



**Steering Committee Meeting
Ritz Carlton Hotel, Montego Bay, Jamaica
June 11, 2009**

MINUTES

Governor Latibeaudiere's welcome address:

Governor Latibeaudiere welcomed delegates to the meeting. Noting that the meeting should have been held in Belize but had been postponed due to concerns about the Influenza AH1N1 virus, he said that although the impact of the virus so far has not been severe, the same cannot be said about the impact of the global financial crisis and the resulting world recession, on economies in the region. He added that with tightened global liquidity conditions, our financial markets have seen the withdrawal of credit lines and a fall-off in foreign exchange supplies from earners. He cited examples of the effect of the slowing world demand on the region, including the decline of foreign exchange earnings from tourism, and he noted that commodity export receipts (particularly alumina and oil) have also fallen. He said the region is experiencing the worst of both worlds, as our earnings are being affected by both decline in demand and falling prices. Management of these challenges will require the full spectrum of technical capabilities.

Governor Latibeaudiere thanked the donors and CARTAC officials for their continuing support and commitment. He noted that in this Third Phase there is even greater need for programmes that contribute to the deepening of skills in the region and to the enhancement of the capabilities of our technicians to manage the challenges ahead and to ensure the stability of our financial and economic systems. Governor Latibeaudiere outlined the agenda for the meeting, mentioning that the problem of Haiti's arrears to CARTAC has not yet been resolved. He noted that one lesson learned from the recent financial market turmoil is the importance of having a population that is well educated with regard to the workings of financial markets and the pitfalls to avoid.

Governor Latibeaudiere added that CARTAC is an important partner in the region and that the project has contributed to the strengthening of tax and customs administration, public finance management, financial sector regulation and supervision, statistics (STA) and macroeconomic analysis. He said there can hardly be a better time to make the case for reinforcing the region's institutional capacity than at this time, therefore the organisation must remain abreast of new developments, requirements and possibilities. He emphasised that, above all, all the objectives of CARTAC must remain clear; its resources must continue to be efficiently deployed; and the project must be managed to the optimum benefit of the region. As Chairman, he pledged to continue to offer his full commitment to ensure that these principles are supported and upheld.

Programme Coordinator's Report:

CARTAC's Programme Coordinator (PC) Ms. Therese Turner-Jones welcomed those here for the first time, in particular the new CARTAC staffers – Paul Armknecht, Paul Austin and Michel Marion. She

noted Adviser Mark Silins' absence, due to a death in his family, and she acknowledged the departure of Denis Lepage (former Public Finance Management (PFM) Adviser) and Ione Marshall (former Statistics Adviser). Also among the new attendees at this meeting were Marco Pinon, Kim Zieschang and Alan Warburton from the International Monetary Fund (IMF); Resident Coordinator of the United Nations Development Programme (UNDP) Ms. Michelle Gyles-McDonnough; Harry Hagan from the Department for International Development (DFID); Joyce Hayward and Anthony Manders from Bermuda; and consultants Annette Weekes and Jette Jensen. Ms. Turner-Jones noted that apologies had been received from the Bahamas, Belize, Dominica, the Eastern Caribbean Central Bank (ECCB), Suriname and the European Commission (EC).

Ms. Turner-Jones explained that the PC's Report is intended to give an idea of the programmes engaged in and challenges faced by CARTAC over the reporting period, and to give an update on the budget. With regard to the budget she suggested the guide could be the numbers that were prepared for the programme document. She noted that over time, dependent on demand from member countries and issues which the steering committee deems as important, the budget is amended subject to steering committee approval. She noted that projected numbers may exceed the amount stated in the programme document, and CARTAC expects to do some more resource mobilisation. She expressed the hope that donors honour the commitments they have made.

Points made by the PC during her PowerPoint slide presentation:

- The Caribbean has been hit hard by the global financial crisis, and is experiencing a regional crisis as well, related to the CLICO debacle, which has affected many countries in the region.
- The IMF is more friendly and open and the region is taking advantage of what the IMF has to offer, with member countries, St. Vincent & the Grenadines, St. Lucia, Grenada, Dominica and St. Kitts & Nevis signing up for IMF support. Jamaica is also considering an IMF programme. More engagement with the IMF is a good thing given the decline in Gross Domestic Product (GDP) throughout the region and the constraints on resources – it makes sense to access cheap money.
- From a CARTAC perspective vis-à-vis the IMF, CARTAC is likely to be more engaged with IMF teams to make good on the Technical Assistance (TA) needs identified in any new IMF programmes with member countries, implying more TA requests to CARTAC.
- Demand for CARTAC TA in the tax and customs area continues to be overwhelming. CARTAC will be hiring more advisers. CARTAC will be hiring a Customs expert to balance its Tax/Customs team, as the current team specialises mainly in tax administration issues. David Crawford, a member of the existing tax team, will be leaving this year, but will continue to work with CARTAC on a short term basis.
- Thanks were extended to the Barbados government, particularly Mr. Layne, for its support as host country and facilitating CARTAC's recent office expansion at Upton.
- CARTAC's outreach programmes continue, with a number of summer interns who have already been placed across the region. Thanks are extended to the Central Banks and other agencies who are participating: Barbados Central Bank, Belize Central Bank, the Caribbean Centre for Money and Finance (CCMF), and the Bank of Jamaica (BOJ). The financial literacy website has been launched and is now accessible on the website, and CARTAC looks forward to a more public launch of the latter in due course.

