



ACTIVITY REPORT

April - October 2011

FINANCIAL SECTOR SUPERVISION ACTIVITY REPORT

April – October 2011

Summary of Financial Sector Activities and Results for the Period April - October 2011

Summary

Financial sector activities for the past six months were focused largely on insurance supervision and pension fund supervision and the resolution of BAICO and Clico Life Barbados. With respect to banking supervision technical assistance, the focus on understanding market risks and implementing the market risk capital charge continued.

I. BANKING SUPERVISION

Market Risk and the Market Risk Capital Charge (Regional and The Bahamas) – International supervisory standards and capital standards require banks to measure the amount of market risk and to set aside capital to cover this risk. Very few countries in the region have implemented these measures (The Central Bank of Trinidad and Tobago being one of the few to have effectively implemented the market risk capital charge). A workshop was held in Trinidad and Tobago for Caribbean supervisors to discuss market risks and how to implement the market risk capital charge. One speaker from The Central Bank of Trinidad and Tobago gave an informative presentation on their implementation of the market risk capital charge and their implementing regulation. The result is that the ECCB has reactivated its intention to publish guidelines on market risks and the market risk capital charge; The Bahamas continues to explore its options to implement the charge.

II. INSURANCE SUPERVISION

Restructuring/Resolution of British American Insurance Company (BAICO) (ECCU/ECCB) and Clico Barbados (Clico) – CARTAC continues to work with the authorities in the region on resolution strategies for BAICO and Clico. The resolution strategy for BAICO is in the final stages of development and all efforts have been made to find a least cost solution to the benefit of the policy holders. A strategy with respect to Clico Barbados remains in the early stages of discussion. The main result achieved to date is that in working through the dynamics of resolution, the insurance supervisors in the ECCU have gained hands-on knowledge on how to supervise insurance companies to prevent a reoccurrence of the BAICO failure; in particular, ensuring that companies pledge adequate assets against liabilities and ensuring that companies engage in only approved activities has lessened the risk of another failed insurance company in the ECCU. Another identified result is that there is greater collaboration in supervising insurance companies that have cross-border operations. The overreaching result of minimizing the economic impact for small policy holders has not been realized yet.

Review and Bring to International Standards the Solvency Framework for Life Insurance Companies (Jamaica) – This project is through its mid-point completion and involves over the next six months a review of the solvency rules for life insurance companies and stress-testing in light of new International Accounting Standards Board recommended valuation methodologies. The solvency rules will be harmonized with similar work conducted by the same expert for Trinidad and Tobago. The anticipated result is that an enhanced solvency standard will be implemented in Jamaica and that this standard will be harmonized with Trinidad and Tobago

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which will lead to better capitalized and safer and sounder insurance companies. (The Bahamas is separately engaging in a process using its own resources to harmonize its capital standards with Trinidad and Tobago and Jamaica) **In conjunction with the project, CARTAC is seeking to harmonize all insurance capital standards in the region** which may take the form of one set of advanced standards for Trinidad and Tobago and Jamaica with simpler standards for the remaining countries (the latter due to the lack of resources to hire actuaries to review valuations).

Standardization of Actuarial Standards in the Caribbean (Regional) – Work is close to completion between the insurance supervisors and the Caribbean Association of Actuaries to create actuarial standards for the Caribbean which will ultimately require that all actuaries in the Caribbean use the standards. Draft standards are out for public comment and can be viewed here under Exposure Draft Standards: <http://www.caa.com.bb/presentations.html>. **The intended result is** (1) to create standards that meet the nuances of the Caribbean markets, (2) to set forth the methodology that will allow comparison among insurance companies and (3) to better value liabilities so that the true level of capital can be measured. In December, the Caribbean Association of Actuaries, CARTAC, CAIR, and insurance supervisors from Trinidad and Tobago, Jamaica, and Barbados agreed to have standards drafted in 12 months. The first meeting to begin drafting was held in March. An Advisory Committee has been established to oversee progress and results.

Enhancing Insurance Supervision (Suriname) – The Central Bank of Suriname requested that CARTAC assists in improving the quality of insurance supervision in Suriname. The expert (1) reviewed and made recommendations on the new proposed insurance act, (2) addressed issues on how to supervise insurance companies with respect to provisions, valuations and restrictions on investments, and assessing capital adequacy, (3) recommendation and discussion of filing requirements and filing formats for the quarterly and annual regulatory reports, and (4) training in on-site examinations and risk-based supervision. The authorities are now considering the recommended changes to the law as well as instituting the proposed insurance regulatory forms. A draft insurance supervision manual is being reviewed and commented on. It should be noted that Suriname, based on the recommendation of the expert, will adopt the harmonized insurance regulatory report forms developed for the Caribbean by CARTAC and in use by the 8 ECCU countries and Turks and Caicos. The project continues and will be completed by year-end.

