



STEERING COMMITTEE MEETING

**British Colonial Hilton Hotel, Nassau, The Bahamas
November 13, 2008**

MINUTES

**Welcome by Governor Wendy Craigg
Central Bank of The Bahamas
Meeting Host**

Governor Craigg welcomed all delegates to the meeting and gave brief remarks. She said it is encouraging to see an institution that is fulfilling its mandate, and described CARTAC as an important institution in Caribbean economies with high quality training for the region. She congratulated the Steering Committee for ensuring that CARTAC remains focussed in directing its services. Governor Craigg expressed pride that a former colleague is now Programme Coordinator of CARTAC. The Governor concluded by wishing attendees success in their deliberations today.

**Welcome by Governor Derick Latibeaudiere
Bank of Jamaica
Chair of the Steering Committee**

Governor Latibeaudiere welcomed meeting delegates. In his address, the Governor noted that there could not be a better time for CARTAC's programmes, especially with the current global economic situation and its consequences, which could threaten inflation in the region. He also expressed concern that the sub-prime crisis could affect the region. He commended CARTAC for devoting one section of its work to Financial Sector and Capital Market Developments, noting that programmes like Capital Markets Development and Financial Sector Supervision are critical. The Governor noted that some of the concerns he had expressed at the May 2008 steering committee meeting have materialised. He noted in particular tighter global liquidity and stock exchanges which have either crashed or suffered excessive losses. He expressed the view that the global financial market crisis will restrain growth in the United States economy for the next year or so and this will likely affect the Caribbean negatively.

Governor Latibeaudiere said that CARTAC remains important to the region through its training and sector work, noting that CARTAC must also ensure that the organisation is abreast of new developments and has the tools and competencies to ensure its aims are met.

Coordinator's Report, Budget and Funding Update

Therese Turner-Jones, CARTAC

Ms. Turner-Jones welcomed delegates to the meeting, in particular those who were attending a CARTAC steering committee for the first time: Mr. Glenford Ysaguirre, Governor of the Central Bank of Belize, Ms. Lynne Racine of the Canadian International Development Agency (CIDA), Ms Elizabeth Carriere of DFID, Ms Sharon Miller of the Inter-American Development Bank (IADB), Ms Adrienne Cheasty of the International Monetary Fund (IMF), Mr Roberto Panzardi of the World Bank (WB), Ms. Reynette Royer of the United Nations Development Programme (UNDP) and Mr Richard Madavo of the Caribbean Centre for Development Administration (CARICAD).

Ms. Turner-Jones presented the Coordinator's Report via PowerPoint. Please see the attached file for the main points of her report.

Discussion on Coordinator's Report

CARTAC's Funding under the 10th EDF: Ms. Tassin-Pelzer (European Union) requested clarification on points raised by the PC on funding for CARTAC related to the EU agreement with the Caribbean Community. She pointed out the EU has already finalized the agreement with CARICOM for the 10th EDF in the amount of Euro 165 million for the region and the document is to be signed on November 15, 2008. In response, Ms. Evelyn Wayne (CARICOM) commented that CARICOM is still in discussions regarding the allocation of some Euro 24.7 million, of which CARTAC might benefit.

Strategic Planning Course for Politicians: Mr. William Layne (Barbados) asked what motivated CARTAC to offer this particular course, and Mr Denis Lepage (CARTAC PFM adviser) gave a background to the course (helping to frame a medium- term budget) and clarified that its purpose was to expose Cabinet officials to the process of medium- term budgeting from a strategic perspective, allowing them to understand better the implications of establishing an overall budget that integrated recurrent and capital spending.

Donor Coordination: Ms. Lynne Racine (CIDA) asked Ms. Turner-Jones (CARTAC Programme Coordinator/PC) to elaborate more on the coordination between donors in strategic implementation, and asked whether technical assistance (TA) needs can be identified up front and placed within a strategic plan. In reference to the need for longer term advisers, she asked what CARTAC can do in the meantime.