- Fundraising efforts are ongoing with encouraging prospects from Canadian International Development Agency (CIDA) and DFID in response to the financial crisis to provide additional resources for financial sector work.
- Challenges remain however – while satisfying to see that CARTAC is seen as a leader in TA provision in the region, at the same time it puts an extra burden on the advisers to coordinate with TA partners.
- On funding, a few donors are interested in bilateral support for CARTAC, e.g. the Inter-American Development Bank (IDB), in looking for a way to support CARTAC, has come up with a technical cooperation (TC) agreement where a sum of money has been set aside to help support activities in the PFM area. This support is not being channelled through the UNDP account, as the IDB is prevented from doing so directly (i.e. via the multi-donor pooled fund), but a creative solution has been found, which speaks well about the IDB's desire to contribute in the region's capacity building. The TC began earlier this year and CARTAC is drawing down on these funds.
- The ongoing challenge is mobilising resources for the remainder of Phase III and efforts are ongoing.
- The IMF has made major policy changes with respect to technical assistance. Beginning in January of 2010, the IMF will begin charging for technical assistance. There are exceptions, if countries are under Fund programmes. There are at least eight cases in the region where countries may be exempt (given IMF programmes underway). Given that the Caribbean is mostly middle-income relative to other countries in the Fund, Caribbean TA delivered by the IMF will be at a charge. Most of the region's countries will end up paying 100% of the cost of TA. Some requests made directly to the IMF have already been diverted to CARTAC. Countries should be aware that when direct requests for TA are made to the Fund, there is engagement between CARTAC and the Fund in terms of who is best placed to meet these TA requests.
- In the proposed budget the quantum of activities and work for 2009 could be 25% above that for 2008.
- Public Expenditure and Financial Accountability (PEFA) Proposal: CARTAC is looking at the possibility of developing a pool of persons in the region who are trained to act as PEFA assessors, thus building in more regional capacity and ownership in the PEFA programmes in the region. The use of a regional team would focus attention in the region, and would fit in to the CARTAC model of training regional peers and developing a pool of resources within the region. The EU has been willing to set aside sums of money for individual countries, and if we can develop a more coherent approach to this, we could build it in to our PFM strategy for the region, along with the work the IMF is doing in this area. There is an opportunity there, and feedback from donors and countries is sought.

Ms. Turner-Jones then reported on individual sector areas and on funding/budget issues. (Please see attached Powerpoint file for details.)

Q & A:

Ms. Gyles-McDonnough (UNDP) expressed appreciation of the PC's report and noted that it added a necessary narrative to the complex activity and work plans. She took note of the issue of resource mobilization and informed the meeting that UNDP had been successful in confirming a meeting with the Secretary-General of CARICOM for June 18th on CARTAC's request.

Ms. Racine (CIDA) welcomed the detailed reporting on CARTAC's activities noting that it was clear that CARTAC was making inroads in its work to support regional integration as evident in CARTAC's support and work with Caribbean Association of Insurance Regulators (CAIR), Caribbean Group of Bank Supervisors (CGBS), User Groups and other regional initiatives. She welcomed the PEFA proposal as a terrific idea and an excellent initiative to build regional capacity in the PFM area. She also highlighted the need for country strategies as a way to improve results based reporting, taking into consideration how difficult the task is given the report done by Jette Jensen last year. She noted that she would like to see more reporting along the lines of the Financial Services Sector (FSS) activity reports which gives some context and narrative to the work being undertaken. She welcomed CARTAC's approach to training and applauded the collaboration with University of the West Indies (UWI), suggesting the institutionalization of CARTAC courses would be ideal.

Dr. Lewis-Bynoe (CDB) commented that the PEFA proposal is a useful approach to developing a core set of PFM experts in the region. She had one concern regarding objectivity, noting CARTAC would have to be careful to preserve this element of the exercise. She wondered if CARTAC had a Plan B in the event that more funding did not materialize as expected under the proposed Budget.

Ms. Wayne (CARICOM) noted the references to CARTAC's request for EU funding via CARICOM. She commented that it was hard to know how much CARTAC was asking as she had seen several requests, the latest being for €20 million (Euro). She indicated that there was no doubt CARTAC will get support but that under the programming exercise, it was still being determined whether it would be under Caribbean Single Market and Economy (CSME) or Economic Partnership Agreement (EPA) implementation.

Mr. Panzardi (World Bank) supported the PEFA proposal noting that the PEFA is a living instrument and the proposal would help train individuals in the countries thereby making it easier for the countries to do their own action plans.

Ms. Gyles-McDonnough also liked the idea saying it was going in the direction of the Paris Declaration goals.

In response Ms. Turner-Jones clarified that the €10 million (Euro) indicated in the proposed budget covered 3 of the 5 years under the 10th European Development Fund (EDF), but Ms. Wayne was correct, CARTAC had made a request for €20 million (Euro) to cover the expanded demands of member states. Concerning Plan B, CARTAC would cut back on delivery of TA substantially in 2010 if new cash could not be mobilized.

Governor Latibeaudiere urged CARICOM to revert on CARTAC's request within the next month, in order to determine how CARTAC should proceed.

Programme Issues:

Value Added Tax Assessment (Weekes/Jensen)

(Please see attached PowerPoint file for details).

Terms of Reference (TOR) 2009 Mid-Term Review:

Ms. Gyles-McDonnough said that CARTAC's activity reports should set out the results they are trying to achieve, and have baselines and the indicators in order to measure the progress of the work. She felt that this is necessary to fulfil the donors' own reporting obligations and the reporting obligations

of CARTAC, and needs to be discussed going forward. On the issue of the evaluation team, Ms. Gyles-McDonnough noted it would be useful if members of the team have experience in results based management of programmes, and noted that this skill set needs to be available within the team that is carrying out this evaluation. She said that the UNDP has some issues with some of the language used throughout the TOR overall, and drew attention to Section 8 on organisational efficiency, saying the Steering Committee (SC) needs to look at the evaluation as a UNDP project. She added she is sure it is not the intention of CARTAC to evaluate the role and effectiveness of UNDP, but its role and effectiveness in carrying out a particular function within the framework of this project. She indicated that further detailed comments on the TOR would be submitted in writing.