Regional Training in Actuarial Analysis, Insurance Supervisors Conference, and Insurance Regulators Meeting (Regional) – Training was provided to over 40 regional insurance supervisors on a World Bank designed course called Actuarial Analysis for Non-Actuaries. The course ended with an examination take that covered the material covered during 3-days. This was followed by a conference which focused on international ratings of insurance companies, capital adequacy of insurance companies, and standards for annuity products. Following this, a Regulators Meeting took place where the following issues were discussed (1) standardization of reporting forms in the region, (2) the Caribbean Actuarial Project, (3) the College of Regulators, (4) the regulation of annuities, and (4) training development. **The results were** a matrix was developed with time frames for completion of the projects identified above. That matrix is being implemented.

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III. PENSION FUND SUPERVISION

Establishment of The Caribbean Group of Banking Supervisors (Regional) – The region continues its work to effectively supervise pension funds, starting from ground zero in most countries except for Jamaica where pension fund supervision is more highly developed. As a result of the success of the supervisory groups such as The Caribbean Group of Banking Supervisors (CGBS) and The Caribbean Association of Insurance Supervisors (CAIR), CARTAC worked with Jamaica to begin a similar group known as The Caribbean Association of Pension Supervisors (CAPS). The first conference was held this summer and was a huge success. CARTAC continues to work with CAPS to provide education and technical assistance to insurance supervisors.

Early Warning System for Problematic Pension Fund Investment Managers (Jamaica) – CARTAC just began a project with the FSC-Jamaica to develop an early warning system for investment managers of pension funds. The project has just begun, and no results have been achieved.

Development of a Comprehensive Supervisory Regime (Suriname) – CARTAC is assisting Suriname to further develop its supervisory regime for pension funds. The first phase is in process and encompasses incorporating defined contribution, especially individual defined contribution plans, into the law. This encompasses licensing of the plan, reporting requirements, allowable investments, fees charged, and required policies and procedures. No results have been obtained as this project is in process and in the early stages.

IV. OFF-SHORE BANKING SUPERVISION

Training in the Supervision of Off-shore Banks (Dominica) – Training include the on-site examination of an off-shore bank and a review of the supervisory framework, that included planning, compliance with the law, AML/KYC compliance, financial analysis, etc. The projected resulted in a list of recommendations to enhance the supervision of off-shore banks which the authorities are in the process of reviewing and implementing.

MACROECONOMIC ACTIVITY REPORT

April - October 2011

Summary of Macroeconomic Activities and Results for the Period April – October, 2011

MACROECONOMICS

Summary

Over the last semester, activities in CARTAC's MAC programme focused on two core areas:

1. Building capacity in the preparation of internally-consistent macroeconomic projections
2. Enhancing the analytical and professional skills of regional economists through the MAC Economics Internship Programme.

I. CAPACITY BUILDING

CARTAC continued to work with small groups within the ministries of finance to guide economists in the preparation of internally-consistent medium-term macroeconomic projections. These exercises involved the preparation of sectoral current and constant-price GDP estimates, as well as fiscal projections under baseline and active scenarios to take into account new policy measures. The **expected output** of the exercise is an updated macro-fiscal framework that is used as an input in the budget process as it establishes expected revenue and hence expenditure ceilings. **Another expected outcome** is enhanced capacity of local economists to undertake this work.

During the review period, the following capacity building missions were conducted:

- **Anguilla:** Following a request from the Authorities, CARTAC provided assistance to the Ministry of Finance to prepare consistent medium-term projections as well as to undertake a review of the island's economic performance over the past five years. This exercise was in preparation for an IMF mission to Anguilla. In the summer of 2011, Anguilla was included for the first time in the IMF's ECCU Regional Surveillance exercise. The CARTAC TA mission was conducted from July 6 – 14, 2011.
- **Montserrat:** Following discussions with the Authorities, CARTAC provided assistance to the Ministry of Finance to prepare consistent medium-term projections as well as to undertake a review of the island's economic performance over the past five years. This exercise was in preparation for an IMF mission to Montserrat. In the summer of 2011, Montserrat was included for the first time in the IMF's ECCU Regional Surveillance exercise. The CARTAC TA mission was conducted from June 27 – July 4, 2011.
- **St. Kitts and Nevis:** CARTAC continued to provide support to the Government of St. Kitts and Nevis to support its efforts at fiscal consolidation. As the Government finalized a Stand-By Arrangement (SBA) with the IMF, CARTAC worked closely

Summary of Macroeconomic Activities and Results for the Period April – October, 2011

with the Ministry of Finance to introduce and fine-tune systems to facilitate the compilation of data to monitor the Programme. In particular, CARTAC provided assistance to the Authorities in developing a framework to compile and monitor the stock of expenditure arrears.