Ms. Turner-Jones responded that CARTAC has started having strategic meetings with individual countries to discuss how to approach TA in a more holistic way, noting that CARTAC has had a meeting with the Dominican authorities and is scheduled to have a similar meeting with the Bahamian authorities shortly. More meetings are planned for 2009. She noted that the UNDP has organised strategic planning meetings in the past, and that these meetings are quite effective. She added that CARTAC is a good place to start looking at TA delivery and ongoing developments as CARTAC covers the region and collaboration with other TA providers is integral to how CARTAC performs.

With regard to Ms. Racine's second question on long term TA, Ms Turner-Jones said that what CARTAC can do in the meantime is try to get existing experts to do assignments on a peripatetic basis (involving more frequent visits), subject to what CARTAC can afford. She added that other donors could be approached to see whether resources exist elsewhere to cover such needs, noting

that managing long term advisers is more intensive and CARTAC currently does not have the human or financial resources to do that.

In a related point, Denis Lepage (CARTAC Public Finance Management/PFM adviser) said that CARTAC may be asked to make suggestions emanating out of CARTAC's TA, but the recommendations it makes are often beyond CARTAC's and the countries' means. In other words, there is substantial unmet demand for long term assistance.

IMF's Resources are also constrained: Adrienne Cheasty (Fiscal Affairs Department, IMF) told the meeting that the IMF is facing considerable constraints and emphasised that the message needs to go to Washington from the countries and donors to say that the Caribbean should not be squeezed out at this time of curtailed resources.

Focus on Macroeconomic and Fiscal Issues: Paula Mohamed (UNDP) said the focus at this time should be on macro and fiscal reforms. She indicated that the UNDP had hoped that out of the PEFA meeting held earlier this year in St. Lucia, there would come a group to look at the issues. She urged for a specific group to review these issues in light of the current global crisis.

Howard 'Skip' Edmonds (CARTAC Financial Sector Supervision/FSS adviser) noted that there have been cases of long term assistance where experts have come up with a road map for TA which has been implemented in sectors as separate tasks by CARTAC. He said this strategy has worked effectively in the Financial Sector area.

Break

Discussion on Coordinator's Report – continued

DFID's Contribution: Ms. Turner-Jones clarified a point she had made during her presentation regarding the lack of a cash contribution from DFID in CARTAC's third phase. She noted that DFID has offered and is collaborating with CARTAC on issues related to poverty and is willing to provide direct support for issues related to gender and poverty analysis. She invited Ms. Elizabeth Carriere, Head of DFID, to comment on DFID's involvement.

Ms. Elizabeth Carriere (DFID) indicated that DFID may be able to help with items which CARTAC's budget cannot accommodate, in particular items with social and gender implications. She added that DFID is considering putting an item in its budget to allow CARTAC to deal with some of these issues.

Programme Issues: Proposed Evaluations of VAT and Training

Ms Turner-Jones reminded attendees that at the last steering committee meeting, evaluation methods had been discussed and a consultant had made a presentation on Results-Based Management (RBM) reporting. Ms Turner-Jones noted that RBM is a complex task and that CARTAC is not resourced to do this on an ongoing basis. She proposed that CARTAC concentrate initially on two focussed evaluations of its work and RBM reporting, in the two largest resource areas of CARTAC - implementation of VAT programmes and Training across all areas.

Ms. Turner-Jones noted that on the VAT side CARTAC is looking to assess where VAT work has been done and what are the results; whether there are outstanding issues with the way in which CARTAC has implemented VAT assistance and what those issues involve. She noted that the IMF is interested in looking at lessons learned and how to achieve wider dissemination of these lessons. She indicated that CARTAC has produced a 60-page Terms of Reference (TOR) for the assessment which has not yet been distributed due to its length. She added that the TOR document will be placed on the CARTAC website and a notice sent to steering committee members inviting comments on the TOR. She said that in early 2009 CARTAC will invite bids for the work of this assessment.

Ms. Adrienne Cheasty (IMF) said this would be good for the region as the IMF can learn a lot about what works and what does not work, and this will make for more effective implementation of TA.

Ms. Cecile Tassin-Pelzer (EU) asked whether this would be needed for all countries, and Ms Turner-Jones responded in the affirmative, indicating that all countries in which CARTAC has worked would be included. Ms Turner-Jones continued to say that Ms Cheasty's point is well taken as glitches in the post-implementation phase of VAT implementation could spawn new requests for TA.