Governor Latibeaudiere noted that the SC needs to work within a time frame to get the comments back. He suggested that comments be submitted within a week, and this was agreed.

Ms. Turner-Jones indicated that she will take into consideration those comments received within the next week, and prepare a modified draft of the document for submission to the Office of Technical Management (OTM) department of the IMF.

Status of Dominican Republic (DR) Membership:

Ms. Turner-Jones informed the meeting that the DR had recently joined Central America, Panama, and the Dominican Republic Technical Assistance Centre (CAPTAC-DR), the Fund's newest Regional Technical Assistance Centre (RTAC) located in Guatemala and wondered if members had any concerns about the DR being members of both RTACs. She noted that as far as the IMF was concerned, DR could retain membership in both.

Mr. Warburton (OTM) commented that the DR had opted to remain in both and this was perfectly legal. Governor Latibeaudiere mentioned that there was little likelihood of duplication of TA, so he had no objections. The meeting generally agreed.

Use of Former IMF Staff as Experts:

Governor Latibeaudiere introduced the third topic, **the use of former IMF staff as CARTAC experts**. Ms. Turner-Jones said that in the context in which this was raised with the UNDP, CARTAC was considering the use of some former IMF staff who had left under the recent restructuring, but in the last week IMF management has made policy changes regarding the rehiring of any staff member who left the Fund under the restructuring exercise, to the effect that former staff members may not be permitted to work for the IMF in any circumstance, whether as short term experts or on a pro bono basis, for some indefinite period. She noted that for the moment CARTAC will have to hold off on working with these experts and added that CARTAC and the UNDP had reached agreement on this matter.

Ms. Gyles-McDonnough clarified that the UNDP had no issue with the experts, but because the terms of separation are often unique to the individual, the UNDP needed specific names as they could not give a blanket response, but in principle they were in agreement with this.

Haiti's Arrears:

As far as the **Haiti arrears** are concerned, Ms. Gyles-McDonnough said the UNDP had explored with their office in Haiti ways to see how this could be addressed. However she indicated she could not give a definitive response at this time, as discussions are ongoing with the UNDP Haiti office. She said the issue is that it would likely have to come from a re-prioritisation of resources that are available to

Haiti. She indicated that discussion would have to take place with the Haitian authorities and that is being undertaken. She said that the UNDP has some specific requests in terms of focal points of CARTAC in Haiti which the UNDP will get from CARTAC following this meeting, so that conversation can move forward further.

Governor Latibeaudiere asked Ms. Gyles-McDonnough to repeat her last point. Ms. Gyles-McDonnough said that UNDP received yesterday a specific request for CARTAC focal points in Haiti. She said she was not even sure if CARTAC has such, but that this request was made to the UNDP yesterday. Ms. Gyles-McDonnough expressed the view that they just wanted to find some alternative avenues to have that conversation, but that CARTAC and the UNDP can take that on as a side bar. She repeated that the UNDP does not have a response at this time. She felt that the SC should either take a decision on this that it would wait for the UNDP Haiti office to resolve whether a re-allocation of resources is possible, or the SC could take a decision that, given the special circumstances of Haiti at this time, it would consider a time-bound exemption.

Governor Latibeaudiere indicated that something definitive needs to be done about the Haiti issue today, in light of previous long discussions on the issue where some type of resolution was being approached. He noted that at a previous meeting a UNDP delegate had said explicitly that the UNDP would take care of this matter, and he had thought that was a specific commitment to deal with it. He noted that six months after, the matter has returned to the table. He said that everyone appreciates the gravity of the situation in Haiti, and understands the explicit need for training in Haiti, and the fact that that is coincident with the lack of resources in Haiti. He added that based on the UNDP's promise, he had concluded that the UNDP would deal with the matter. He noted that previous explorations of possible solutions had been abandoned on the basis of the UNDP's promise, and noted that the country cannot be suspended, the training is needed, and it is costing this institution [CARTAC]. He emphasised that something has to be done about this issue.

Ms. Gyles-McDonnough said that she had been briefed that there was a statement made at the last meeting that the UNDP would explore the issue, but that it was not conveyed to her as a commitment by the UNDP. She indicated that it was news to her about the abandonment of previous actions on the expectation that UNDP would return with a result. She agreed that the country contributions are valuable and necessary, but noted that this is also a multi-donor funded programme with a regional dimension as well as country dimensions, and she does not think that by not having the contribution of Haiti that this is a statement that Haiti should be suspended. She said she thought there are ways to continue to support Haiti within the framework of this programme, without the adjustments that are being proposed at this time. She then asked Ms. Mohamed (UNDP) to clarify the Chair's last intervention.

Governor Latibeaudiere intervened to make the point that there was nothing put on the table about suspending Haiti, and he wished the record to reflect that. He proposed waiving the arrears to date and having UNDP explore options for dealing with future commitments.

Ms. Mohamed indicated that while it may have been conveyed that the UNDP could do this definitively, she thinks it was said that the UNDP office cannot make a decision for another country office, that this would require some discussion with UNDP Haiti on how it could be done. She indicated that discussions so far with UNDP Haiti look positive, but they cannot allocate Haiti resources without a discussion with the Government of Haiti. She said that unfortunately UNDP Haiti had indicated that they are not aware of CARTAC's work in Haiti and that further discussions with specific officials are necessary.