In addition, missions were conducted to the Ministry of Finance, St Kitts as well as the Nevis Island Administration, to prepare medium-term fiscal projections. The mission also focused on providing training to the staff on preparing and presenting the financing of the Government's overall fiscal position. It is expected that the outputs of the missions will inform budget discussions.

II. INTERNSHIP PROGRAMME AND PROFESSIONAL ATTACHMENT

Activities aimed at enhancing the analytical skills and professional development of regional economists included organizing the fourth year of the CARTAC internship programme.

Internship Programme: During the past semester, the fourth MAC internship programme was organized. The programme, which aims at enhancing the analytical skills of the graduates to better prepare them for the workplace, commenced in 2008. CARTAC, in collaboration with the University of the West Indies, identifies honour students for the internship programme.

The MAC 2011 Economics Internship Programme commenced in June 2011 with nine students from the three UWI campuses. The interns were hosted by the Bank of Jamaica (1), Caribbean Centre for Money and Finance (3), Central Bank of Barbados (2), Central Bank of Trinidad and Tobago (1) and the Eastern Caribbean Central Bank (2). Based on the positive feedback from the host institutions and interns, the programme continues to be a success.

III. OTHER

Over the last semester, the MAC Adviser attended a number of meetings/consultations including:

- CARTAC Strategic Meeting to meet with senior Ministry of Finance officials in Trinidad and Tobago to discuss technical assistance needs. The mission, led by the Programme Coordinator, was conducted from April 27-28, 2011.
- Working closely with a member country to finalize a terms of reference to undertake a cost/benefit analysis of airline subsidies. Following discussions, the study will be funded by DFID.

Summary of Macroeconomic Activities and Results for the Period April – October, 2011

- Organizing a MAC Strategic meeting with senior officials in St. Vincent and the Grenadines to identify needs and develop comprehensive TA Programmes.
- Attending the launch of the IMF's Regional Economic Outlook (REO) at the Central Bank of Barbados.

MACRO-FISCAL MANAGEMENT ACTIVITY REPORT

April - October 2011

Summary of Macro-Financial Management Activities and Results for the Period April – October 2011

MACRO-FISCAL MANAGEMENT

Summary

During the period April to October 2011, CARTAC delivered a Caribbean Debt Managers' Forum in Jamaica in partnership with the Commonwealth Secretariat (Com-Sec), the Inter-American Development Bank (IADB), and the Eastern Caribbean Central Bank (ECCB). All CARTAC member countries were invited to participate at this event: there were 25 participants from 15 member states. The Forum witnessed the creation of the Caribbean Association of Debt Managers (CARADEM). CARTAC, Com-Sec and IADB committed to lend support to this nascent Association. The process of developing a quantitative tax policy analysis workshop as well as a fiscal risk management conference also continued, although budget constraints have put these activities at risk. Assistance to strengthen macro-fiscal capacity and management (and to help them adopt more rigorous macro-fiscal processes and tools) was provided to seven member countries (The Bahamas, Barbados, British Virgin Islands, Dominica, Montserrat, St. Lucia, and St. Vincent and the Grenadines). Within this group, for ECCU members, a partnership was struck with the CIDA-funded ECCB's Debt Management Advisory Services unit at the ECCB; and joint workshops were delivered in three ECCU member countries to help them prepare medium and long-term economic and fiscal projections and a Debt Sustainability Assessment. This work has been benefiting from peer review from DSA experts at the IMF. In The Bahamas a revenue-modelling and forecasting workshop was carried out at the Ministry of Finance. An IADB-funded macro-modelling mission was carried out at the Central Bank of The Bahamas.

Debt Management

Regional efforts in this area have been focused on promoting networking among member states. This was done by hosting a one-day forum for Caribbean debt managers, which immediately preceded the 3-day proceedings of Latin American and Caribbean debt managers organized by the IADB - and to which CARTAC continues to sponsor the participation of our member countries. The Caribbean day forum exposed participants to the reforms of debt offices and debt management functions being carried out by our member countries (and how the TA they are receiving is helping); discussions also focused on region-specific issues, challenges and opportunities. A Caribbean Association of Debt Managers (CARADEM) was also launched and a 5-member Executive Committee was elected. A prime objective of CARADEM is to facilitate the networking and sharing of good practices, an effort for which CARTAC, Com-Sec and IADB have pledged our support. Benefiting from special IADB funding, an intensive TA effort was provided to support the major reforms taking place in Jamaica's Debt Office.

Summary of Macro-Financial Management Activities and Results for the Period April – October 2011

SOE Oversight and Governance

CARTAC's activities in this area included a strategic follow up visit with officials of the Investment Division in the Ministry of Finance in Trinidad and Tobago, where a stringent oversight and governance regime has been in place for some time, supported by strong legislation and regulation, an effective oversight capacity and a sound information management system. The discussion focused on how best the key success factors in place in T&T could be spread to other member states which are struggling to manage SOE-sector fiscal risks. Plans for participation of senior officials from T&T in missions to strengthen SOE oversight in member states which have requested assistance were discussed. Interviews were carried out and suitable SOE oversight consultants were identified to contribute to the advancement of CARTAC's TA program in this area. Development work was also carried out on the SOE-risk management module of a "Risk Management" conference that may be delivered in the next reporting period – budget resources permitting.