Ms. Lynne Racine (CIDA) asked about a timeline for this. Ms Turner-Jones responded that she anticipates that the Tax assessment would be done in the first half of 2009 and the Training assessment in the last half of 2009.

Ms. Laurel Bain (Eastern Caribbean Central Bank/ECCB) asked whether this assessment would replace the RBM reporting. Ms Turner-Jones said it would not replace RBM entirely. She added that CARTAC wants to make some changes with respect to presenting reports by constituencies with more of a country-specific focus, and indicated that CARTAC will experiment with reporting formats in 2009. She said the two assessments are a first step on the way to satisfying the reporting needs.

Mr. Stein Hansen (UNDP) said the UNDP would support CARTAC in developing its RBM reporting and would like to hear from CARTAC once the process begins.

Ms. Turner-Jones said she hopes to have a draft assessment for the VAT by the next steering committee meeting.

UWI Outreach

Ms. Miriam Blanchard (CARTAC Macroeconomic/MAC adviser) reported to the meeting on the results of CARTAC's internship programme during the summer of 2008. The programme was launched for UWI graduates in Economics, and arose from comments in past steering committee meetings about the inadequacy of economics graduates in the region for operational work. Three interns participated, two of whom were assigned to the Central Bank of Barbados and one to the ECCB. The third intern was hosted by the Research Department of the Eastern Caribbean Central Bank. At CARTAC's request that internship was structured differently as CARTAC sought to address the issue raised at steering committee meetings – preparing the graduates for the work place. The ECCB internship focused more on 'country work' which entailed training in the preparation of macroeconomic analysis and projections and preparation of policy briefs. In addition, thanks to the support of Financial Secretary Janet Harris, St Kitts and Nevis, the intern participated in the CARTAC FP/capacity building exercise in that country. Ms Blanchard extended thanks to these institutions for hosting the interns. She said the programme is to be expanded to other countries, and asked for

volunteer assistance to continue the programme. She indicated that CARTAC has met with officials of the UWI campus in Barbados and plans another meeting early in 2009.

Ms. Myrtle Halsall (Bank of Jamaica/BOJ) said the BOJ also partners with the UWI Mona campus to host two graduate interns each year, and indicated there may be a possibility that the BOJ can host an additional intern from this outreach programme. Ms. Blanchard asked whether the BOJ might be willing to host a non-Jamaican student who is studying at the Mona campus in Jamaica.

Mr. Stein Hansen (UNDP) congratulated CARTAC for moving forward with this initiative, and asked about requirements for choosing interns and the level of specialisation of the interns. He expressed an interest in plans to expand this programme in the future and noted that it is important to have a clear TOR linked to a specific need, which can mutually benefit both the interns and CARTAC.

Dr. Denny Lewis-Bynoe (Caribbean Development Bank/CDB) expressed a concern that CARTAC is not getting any value added for CARTAC itself. She suggested interns as well as CARTAC would benefit from the interns working inside CARTAC, alongside its experts, and that CARTAC should be mentoring some of these students. She noted that sponsoring interns can be and is done by others, and asked what particular value added CARTAC is getting.

Ms. Blanchard (CARTAC MAC adviser) reminded the meeting that the CARTAC/ECCB intern was part of a MAC mission and benefited from the exercise. In addition, the internship at the ECCB met all of the requirements identified.

Mr. Stein Hansen (UNDP) suggested that interns from outside the region should be included as well. He said that many universities have students focussing on niche areas in which CARTAC operates, and with CARTAC and governments' budgets very restricted, universities may be able to help with this programme by providing interns at no cost.

Ms. Blanchard (CARTAC MAC adviser) said that CARTAC has worked with universities outside the region, and cited the example of an intern in the financial sector area who worked on the financial literacy project.

Financial Literacy Initiative

Ms. Turner-Jones (CARTAC PC) suggested this would be a good time to move to the next agenda item on financial literacy. She gave an outline of an internship in the financial literacy area, where a student from the Dominican Republic at Columbia University in New York worked with CARTAC's Financial Sector Supervision (FSS) adviser for six weeks during the summer to create a series of web pages on financial literacy. Ms. Turner-Jones reviewed some of the topic areas covered while a Powerpoint version of the website pages was shown to the meeting.

