, and clarify the roles of the key players. Fiscal policy, underpinned by a new fiscal framework, should aim to achieve debt sustainability, deficit reduction, and long-term economic growth. It will be important to restore capital spending to historical levels and cut current spending. The authorities should also embark on a comprehensive tax reform that would simplify the tax structure and broaden the tax base, including by adopting a general consumption-based tax.

Over the long run, growth prospects depend on progress in economic diversification, along with further development of the tourism sector. Continued efforts are needed to improve the business environment, including through setting up a one-stop shop for investors, increase public investment in infrastructure, and build the domestic skill base.