Pension Reforms

No formal TA missions were carried out in this area during this reporting period, although there continued to be ongoing exchanges with the authorities in Dominica following the mission there early this year. Development work was carried out on the pension plan risk-management module of the aforementioned "Risk Management" conference.

I. Assistance to Strengthen Macro-Fiscal Capacity

• Strengthening Macro-Fiscal Management through effective institutions and More Rigorous Processes and Tools

CARTAC believes that effective macro-fiscal management necessitates that all member states institute a small high-level and high-powered macro-fiscal policy and analysis unit (MFU) in their Ministries of Finance, staffed with economists well-trained in macroeconomics, public finance, and quantitative methods. Institutional advice and TA strategies intended to support and accelerate their transition to strong strategic macro-fiscal management were proposed to a number of member states, notably Barbados, BVI and Montserrat.

In this reporting period, missions, meetings and other exchanges took place with Barbados, BVI, Montserrat and St Lucia, through telephone conversations, e-mail exchanges, etc. In Barbados a number of meetings were held with key members of the nascent MFU.

Summary of Macro-Financial Management Activities and Results for the Period April – October 2011

In BVI the interventions were focused on the preparation of a medium-term fiscal plan (and alternative scenarios). In the case of BVI, Montserrat and St. Lucia, missions were followed by ongoing exchanges to help officials engaged in the process of updating and extending their macro-fiscal projections. In St. Lucia, a DSA preparation mission in June was followed by a second mission in July to help the authorities prepare an alternative, “fiscal adjustment” scenario designed to restore fiscal sustainability.

- **Strong Debt Strategy and Management Capacity and Well-Functioning Institutions**

Capacity to design a sound debt strategy and to execute it proficiently through effective institutions is a key element of a Ministry of Finance’s ability to assess and manage fiscal risks. CARTAC’s efforts continued to be focused on strengthening our partnerships and coordination with the Commonwealth Secretariat (Com-Sec) and with the IADB. A four-day forum was delivered in Montego Bay, Jamaica in October. It was comprised of a one-day CARTAC-led Forum for Caribbean debt managers followed by 3-day IADB-led proceedings of Latin American and Caribbean debt managers. For the first time, all CARTAC member countries were invited – in the past only IADB members participated. The prime objective remains to facilitate exchanges and communications among member countries: the sharing of good experiences, common challenges and opportunities and TA needs. As noted above, members decided in Montego Bay to formalize the networking of debt managers in the region through the institution of CARADEM.

A current state assessment mission had been carried out in Jamaica in the previous reporting period. The need for major institutional reforms in the Debt Management Unit had been highlighted. CARTAC worked with the MoF leadership team to identify early action to restructure and staff the Unit before other longer-term capacity-building initiatives by the World Bank and ComSec are initiated. Thanks to special financing having been secured from the IADB, CARTAC delivered a significant amount of TA to assist the authorities to carry out the institutional rebuilding work. The Unit is being restructured into a Debt Management Branch, and most of the key positions were staffed either internally or through an external recruitment process.

There continued to be close coordination with the CIDA-funded Debt Management Advisory Services (DMAS) Unit operating from the ECCB. Three joint DSA preparation missions were delivered during this reporting period: in Dominica, St. Lucia, and St. Vincent and the Grenadines. A mission to St. Kitts and Nevis is scheduled for the next reporting period.

II. Effective Assessment and Management of Other Fiscal Risks

Sound fiscal management mandates a comprehensive approach to fiscal risk assessment and management: with risks associated with insolvent national or public sector pension plans or insolvent state-owned enterprises being accounted for explicitly.

Summary of Macro-Financial Management Activities and Results for the Period April – October 2011

- **Support for Reforms of National and Public Sector Pension Plans**

CARTAC did not carry out any TA missions in this area during this reporting period. However, there continued to be some follow up on the mission that was carried out in the Commonwealth of Dominica in January 2011: an international expert in national and public sector pensions accompanied by a regional actuary helped the authorities explore options available to the Government on how best to align public sector pension reforms with the reforms being contemplated for the National Social Security plan – namely, to implement recommendations contained in recent actuarial reviews to enhance the plan’s sustainability.