Governor Latibeaudiere concluded the discussion by recommending that the outstanding arrears be waived. There were no objections.

Discussion on the Global Financial Crisis:

Governor Latibeaudiere suggested a time limit should be put on the topic of the current economic crisis, and suggested limiting discussion to one hour. This was agreed. The IMF delegate, Mr. Pinon, then gave a presentation on what the Fund is doing on the whole and specifically with the Caribbean countries. He outlined new and traditional IMF programmes available to member countries and also focussed on specific actions the IMF is taking in the Caribbean, particularly with the rapid access component of the exogenous shocks programme. He noted that St. Vincent & the Grenadines, Dominica, St. Lucia, St. Kitts & Nevis, Belize and Grenada have accessed or are about to access IMF programmes. He indicated that the IMF is in discussion with several other members from the region.

Mr. Mendes noted Mr. Pinon's statement that Belize and St. Kitts were having emergency assistance, and asked what actual facility was used.

Mr. Pinon (IMF) explained that the ENDA (Emergency Natural Disaster Agreement) is money that is made available for countries that face a national emergency or natural disasters, it offers very rapid access, is not linked to the future and is meant to cover a temporary gap. He indicated that was probably what is going on with Belize.

Paul Armknecht (CARTAC Statistics Adviser) noted that Nevis had lost a major hotel due to a hurricane and were delayed requesting the rapid assistance funding. He noted that it was not until the tourist season started that Nevis realised they had a problem and so it was a little delayed, but that this is an example of the short term nature of what is being discussed.

Mr. Pinon (IMF) noted that events like hurricanes are absolutely exogenous and that seeking assistance via the ENDA funding has nothing to do with policies that are not appropriate, the country just needed a quick shot in the arm at that moment.

Governor Latibeaudiere asked Mr. Pinon to explain about the proposed Special Drawing Rights (SDR) allocations.

Mr. Pinon indicated that he is not an expert on the SDR allocations. He explained that the SDR is the IMF's own form of currency and that it comprises a basket of currencies. He acknowledged that to some extent the IMF, like a central bank, has the authority to create money, but that SDR allocations have to be approved by the IMF Board.

Governor Latibeaudiere asked Mr. Pinon about the specific proposal now on the table to increase the SDR allocations to member countries.

Mr. Pinon (IMF) said that while he is not terribly familiar with the specifics, but he attempted to give some background. He explained that the IMF is increasing its resources through placing bonds as well as through major contributions by member countries. He noted that one of the things that is being discussed is the SDR allocations; that there have been SDR allocations in the past but it is difficult to get them through as you have to get most countries to agree, and in some cases Congress has to be on board. He indicated that this is important because the SDR allocation is linked to the size of a country's quota, and added that there is also controversy in the IMF as to whether some developing countries should have a greater say, and so it is a complicated issue.

Governor Latibeaudiere said the reason he had asked the question is because it means more resources, one, and his understanding is that the intention is to allocate SDRs in a way that would not change the relative voting power of members. He noted that his understanding is that the intention is to increase the SDR allocations by 75% of quota, and added that this is actually, in effect, increasing the reserves of member countries across the board. He observed that in comparison with the relatively small amounts borrowed by these countries, the increase in allocation is apparently going to be bigger than the amounts that those entities borrowed – Belize and St. Kitts and so forth, and that it is a massive difference. Mr. Pinon agreed with this assessment.

Governor Latibeaudiere asked whether there were any other questions.

In response to a question on current Fund programs, Mr. Pinon pointed out that Grenada has a PRGF. He explained that if a country wants something more substantial, it can have a standby arrangement with access up to 200% and cumulative up to 600% of quota. He noted that this is a more traditional arrangement and that sometimes with the right conditions they can be front loaded, but that they have to be tailored to specific characteristics of the programme. He declined to discuss the prospective, potential programmes which have not yet been confirmed.

A query concerning interest of other members regarding potential programs with the Fund. Mr. Pinon responded that there are discussions ongoing, which does not mean that something is about to be closed. He noted that it is good practice not to share too many things before they are agreed on. He noted that typically the IMF's concessional facilities can be smaller; that by their nature, if they are concessional, somebody has to pay for the subsidy, and that normally comes from pools of money from donors, and that the IMF always has to have enough money to pay.

Concerning the IMF's growth forecasts, and how regularly they are updated, and whether Mr. Pinon feels they are accurate or on the optimistic side.

Mr. Pinon responded that every time the world economic outlook moves, the IMF has to change its projections, but the world changes so much that you can't blame the Fund. He noted that this time around, the IMF was one of the first to recognise this crisis, with worldwide consequences. He noted that now, what the IMF is saying is that towards the end of this year, beginning of next year we will see a mild recovery, but next year there will still be a very small growth rate in the world economy. He said that this crisis is so synchronised, almost every country is suffering the consequences and if you look at the world economy as a whole, this is as bad as it has gotten in many decades.

Insurance Initiatives:

Governor Latibeaudiere proposed that the meeting move on to the topic of initiatives on insurance supervision. He observed that one of the issues which could have been placed on the agenda is the whole issue of financial stability, noting that insurance supervision is one thing, but the region is increasingly being required to focus on the broader issue of the regulatory structure – precisely who is responsible for ensuring the stability of the financial sector. He said Americans are trying to pull all aspects of supervision under the Fed, and it is only a matter of time before the UK tries the same thing, because its regulatory agency outside of the central bank has proven to be less than fully effective. He suggested that at some other point in time this issue can be placed on the agenda.