Governor Latibeaudiere (committee Chair) requested further discussion on the UWI outreach programme, saying that the committee needs to explore the issue some more. Ms. Turner-Jones indicated that CARTAC has limited resources, and she is not that motivated to look outside of the region for interns, preferring to invest in regional students and interns. Mr. Hansen (UNDP) offered an example of a similar programme, where Harvard University is providing students who are specialised and who are used by the UNDP for very specific tasks. He said he is not suggesting that CARTAC should finance this; he is looking at people who are already financed. Ms. Turner-Jones said

CARTAC is more concerned with capacity building in this region and not from elsewhere. She noted that CARTAC is looking at training in fundamental topics, not in highly specialised areas.

Mr. Guy Meredith (IMF) said perhaps the committee could look at Caribbean students who are studying outside of the region. Ms Turner-Jones agreed that is an important point, and noted that there may be students like that who are working in specialised areas who could contribute back home in the region, citing the example of the intern from Columbia. Mr Hansen (UNDP) said that UWI has a lot of excellent students, but felt that CARTAC could extend the horizon to people from outside the region that can provide training and exposure to skills at a limited or no cost.

Ms. Blanchard (CARTAC MAC adviser) thanked the committee for their recommendations for improvement of the intern programme, and went on to say that the programme's continuity is contingent on cooperation from Central Banks in the region to act as intern hosts. Governor Latibeaudiere said that central banks do have internship programmes, noting that central banks generally intern people in that area of work, whereas CARTAC is introducing internships in other areas of economic work outside of central bank related work. He expressed the view that central banks should make the attempt to accommodate CARTAC's programme. On the matter of interns coming from outside the region, Governor Latibeaudiere said it is difficult because what we have is training of individuals, whereas what Mr Hansen is suggesting is that interns from outside the region could train people in the region. He added that he has no problem with experts being sourced from any part of the world, but noted that some of the people who have been brought in to the region to train regional personnel are themselves in need of training.

A decision was then taken by the Chair to insert at this point in the meeting the item on financial sector updates, which had been previously scheduled for the afternoon session.

Update on Financial Sector Issues

Brian Wynter (CARTAC Capital Markets Development/CMD adviser)

Mr. Wynter spoke on the Ponzi scheme phenomenon which is currently an important topic for financial sector players in the region. He noted that there are many such schemes in the region, and this is a serious problem. He referred to the Caribbean Group of Securities Regulators meeting which ended in Barbados on November 12 after three days of discussions between 18 regulators from 9 CARTAC member countries. Among the results of the meeting was a declaration in relation to regional cooperation and information sharing via a working group which would focus on unregulated investment schemes or UFOs as they are referred to in Jamaica. Mr. Wynter also described the Capital Markets Development conference on Understanding and Combating Unregulated Investment Schemes in Jamaica two weeks ago, and noted that some of the main issues concerned the need to act soon and swiftly to strengthen the enforcement and investigations arms of this sector. He cited a lack of understanding of the applicable laws and regulations, and suggested that CARTAC may be able to assist in this area. Press coverage of this workshop was positive (both by the IMF and the United States Securities and Exchange Commission) in that it raised the public profile of CARTAC's work in Capital Markets.

Governor Latibeaudiere (committee Chair) expressed the view that the people involved in Ponzi schemes are not ignorant, they are well educated. He noted that the Ponzi schemes do not affect the overall money supply or foreign exchange situation, that these schemes simply transfer money from one sector to another. He also noted that many people who have been involved in these schemes are embarrassed or afraid about the possibility of investigations into these schemes. Mr.

Wynter added that there are also schemes based in the region which prey on persons outside of the region. Denis Lepage (CARTAC PFM adviser) noted that one of the weaknesses is human greed, and that if something is too good to be true then it is probably not true. Mr Layne (Barbados) said that the same persons who are being caught are waiting for another scheme in order to get in and out early.