- **Managing Fiscal Risks Associated with State-Owned Enterprises (SOEs)**

CARTAC’s typical initial TA interventions in this area have been delivered through a two-part intervention: first, an assessment is made of the current oversight and governance environment in the member country and of emerging issues; secondly the SOE oversight team and senior financial officers from the key SOEs are brought together in a workshop setting. The workshop starts with a discussion of the critical success factors for effective oversight and governance of the SOE sector; this is followed by financial statement analysis (data permitting), and the preparation of draft “quarterly management reports” that can give the oversight team advance warning of emerging problems so that Ministers can be briefed and remedial action can be taken to avoid or delay the problem or mitigate its effects. During this reporting period, CARTAC carried out a strategic follow up visit to the Ministry of Finance in Trinidad and Tobago. The Investment Division there manages a stringent oversight and governance regime, supported by strong legislation and regulation, an effective oversight capacity, and a sound information management system. The discussion focused on how best the key success factors in place in T&T could be spread to other member states which are struggling to manage SOE-sector fiscal risks, and which are asking for assistance. Senior officials from the Investment Division expressed openness to participate in regional initiatives or in-country missions. Interviews were also carried out and other suitable SOE oversight consultants were identified to contribute to the advancement of CARTAC’s TA program in this area. Development work was also carried out on the SOE-risk management module of a “Risk Management” conference that may be delivered in the next reporting period – budget resources permitting.

PUBLIC FINANCIAL MANAGEMENT ACTIVITY REPORT

April - October 2011

Summary of Public Financial Management Activities and Results for the Period April – October 2011

PUBLIC FINANCIAL MANAGEMENT

PFM activities for the past six months focused on five key areas: PFM diagnostics and PFM action plans, budget execution, budget preparation, internal audit and development of a sustainable capacity building in the region.

I. PFM DIAGNOSTICS AND PFM ACTION PLANS

Bahamas – Assisted the authorities develop a PFM Reform Action Plan based on its 2010 PEFA assessment.

DFID - Engaged in consultation on overseas territories and ensuring integration of the various TA being provided.

Mutli-Donor Meeting - Delivered a presentation on the development of PFM Reform Action Plans in the region to a multi-donor meeting in Barbados.

Saint Vincent and the Grenadines – Facilitated a workshop convened by the authorities where PFM reform progress since the last PEFA (2006) was reviewed and work commenced on creating a new PFM Reform Plan. CARTAC continued to provide remote support in the review of draft documents as required.

SEMCAR – Assisted with the development of plans for PFM support under SEMCAR.

Suriname - Provided advice regarding the PEFA assessment report. Assisted the authorities develop a PFM Reform Action Plan based on the 2011 PEFA assessment.

II. BUDGET EXECUTION

Bahamas – Undertook a review of the existing CoAs and the proposed new financial reporting format to meet the requirements of the cash based international public sector accounting standards.

Belize - Continued work from the previous year assisting the authorities to review their below the line accounts and other segments of the CoAs to improve structures and reporting. Also provided specific advice regarding the correct accounting treatment according to international standards and how to properly record grant and loan financing from development partners that crosses financial years.

Summary of Public Financial Management Activities and Results for the Period April – October 2011

Dominica – Continued support to the AGD in business process reviews, automated bank reconciliation, development of strengthened bank relations and rationalization of bank accounts. The authorities have redesigned revenue collection processes in the AGD and MDAs and have also developed electronic formats for the two major revenue bodies. Support was also provided in developing a cash flow forecasting model.

ECCU – Provided support regionally in moving towards adoption of the international public sector accounting standard (IPSAS) on a cash basis.

Grenada – Continued to support work on CoAs (in-country and remotely) and bank reconciliation. With the assistance of the Deputy Accountant General, Anguilla, assisted the authorities develop an Excel-based cash flow forecasting model.

Guyana – Assisted the authorities to develop a training schedule to improve internal controls in the Accountant General's Department and MDAs. Undertook a review of business processes, making over 80 recommendations for process redesign a strengthening of internal controls through use of the IFMIS.

Jamaica – Continued to assist (in-country and remotely) with the implementation of the Central Treasury Management System (CTMS), including development of revenue codes for the new CoAs.

Montserrat – Provided support in country and remotely in mapping the CoAs to GFS 2001 and CoFoG.

St Lucia – Assisted the authorities in developing an automated bank reconciliation process and improving the quality of accounting, particularly in relation to below the line accounts.

Suriname - Delivered a workshop on Chart of Accounts reform and also reviewed early work on mapping the existing chart of accounts to GFS 2001 and CoFoG.

Regional – Prepared two articles regarding a more effective approach to bank reconciliations and rationalization of bank accounts.

Summary of Public Financial Management Activities and Results for the Period April – October 2011

III. BUDGET PREPARATION

Anguilla – Assisted with the implementation of new budget templates and formats in MDAs and in the MoF which strengthen the medium-term budget process and integrity of the fiscal framework. The templates also have a greater focus on results. Presentations were delivered to senior officials and to MDAs, and comments provided (remotely) regarding a draft Fiscal Responsibility Framework.