Ms. Turner-Jones said she would like to hear whether others are interested in this topic.

Governor Latibeaudiere asked the meeting whether this is a topic that they would be interested in discussing, in particular the member countries in the region, pointing out that it is an issue that all are

particularly concerned about. He asked what entity in these countries takes responsibility for the financial system, and noted that in Jamaica, the Bank of Jamaica is a lender of last resort as a central bank, has responsibility for the settlement systems, foreign exchange markets, oversees the primary dealers, supervises remittance companies and cambios, supervises deposit-taking institutions including credit unions, and is going to oversee the credit bureau. He added that those areas comprise a significant portion of the financial system, but there is still a large proportion of the financial system that is outside the purview of the central bank. He expressed the view that if we do not intensify the focus on this area, we could have something like what happened in Britain, where the central bank is actually lender of last resort but it has no supervisory power. He expressed the opinion that in such a situation, the central bank governor would have to take an explicit guarantee from the government if resources are to be provided, because the central bank governor has no way of knowing what is happening in the financial system in that country as a whole. The Governor went on to say that In Jamaica there is need for resource provision to entities that are not supervised by the central bank and this sometimes presents a challenge. The BOJ has gone as far as to provide the Minister of Finance with areas where legislation could be amended to provide the central bank with the powers that it needs to be able to take responsibility for the stability of the financial system. He noted that the BOJ is not the regulator for the insurance industry, so if there are problems arising from CLICO in Jamaica, then the first call the central bank would have is to say that it is a lender of last resort but it does not regulate the insurance industry. He asked what is the role of the central bank in this entire insurance supervision, and pointed to the broader issue of the appropriate supervisory structure, especially with the central bank being the hub for financial stability.

Ms. Gyles-McDonnough agreed that it is an important issue, and said that in reading the CARTAC Work Plan her assumption was that this was contemplated as part of the work programme. She noted that the issues raised are similar to those in the Eastern Caribbean where the ECCB is not the regulator of the insurance industry. She indicated that she had assumed that the CARTAC work programme included this aspect, and asked for this to be clarified.

Mr. Edmonds (CARTAC) indicated that the question of financial stability in most of the world lies with the central bank, and noted that the Governor's question leads to a broader question, that is, does the central bank need to supervise every entity in the financial system?

Governor Latibeaudiere clarified that was not what he had said.

Mr. Edmonds said most central banks understand what is happening in the financial sector, whether or not they have direct responsibility for supervision, and that requires communication between the various supervisors. He noted that this can be difficult, and cited the example of the United States with the FDIC, the OCC, the Federal Reserve and the States, all with supervising entities, and said that pulling all those together and doing a financial stability assessment is very difficult. He noted that there are demonstrated examples of situations where a central bank has put out a financial stability study where it does not have responsibility for all sectors. He added that what may come out of that is that the insurance supervisors don't know what they are doing, and the question would be how do we fix that? Alternatively, the conclusion may be that the insurance supervisors do know what they are doing, the system is not broke so it does not need to be fixed. He pointed out that CARTAC has provided comments on a proposed CCMF financial stability study for the region.

Governor Latibeaudiere indicated that his consideration is really not about the central bank regulating everything, and noted that it is just a reality that without the proper legislation, the timely flow of information from all of the entities may not take place in line with a central bank's requirements because, since the data requirement is monthly, one would want to have a clear and proper framework for monitoring the so-called stability of the financial system. He went on to say

that, in any event, when there is a crisis like the one with CLICO, if you can't appoint an entity to be in charge of supervision, then this shows very clearly. He observed that luckily the central bank in Trinidad & Tobago is the entity responsible for regulating the insurance companies. He said that, in order to be pre-emptive, Central Banks would want the ability, over and above cooperation, to receive information and to be able to exercise some leverage, especially if they are lending, to indicate the direction that they should go in, but not to regulate in a sort of micro way. He noted that is the BOJ's position.

Ms. Turner-Jones added that the CCMF, the Centre for Money and Finance in TTO, has an initiative on the table to do financial stability assessments in the region, looking at some of these very issues. It is resource-intensive, and part of the assessment included an action plan or work segment for CARTAC to support any gaps in the TA that may exist in the countries on the financial sector side, in dealing with some of the issues that may arise from the study. In response to Ms. Gyles-McDonnough's question, Ms. Turner-Jones confirmed that it is on the cards, but perhaps is not articulated in the same way the Governor is articulating it, as Jamaica has a more complex set of issues. She said she does not think there is anybody in the world yet who can say what is an ideal structure for financial stability, but that lessons are being learned. She also noted that the Fund is going to be undertaking with the Bank an FSAP of the US economy in the coming months and said she is sure we can learn lessons from that.

Governor Latibeaudiere then moved the meeting on to the topic of initiatives in insurance supervision, asking Mr. Edmonds to make his presentation on that issue.

Mr. Edmonds made his presentation on insurance supervision. (See attached PowerPoint presentation).

Q & A:

Ms. Gyles-McDonnough asked what are the immediate needs of some of these countries, particularly in the ECCU, that CARTAC, within the current framework of what it has been doing and what it is doing now, that it is unable to meet.

Mr. Edmonds said that with respect to insurance supervision, with the exceptions of Jamaica and St. Lucia, we were starting from ground zero, and we're not too far from ground zero at this point in time. He noted that the legal framework needs to be addressed first, and that is being addressed in the ECCU, noting that it has been distributed to the countries and is awaiting passage. He said the next thing would be the training of the supervisors and off-site supervision, on-site examinations and the development of manuals, but cautioned that there is only so much that can be done at one time. He said that in the ECCU the single regulatory units are working on insurance, credit union supervision and money services businesses, noting that they have a lot going on and if you throw too much at them at one time, it's not going to be effective capacity building. He added that most of the countries have developed their own capacity building plans.