Ms. Turner-Jones requested clarification from Governor Latibeaudiere regarding his remarks on the Ponzi schemes not affecting the economy as experiences in Albania and other parts of the world suggest they could impact negatively. The Governor responded that in Jamaica, the economy was not being affected directly as currency circulation remained the same (transfers from one sector to another). However he noted that expectations have been affected. He added that the totality of wealth and the stock of money in the system have not changed. Mr Wynter observed that if you wait long enough before controlling the Ponzi schemes, regular economic activity can/will be affected. Howard 'Skip' Edmonds (CARTAC FSS adviser) added that if the schemes last long enough, the investors are making a conscious decision not to invest in the stock market and in other real investment areas but rather the ponzi schemes.

Lunch Break

Ms. Lynne Racine (CIDA) indicated her interest in the nature of the VAT evaluation discussed earlier in the meeting. She said the consultant's presentation on RBM at the last steering committee meeting contained good suggestions which relate to evaluation for VAT and for training as well, and said she would like to know more about whether the evaluation will address the capacity issues raised in the consultant's study. In response, Ms. Turner-Jones indicated that the same consultant had also drafted the TORs for the assessment, so there should be consistency between the two.

Focus on Public Financial Management Issues

Denis Lepage (CARTAC Public Finance Management adviser)

Mr. Lepage made a presentation on the Public Finance Management area of work, covering issues related to strategic planning, budget, treasury, debt management and pensions, and offering recommendations. Please see the attached Powerpoint document for the presentation.

Discussion on PFM Presentation

Ms. Bain (ECCB) asked for clarification on CARTAC's role in the IT changes required so that the countries can benefit in the area of cash management and treasury functions. Mr Lepage indicated this was at the heart of the problem, given the various disparate systems operating across the region and the need for long term TA to help countries implement new ones. Ms Tassin-Pelzer (EU) asked about follow up to the St. Lucia PFM conference, which had as one objective the development of PFM action plans. Mr. Lepage indicated there was a lot of good discussion but no action plans came out of the conference. He said that CARTAC is assisting countries to complete their action plans where requested, but that many countries are non-PEFA and CARTAC could not do PEFA assessments since CARTAC is demand driven. It can only collaborate with other donors.

Mr. Hansen (UNDP) said the Eastern Caribbean Development Group (ECDG) is focussing on collaboration without overlap, and programmes are being developed. He said countries are now seeing the benefit of direct discussions with donors, and it is important that resources are

channelled correctly. He noted that there is still room to do a number of things in a coordinated fashion.

Mr. Lepage cautioned that when donors are trying to put policy based loans to the countries, the lenders have to make sure the recommended policies are within the countries' capability. He said lenders should be careful of expectations and make sure there is TA support behind their policy direction and recommendations. He added that lenders have to be aware of capacity on the ground so it is good to meet with the countries and see what can be accomplished realistically. Donors may need to put in a TA component in these policy-based loans.

Ms. Carriere (DFID) asked whether CARTAC and the CDB have detailed discussions about policy recommendations. Mr. Lepage responded that there has been one recent meeting, but CARTAC's role was mainly to ensure they were working as a team, make recommendations and try to avoid TA duplication. Ms Carriere asked who should initiate that discussion, and suggested it is the entity that is putting the loan forward. She said donors need to sit down and discuss these specific things, and noted that DFID and the CDB have taken the initiative to have discussions about how their policy matrices for debt forgiveness can be the same.

Dr. Lewis-Bynoe (CDB) said it is a consultative process involving the countries. She agreed that capacity on the ground is an important point and that CDB and CARTAC should work together more on this process.

Focus on Tax & Customs Issues

Brian Dawe, Denise Edwards-Dowe and David Crawford (CARTAC Tax & Customs advisers)

The three advisers made a presentation on the Tax & Customs area of work, covering issues related to tax and customs administration and offering recommendations. Please see the attached Powerpoint document for the presentation.

Discussion on Tax & Customs Presentation

Ms. Tassin-Pelzer enquired about the gap between the current IT systems and what might result under the customs modernization that is to come for the countries under review in the IT Study and wondered if any TA would accompany new systems to be implemented.

Mr. Dawe indicated that CARTAC would not be providing any TA related to the implementation of the new IT systems, as the providers would be involved in the administration of the new systems themselves.