Barbados – Developed a road map for strengthened budget reform, which included better integration with the fiscal framework, a strengthened medium-term context, improved transparency and a greater focus on results. This process will involve incremental changes to the budget process over the next few years, supported by CARTAC. Recommendations were also made regarding the approach to programme budgeting and format for presenting budget information. Presentations were also delivered to senior officials.

CDB/IDB - Ongoing dialogue with development partners and consultants to ensure effective integration of the results-based budget TA provided by CARTAC with the PRODEV initiatives of the DPs which focus on strengthening the monitoring and evaluation framework of countries.

Dominica - Assisted in the implementation of new budget templates and formats in MDAs and in the MoF which strengthen the medium term budget process and integrity of the fiscal framework. The templates also have a greater focus on results. Workshops were convened with over 100 officials across all MDAs.

Grenada – Continued to support improvement of the results-based focus of budget submissions, along with a strengthened budget process and fiscal discipline. Bilateral workshops took place with all MDAs.

Guyana – Convened two workshops to strengthen MoF and MDA understanding of performance-based budgeting. A report was developed with recommendations for strengthening the integrity of the budget process.

Montserrat - Developed a road map for strengthened budget reform, which included better integration with the fiscal framework, a strengthened medium-term context, improved transparency and a greater focus on results. This process will involve incremental changes to the budget process over the next few years, supported by CARTAC. Presentations were also delivered to senior officials and the Chief Minister.

Nevis – Developed a road map for strengthened budget reform, which included better integration with the fiscal framework, a strengthened medium-term context, improved transparency and a greater focus on results. This process will involve incremental

Summary of Public Financial Management Activities and Results for the Period April – October 2011

changes to the budget process over the next few years, supported by CARTAC. Presentations were also delivered to senior officials.

St Lucia – Developed a road map for strengthened budget reform, which included better integration with the fiscal framework, a strengthened medium-term context, improved transparency and a greater focus on results. This process will involve incremental changes to the budget process over the next few years, supported by CARTAC. Presentations were also delivered to senior officials.

IV. INTERNAL AUDIT

Guyana – Assisted the authorities to develop a capacity building programme for internal auditors.

Regional – Presented at a regional IA Conference hosted by the Barbados authorities and convened by COMSEC.

V. CAPACITY BUILDING

Anguilla – Mentored the Deputy Accountant General in her first role in delivering technical assistance in Grenada.

Regional – Presented at a CARICOM Procurement conference convened in Jamaica in April.

Regional – Presented at a COMSEC Internal Audit Conference convened in Barbados in June.

Regional – Delivered a total of 40 workshops/presentations across a range of countries and topics.

STATISTICS ACTIVITY REPORT

April - October 2011

Summary of Statistics Activities and Results for the Period April – October 2011

Summary

- CARTAC activities in statistics continued to concentrate on national accounts and price statistics.
- In the area of national **accounts** activities were concentrated in three areas: (a) rebasing the national accounts **in Barbados, Bermuda and Suriname**, to a more recent and relevant time period, (b) compilation of quarterly GDP in **St. Lucia** and revision of the GDP by expenditure components in the OECS. These efforts will make the GDP estimates more useful to policy makers, businesses, labour unions, and other users concerned with trends in economic growth. The regional meetings contribute to harmonizing and coordinating efforts in strengthening the statistical database and capacity in the region.
- In the area of price statistics focus was on finalizing the implementation of the Price Index Processor System (PIPS) in the region, and the rebasing activities in Belize.

I. REBASING NATIONAL ACCOUNTS

Barbados received assistance to transfer the compilation of constant price GDP from the Central Bank of Barbados (CBB) to the Barbados Statistical Service (BSS). Both institutions have a methodology in place that needs to be revised. In addition an update from the 1974 base year to 2006 is required. The **major outputs** of these missions were (i) **improved understanding of national accounts compilation** as a result of the hands-on training provided, (ii) **improved methods for compiling GDP at constant prices** according to the new international standards contained in the 1993 SNA Manual, (iii) **a spreadsheet data model** containing the appropriate methodology and formulas for GDP at constant 2006 prices (iv) **consistent time series** for 2000-2008. The rebasing activities are in the final stage.

Assistance was provided to **Suriname** to rebase the constant price series from base year 1990 to 2007 and revising the current price estimates. **Major outputs** are related to (i) **improved understanding of national accounts compilation** as a result of the hands-on training provided, (ii) **improved methods** for compiling GDP in **current and constant prices** according to the new international standards contained in the 1993 SNA Manual (iii) **a spreadsheet data model** containing the appropriate formulas for GDP in current and constant 2007 prices, (iv) **consistent time series** for the 2004-2010 period. The rebasing activities are in the final stages.

Assistance was provided to **Bermuda** to assist the Bermuda Department of Statistics (DOS) in rebasing GDP at constant prices from 1990 to 2006. The **major outputs** of the mission were the same as those for Barbados and Suriname but related to the 2000-2009 period. The rebasing activities have been finalized.