Dr. Lewis-Bynoe (Caribbean Development Bank/CDB) asked how the Caribbean Association of Insurance Regulators (CAIR) functions, how deep is information sharing, what exactly is the structure of that organisation and what are they hoping to achieve from these meetings?

Mr. Edmonds clarified that Mr. Leon Anderson is the President of CAIR, as well as being the insurance supervisor in Jamaica, and the Financial Sector Commission (FSC) in Jamaica is the secretariat for CAIR. He added that there are four people involved in facilitating communication, along with the officers of CAIR, explaining that he works with Leon Anderson and with the secretariat to facilitate

communication on what is happening in the various countries in terms of what products are being developed. He noted that when products are developed, they are shared with the other countries, either through the CARTAC or CAIR websites, or in the case of confidential information, sent to them directly. He said that items which have been shared include laws, manuals and the work done in Jamaica on asset liability management. He noted that the minutes of the regulators' meetings are on the website, and provide an overview of what is happening in the insurance industry, along with the surveys which are also on the website. He said he is impressed with the way CAIR has gotten up and running in a short period of time and expressed the view that if the region works hard they can get where they need to be in five to seven years.

Mr. Wynter (CARTAC) added that as a matter of information, CAIR is one of the oldest organisations in the Caribbean and has been around for over twenty years. He noted that the current invigoration is significant and shows what this kind of contribution can achieve in the Caribbean region.

Mr. Edmonds said his discussions with CAIR have focussed on how CAIR could ensure that it can stand on its own feet, and the main issue is funding in the future, so the dues are being increased and a kitty is being built up so that CAIR has a good base and can continue on the programme they have developed. With respect to their website, Mr. Edmonds noted that Trinidad & Tobago is managing the website and covering the associated costs. He also noted that all of the insurance supervisors want to see it succeed.

Mr. Hagan (DFID) – Could you say in simple terms what it was in St. Lucia that managed to limit their exposure. Did they stop CLICO from doing certain things, was it their operational guidelines or whatever, what actually stopped the exposure in St. Lucia?

Mr. Edmonds responded that St. Lucia realised they had a relatively large insurance sector in comparison to their GDP and they hired a consultant to work with and train them. That consultant has been with them for three years, he has helped train personnel and has worked with them onsite, helping them improve their prudential reporting. Mr. Edmonds noted that their staff has actually been able to train other Caribbean supervisors, and participate in delivering and teaching some of the other insurance training programmes. He said that the work done by the consultant had helped the St. Lucians to maintain more assets in their country than the other countries had and noted that though they are going to lose some money, the loss is significantly less than in the other countries.

Mr. Layne (Barbados) Noted that in regard to the collapse of CLICO and the consequences for the region, it is a much broader issue than insurance supervision, having to do with the relationship between holding companies which own regulated entities. He said that is the fundamental issue. He noted that these holding companies were misreporting its assets thereby underfunding the statutory fund. Loans, were being reported as liquid investments, but in reality they were all backed by real estate assets which were illiquid. He said this raised the bigger issue of how do we effectively regulate entities which are controlled by holding companies, where the holding company is not obligated by the regulator to publish its financial statements in the press. He further noted that when you look at CLICO you see a whole set of inter-company transfers and balances that accountants need to spend a bit of time to try to unravel, and the regulatory offices in many of those countries did not have the skills to do it. The second issue he pointed to, saying this is an issue not of technical competence but one of willpower and political will, had to do with the lack of political will to deal with the issue, and the fact that political pressure is brought to bear on regulators. He gave the example of one of the OECS countries where he was told by a regulator when he asked how a particular product was allowed to be sold, that political pressure was a factor. Mr. Layne expressed the view that the CLICO crisis has forced the politicians to take a back seat. He agreed that there is a need to strengthen the competence of the regulators but said that perhaps we needed this crisis to

send home the right message. He noted that one of the issues is that business people lobby the political class directly and pressure the regulators, and he also mentioned the practice of inter-company loans in the CLICO situation. He felt that the regulators need to communicate and share information, and noted that the Offshore Group of Insurance Supervisors (OGIS) shared information from its database and noted that the exchange of information is crucial to regulating companies. He added that we have to look *at reforming legislation* to ensure that holding companies which own regulated companies are forced to publish their financial statements. He added that the performance of auditors also needs to be examined, since it is a much bigger picture than simply the regulators. He added that we need to look at legislative reform in the totality so that we are able to make the public aware and give the public information which will help them to see the relationship between these holding companies and the regulated subsidiaries.

Mr. Edmonds expressed the view that the problem with CLICO was not an insurance problem, it was a financial sector/banking problem. He noted that it is well known in the rules governing the supervision of financial entities that the first thing one looks at is inter-company transactions, who owns the entity, and what are the transactions that are taking place between those entities. He added that if you don't have the information, you ring-fence the financial entities so that they cannot engage in those transactions. He said he was surprised at how quickly the CLICO issue became a political issue. He noted that the CLICO situation happened in January but insurance regulators did not meet until March, and the reason for that was the politicians were controlling the situation up to that point and regulators had to wait until they gave up. He said that the politicians subsequently turned the matter back over to the regulators.

Mr. Hagan (DFID) noted that many of these products would fall under the scope of Anti Money Laundering (AML) regulation and asked whether the insurance training has an AML focus.