CIDA SEMCAR Proposal on the Caribbean

Ms. Lynne Racine made a presentation to the meeting on CIDA's SEMCAR proposal for the development of a successor programme to the Eastern Caribbean Economic Management Programme (ECEMP). Please see the presentation attached.

Discussion on SEMCAR Proposal

Mr. Meredith (IMF) commented on the sub regional integration aspect of the proposal, noting that it offers efficiencies for developing common systems and opportunities for policy cooperation among countries on issues such as tax competition and energy pricing.

Ms. Bain (ECCB) added that already for the ECCU group, there was a fair amount of policy planning within fiscal units. She noted that there was however a need for some long term advisers especially in the area of bank supervision. She mentioned that institutional strengthening at the Treasury and Accountant General offices remains a priority especially as they struggle to implement new IT systems.

Governor Latibeaudiere (Committee Chair) asked whether there is a plan to ensure complementarities between CARTAC and SEMCAR, noting that since CIDA already has considerable funds invested in support of CARTAC that they should try to carry out this programme in tandem with CARTAC. He asked how long it would take before the Canadian Government would be ready to activate the SEMCAR programme, and Ms Racine responded that it would take 18 months to 2 years. Governor Latibeaudiere asked country representatives to comment on the proposal, and there was general agreement with the proposal.

Dr. Lewis-Bynoe questioned whether SEMCAR was not duplicating areas being carried out by some existing institutions, including CARTAC, suggesting that CARTAC ought to be used as a conduit to supplement existing resources, for some long term projects. She noted that given the dearth of administrative capacity, efforts should be consolidated rather than duplicated through another mechanism.

Dr. Lewis-Bynoe also noted that some of the SEMCAR areas are being covered under CDB's own policy based lending facility. Ms. Racine commented that in light of the meeting's discussions she had come to realize that there is significant overlap in what SEMCAR intends with what already exists in the region. She also noted the IMF's interest in wanting to assist in some areas (namely PFM) and that this would be taken into account as the project unfolds over the next 18-24 months, a timeframe that is more realistic given Canada's procurement processes. Governor Ysaguirre of Belize urged CIDA to consider having SEMCAR merge through CARTAC.

Update on Financial Sector Issues

Howard 'Skip' Edmonds (CARTAC Financial Sector/FSS Adviser)

Mr. Edmonds gave a brief overview of CARTAC's FSS work in the region highlighting the ongoing support for single regulatory bodies in the OECS sub-region; the recent anti-money laundering/gaming conference in Nassau, and the upcoming Caribbean Association of Insurance Regulators (CAIR) meeting due to take place in early December. He noted that considerable efforts are needed to regulate credit unions in the region, which constitute a "real problem". He outlined the ongoing work to bring about a regional credit bureau, noting CARTAC's survey work in the area and CARTAC's efforts to build the Financial Literacy web site.

Other Issues

Haiti's arrears: Ms. Turner-Jones raised the concern of Haiti's arrears to CARTAC, noting that no contributions have been received since Phase I. Respecting Haiti's extenuating circumstances, she asked the Committee to consider a course of action, whether to write off the outstanding fees or to seek an alternative solution. After some discussion, Mr. Hansen (UNDP) agreed to contact donors and the Haitian authorities to resolve the issue.

Customs Adviser Position to be advertised: Concerning the need for a Customs Expert, Ms. Turner-Jones proposed that CARTAC in discussion with FAD look into the possibility of locating a potential candidate to take up a position some time in the first half of 2009.

Staff Vacancies

Ms. Turner-Jones reminded the meeting of the vacancies currently under review and indicated that she hoped to finalize recommendations to the Steering Committee on the Statistics (one) and PFM (two) positions by no later than end-December. The new positions are to be filled in early 2009.

Venue and Timing of Next Meeting

After discussion, Mr. Glenford Ysaguirre, Governor of the Central Bank of Belize, offered to host the next steering committee meeting. The date of the meeting is to be confirmed.

Conclusion of Meeting

Governor Latibeaudiere thanked all those involved for their constructive discussions and contributions to this steering committee meeting. The meeting was adjourned at approximately 5pm.

Attached documents:

Welcome address by Governor Derick Latibeaudiere, Steering Committee Chair