Summary of Statistics Activities and Results for the Period April – October 2011

II. QUARTERLY GROSS DOMESTIC PRODUCT

Technical assistance was provided to the Central Bureau of Statistics of St. Lucia in the area of compilation of quarterly GDP according to international standards using the Quarterly National Accounts manual. The QGDP project in St. Lucia will serve as a pilot for other countries. The **major outputs** of the mission were (i) **improved understanding of quarterly national accounts compilation**, (ii) **an overview** of volume and price data available on a high frequency. For some industries volume data are readily available on a quarterly basis. For some of the other industries mainly in the services sector, the availability of volume data should be further explored/ investigated.

PRICE STATISTICS

In the area of **price statistics**, technical assistance continued in revising country CPIs to a more recent market basket and introducing improved methods. The **major outputs** were (i) **new market baskets and item structures** for the revised CPIs based on data from recent Household Expenditure Surveys (HES), (ii) **improved methods for compiling the CPI** according to the new international standards contained in the *CPI Manual*, 2004, and (iii) **historical series** to the revised CPI on the Classification of Individual Consumption by Purpose (COICOP). The improved methods largely result from **implementing the Price Index Processor System (PIPS)** as part of their CPI revision project.

The **outputs from the CPI revision projects are a new basket of items and outlets and an updated CPI** that make the revised CPIs both **more relevant to the countries' economies and more accurate as measures of inflation**.

In **Belize**, a new CPI market basket was developed using data from 2008/2009 Household Expenditure Survey (HES) supplemented by data from secondary sources. The PIPS software has been successfully tested.

Summary of Statistics Activities and Results for the Period April – October 2011

III. TRAINING ACTIVITIES

Price Statistics: Price Index Processor System (PIPS) – Training/workshop

Provide hands-on experience with using the PIPS software and give participants a head start on setting up the system using data from their individual countries. The implementation of PIPS enables countries to introduce many of the new methods and best practices in the CPI Manual and to have their CPIs meet international standards.

IV. OTHER STATISTICAL ACTIVITIES

International Comparison Project

Activities related to the *International Comparison Project (ICP)* continued. ECLAC and CARICOM serve as regional coordinators. This project will support the improvement of national accounts in the region since a major element in the ICP work program is the identification and solution of problems in the current scope and coverage of national accounts in the region to facilitate cross-country comparisons. The statistics adviser participated in several meetings related to this program.

Tourism Satellite Accounting

The statistics adviser participated in several webinars related to the CTO project in the implementation of the TSA's in the region. Several countries in the region have expressed the importance of quantifying the impact of tourism in these highly tourism dependent economies. The development of tourism satellite accounts is consistent with the improvement of the national accounts and balance of payments statistics. Particularly the further improvement of supply and use tables and the travel debit and credit statistics as part of the balance of payments are important in this regard.

**REVENUE ADMINISTRATION (TAX & CUSTOMS)
ACTIVITY REPORT**

April - October, 2011

Summary of Revenue Administration Activities and Results for the Period April – October 2011

REVENUE ADMINISTRATION (TAX & CUSTOMS)

Summary

Revenue Administration activities for the past five months focused on **Revenue Administration Reforms** — (I) Reorganization of Revenue Administration; (II) Reform of Indirect Tax Systems through Implementation of value added taxes; (III) Strengthening of Tax Administrations; and (IV) Reform and Modernization of Customs.

I. REORGANIZATION OF REVENUE ADMINISTRATION

- **Dominica** – assisted in implementing the roadmap¹ including finalizing the draft organizational structure and reconciling staffing for the implementation of a Large and Medium Taxpayer Unit within the Inland Revenue Department by January 2012.

II. REFORM OF INDIRECT TAX SYSTEMS – INTRODUCTION OF VALUE ADDED TAX (VAT) AND EXCISE TAXES TO REPLACE LESS EFFICIENT INDIRECT TAXES

Grenada and the Federation of St. Kitts and Nevis introduced VAT and excise taxes on February 1, 2010 and November, 1 2010 respectively; St. Lucia is preparing to introduce VAT on April 1, 2013; and Suriname and Turks and Caicos Islands are undertaking initial preparations to introduce VAT by early 2013. CARTAC is assisting these five countries with their pre- and post- implementation programs for VAT and excise taxes.

- **Grenada** - (i) continued a program to build the capacity of the VAT auditors by providing on-the-job training, mentoring and coaching in audit techniques and case file management; (ii) conducted a high level review of progress in VAT administration since the introduction of the VAT and (ii) provided on-site and off-site technical support on various operational aspects of VAT and excise administration.
- **Federation of St. Kitts and Nevis** – (i) completed a review of the initial six months revenue performance of the VAT. This review identified issues currently hampering the revenue performance, and issues which may arise in the future; (ii) in collaboration with the United Kingdom Revenue and Customs (HMRC) provided training to IRD staff on basic VAT

¹ The roadmap was developed with the assistance of CARTAC in April 2010.