Mr. Edmonds responded that the manual that the Jamaica FSC provided to all the other Caribbean countries did have some AML guidelines and checklists, and that next year CARTAC will be having specific training in AML - money laundering protection for insurance supervisors. He added that the FATF, the financial action task force, just put out guidelines on how to detect money laundering in life insurance companies and in general casualty insurance companies, and that the programme will be based on their guidelines.

Governor Latibeaudiere thanked Mr. Edmonds for the presentation. The Governor commented on Mr. Edmonds' reference to the insurance company problem as a banking problem and added that it is a banking problem to the extent that they were taking deposits and behaving like banks, but the unfortunate thing about it is that the banking regulators had no locus standing to see them. He said it was a case of entities undertaking banking outside the scope of the banking regulators.

Mr. Layne agreed that they were taking deposits, and asked whether regulators could not indicate what was happening to the public, for example, 'John Brown & Co Ltd is advertising interest rates at such and such, but they have no such permission by the central bank to perform banking functions'.

Governor Latibeaudiere pointed out that was done in Jamaica, and that there were a number of entities that were trying to offer investments in both foreign currency and in local currency, not only insurance companies but entities that are not permitted to take deposits. He noted that outside of that, there is another group of people operating, some of them as if they have no regulators and some of them pretending to be securities dealers. He said the products that they are offering are really closely akin to deposits, but noted that is another discussion for another time.

Focus on Economic Statistics:

The meeting then moved on to the topic of economic statistics, with presentations from CARTAC's two new Statistics Advisers.

Paul Armknecht – presentation (see attached PowerPoint presentation).

Paul Austin – presentation (see attached PowerPoint presentation).

Q & A:

Mrs. Halsall (JA) noted that in respect of the Balance of Payments (BOP), the Statistics presentations indicated that CARTAC would be doing some revisions to the questionnaires re introduction of the BPM6 for the Eastern Caribbean Currency Union (ECCU.) Noting that there are countries that already implemented the BPM6, she asked whether, in compiling those questionnaires, CARTAC could look at Jamaica and see what has been done there, and perhaps assist with improvements on what Jamaica already has in place.

Mr. Austin asked whether Jamaica has already done work on BPM6, and Mrs. Halsall responded that Jamaica is implementing it. Mr. Austin said that is good news, as the BOP committee has set 2013 as the date for countries to move to BPM6. He also said that CARTAC could look at providing technical assistance to Jamaica in this regard, and that it is important that Jamaica's early experiences be used in the region. He noted that this is something that would be welcomed by the IMF because after the manual is published they will be working on a compilation guide and in that process would be looking at the early starters to see what experiences they have in terms of how those experiences can inform the design of the compilation guide. He said that typically we look to countries like Australia, New Zealand and Statistics Canada, and it is very heartening to know that Jamaica is one of the early starters as well. He said this is not surprising given the fact that Jamaica is one of the few countries in the Caribbean that has gone on to produce the IIP, the International Investment Position statistic.

Ms. Racine (CIDA) said that Tourism statistics are extremely important in this region and noted that one statistician went to the United Nations (UN) meeting in Bali. She asked whether there was any effort made for that person to share their experiences or lessons at that particular conference more widely in the region. She also pointed out that at a certain point a choice must be made when CARTAC is working on TA, as to the most effective way to deliver that TA, either through short term experts' (STXs) peripatetic involvement or the placement of perhaps a longer term adviser. She noted that in the evaluation report on the VAT, it was found that in retrospect, in one of the countries it might have been more cost efficient to have placed someone there over a longer period of time than to have several missions coming in. Her third point was on the gender issue, about which she said that it is not so much about the participation of numbers of women versus men or the numbers of women experts, but rather it is more about the content, and she asked whether there are efforts underway to accumulate gender disaggregated data in the various areas where CARTAC is providing assistance.

Mr. Austin responded first on the question about dissemination of the experiences of the person who attended the conference in Bali, indicating that this person has recently submitted a report to CARTAC, and that a short synopsis of their experiences and what they have learned is planned as an item in the next edition of the CARTAC newsletter. He explained that part of the background to that person going to Bali was that it was intended for her to be a facilitator at a planned workshop that was going to be held this year, but due to the focus on the rebasing exercise this workshop may be shifted to early next year. He clarified that this is not to say that work is not proceeding in tourism,

but that CARTAC is incorporating it into the broader work on National Accounts (NA) statistics. On the question of gender incorporation into statistics, Mr. Austin noted that unfortunately this is not presently included in CARTAC's work on NA. He said that CARTAC has stayed away from the work on the labour market, as this is the purview of the International Labour Organisation (ILO) which is doing some work in that area. He said that CARTAC is apprised of the ILO's work insofar as it may impact the work on National Accounts, but that in terms of the macroeconomic statistics – the Consumer Price Indices (CPI), the Balance of Payments (BOP) and the National Accounts (NA) – these are economic aggregates which do not lend themselves to gender desegregation. He agreed that it is a point that should be taken up, as when building source data on NA, for example, we do ask questions on employment. He said this is certainly something that could be developed and that he will look into it.

Mr. Armknecht responded to the question about whether long term experts vs short term experts would be more effective, saying that it is a good question. He said that CARTAC always has the dilemma of how to develop the expertise within the statistical units we deal with. He noted that his experience with many long term experts (LTXs) was that they provide advice, they do the work, they provide a report and they leave. He said that the model CARTAC has been using is to try and develop the short term expertise and have the countries complete the next phase in the work plan before we send back the next mission. Mr. Armknecht explained that when CARTAC goes into a country to do an assessment the first thing advisers do is talk to the country about the needs and we lay out a draft work plan of about three to five missions planned for the project. He added that those missions are specifically targeted to occur at a particular point when the statistical office has completed a certain amount of work, and that if they have not completed that advisers are on the phone asking when they're going to get it done so we can get the next mission done. He noted that CARTAC advisers are trying to inculcate in the statistical staff themselves that CARTAC does the training and would like them to do the work.

Mr. Zieschang (STA) noted that Mr. Armknecht had mentioned one of the areas he is working with is writing metadata for the CPI and drew the connection between this point and the GDDS, which is where these metadata would be presented to the international public in addition to the country's use for its own citizens. He added that Mr. Austin had also mentioned capacity issues he faces, like understaffing and staff turnover, and the weakness of some data sources. He expressed the opinion that transparency and improved web presence often can help the situation by making the statistics more available to the public. He added that when there are shortcomings in statistics these shortcomings need to be aired, because this makes the problem evident to the public and provides the necessary support, the staff are paid enough to stay for a reasonable period of time and to build capacity. He stated that this is a necessary counterpart resource to making sure the work CARTAC is doing has long term implications for the statistical system. In connection with the GDDS and with the transparency area, he noted that the last review of the data standards initiatives added some features to the GDDS on an 'encouraged' basis, one of them being the national summary database and the other the advance release calendar. He said these things help to provide a web presence for the data and to make it public, and that these are both areas that may be helpful for getting the support for the statistical offices which are struggling in many cases.

Mr. Austin added that the ECCB is looking into the development of advance release calendars.

Any Other Business:

Governor Latibeaudiere then suggested that the meeting move on to Any Other Business, and invited Ms. Racine (CIDA) to speak about SEMCAR.

Ms. Racine indicated she would give a brief update as to what is happening. She recalled that at the last meeting she had provided an update with respect to CIDA's planning of a project which is called Supporting Economic Management in the Caribbean (SEMCAR), and noted that this will be a fairly large initiative on the part of CIDA and is something of a follow-on to ECEMP, the Eastern Caribbean Economic Management Programme, and the equivalent programme in Guyana. She said that CIDA has had the completion and the dissemination in its workshop of the study that was done on its behalf by CARTAC into the information technology systems in ten countries in the region. She said they looked at the information technology (IT) systems and reporting systems being used for treasury, budget, tax and customs and came up with some recommendations as to what SEMCAR should support in terms of the updating or enhancement, and in one case replacement, of those systems. She noted that although the IT component will be a significant part of this project, in spite of the expenses, CIDA considers it important that these systems are indeed supporting systems to improved procedures and business processes associated with public financial management and revenue administration.

Ms. Racine explained that In late April CIDA had a workshop in Barbados to which they invited Accountants General, Budget Directors and Tax and Customs comptrollers from twelve countries in the region. She said it was an excellent workshop and was valuable from the point of view of the country participants, simply because these groups were brought together and there was some good networking. It also provided excellent feedback to CIDA and to CARTAC with respect to the recommendations in the study. She noted that CIDA is now working with the World Bank (WB) and the International Monetary Fund (IMF) on a proposal for the actual implementation of SEMCAR, and that once the proposal has been refined and developed to everybody's satisfaction CIDA will be putting through the approval documentation with a view to having SEMCAR begin implementation very early in 2010. She explained that there were problems with the Standard Integrated Government Tax Administration System (SIGTAS) as it relates to the Value Added Tax (VAT) module. The recommendation made in the CARTAC IT study was that SIGTAS be replaced, but that countries should continue using SIGTAS and the VAT module for now and that CIDA support, through SEMCAR, some maintenance contracts until such time as there is an RFP and a new system put in place for tax administration.

Conclusion:

Governor Latibeaudiere then moved on to the VAT assessment report, noting that the draft report had been presented some time ago, and the SC's next task would be to move to finalise the report. He asked what the next step would be.

Ms. Jensen (Consultant) confirmed that a draft report had been submitted to CARTAC and disseminated to the SC, and indicated that it is now up to the SC to comment on the report.

Governor Latibeaudiere obtained agreement that the SC will provide comments within three weeks, and that these comments would be incorporated into the report. He said that if there are no comments in that time frame it would be assumed that the SC is satisfied with the report and the SC will move to finalise the report. He then went on the item concerning the customs expert vacancy.

Ms. Turner-Jones reminded the meeting that CARTAC has already circulated the resumes of the short-listed applicants for the Customs adviser position, along with the recommendation for the hiring of Mr. Brian Jones who was the top candidate of those interviewed after a fairly long process. Governor Latibeaudiere indicated his agreement with the recommendation and the meeting concurred.

*It was agreed that the next meeting of the SC will be held on the **12th November, 2009** in Belize City.*

Governor Latibeaudiere extended thanks to the CARTAC team for the planning work done on the meetings and said it is clear to him that a lot has been achieved. He also thanked all stakeholders, adding that he is sorry those who are absent did not make it to the meeting, especially some of the committee members, but that they will be sent the documentation and he hopes they will respond to some of the requests for feedback. He added that the issues that came up at this meeting were clear and decisions were taken based on the issues being presented in a very clear way. The Governor ended his closing remarks by affirming that it is a pleasure working with the CARTAC SC and extended his thanks to all.

Ms. Turner-Jones also thanked the SC members, and especially acknowledged the contribution of the Bank of Jamaica for hosting this meeting at short notice. She pointed out her gratitude to the CARTAC administrative team members in attendance, Jessica Lloyd and Lisa Squires, and said that CARTAC's work could not be done without the support of an excellent administrative team, and she is very proud of them. She thanked all for attending and closed the meeting.