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auditing techniques; (iii) assisted with the development of the national audit and risk selection programs for Tax; (iv) commenced a program to build the capacity of the auditors by providing classroom, on-the-job training, mentoring and coaching in audit techniques and case file management; (v) conducted a high level review of progress in audit and collections since the introduction of the VAT and (vi) provided on-site and off-site technical support on various operational aspects of VAT administration.

- **St. Lucia** – (i) completed a third review of the draft VAT Bill; (ii) provided advice on VAT administration including the structure and staffing for the new IRD VAT Unit; (iii) provided guidance on the compilation of the list of potential registrants for VAT; (iv) supported the regional research on several critical VAT policy issues; (v) provided training in VAT administration to 13 staff; (vi) assisted in resolving Tax IT issues in preparation for the installation of the VAT modules and (vii) provided on-site and off-site technical support on various aspects of VAT administration.
- **Suriname** – (i) delivered Basic VAT Training to 20 staff; (ii) in collaboration with the IMF Legal Department completed the preliminary work for the draft VAT legislation and (iii) developed a detailed VAT implementation project plan.
- **Turks and Caicos Islands** – (i) drafted the VAT Bill; (ii) provided basic VAT training to 18 staff; (iii) developed a detail VAT implementation project plan and (iv) completed a study to determine possible VAT and excise tax rates; (v) arranged a four-day professional attachment in Grenada for the VAT Implementation Team – CARTAC funded travel and related expenses for two members of the Team and (vi) provided on-site and off-site technical support on VAT.

III. Strengthening Tax Administration

Regional

- Developed an Electronic Auditing Training course for delivery in member countries.

Member countries

- **St. Lucia** – delivered a seminar on the draft code of conduct and reviewed with management the communication plan and procedures for monitoring the integrity program.
- **Dominica and St. Kitts and Nevis** – continued the program to build the capacity of the auditors by providing classroom, on-the-job

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training, mentoring and coaching in audit techniques and case file management.

- **Antigua and Barbuda²** – (i) supported the development of legislative reforms related to progressive enforcement techniques for collections enforcement and (ii) supported efforts to improve communication with taxpayers with a focus on large taxpayers and the professional segment.

IV. Reform and Modernization of Customs

Regional

- Developed Customs Valuation and Intermediate Post Clearance Audit training courses for delivery in member countries.

Member countries

- **Dominica** – *supported the implementation of the post clearance audit program* – (i) delivered refresher training on planning, accounting for goods and review of financial statements; (ii) assisted with the development of an audit plan for the Post Clearance Audit Unit; (iii) provided guidance and mentoring during the audit of cases files; (iv) reviewed the new Customs Act to identify regulatory and administrative issues that should be addressed and (v) reviewed and provided comments on the new organization structure, job descriptions and the 2011-12 work plan for the Post Clearance Unit.
- *Supported the implementation of the risk management program* – (i) developed a Mandate Statement for the Enforcement and Compliance function; (ii) revised the Risk Management Policy and Risk Management Strategic Framework and prepared a circular for distribution to staff and other strategic partners; (iii) updated the examination guidelines and prepared guidelines for completion of the Inspection Act in ASYCUDA–World; (iv) provided hands-on coaching to Customs staff including customs enforcement and risk management techniques, risk management operational risk reviews, and profile development.
- **Belize** – *supported the implementation of the risk management program* – (i) assist with the development of data elements to be collected for performance monitoring purposes and (ii) delivered a workshop aimed at developing and implementing ASYCUDA World risk selectivity criteria.

² Separate CARTAC program funded by DFID

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Supported the implementation of the new IT system (ASYCUDA World) – (i) coordinated a half day workshop aimed at resolving issues related to the implementation of ASYCUDA World and (ii) developed, with CED staff, a draft ASYCUDA World implementation plan to be used as a basis for inputting all implementation information.

- **St. Lucia** – *supported the implementation of the post clearance audit program* – provided functional guidance on program management, resourcing, and operational issues.
- **Jamaica** – (i) collaborated with Customs management on a training needs analysis in relation to post clearance audit and Customs valuation, (ii) conducted a high level review of the enabling environment for audit and inspection, and other compliance verification activities such as legal instruments, functionality of available IT, and cargo handling / inspection technology, attributes of the importer/trader community and (iii) developed and piloted intermediate level training workshops in valuations and audit..
- **Antigua and Barbuda**³ – (i) provided functional guidance on process simplification and (ii) provided customs valuation training.
- **Grenada** – (i) delivered orientation training for risk management.
- **Federation of St. Kitts and Nevis**—(i) supported implementation of improved compliance management practices.

³ Separate CARTAC program funded by DFID