



Programme Coordinator's Report to the Steering Committee

**Montego Bay, Jamaica
June 11, 2009**

Welcome

- New CARTAC staff: Armknecht, Austin, Marion, (Silins) after departure of Lepage and Marshall in March
- New SC members: Pinon (IMF-WHD), Zieschang (IMF-STA), Warburton (OTM), Gyles-McDonnagh (UNDP) Hagan (DFID), Bermuda
- Apologies (Bahamas, Belize, ECCB, Suriname, EU)



Contents

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- Recent Developments/Challenges
- Programme Focus by Sector
- Budget and Phase III Fundraising

Background

- Economic prospects remain grim in line with global slowdown; complicated by CL Financial debacle in the region
- Many countries now have IMF support (SVG, SL, GRE, DOM, SKN) others may be considering (SKN, ATG, JAM)
- High demand for TA persists, budget under pressure

Recent Developments

- Staffing: 4 New Advisors; Customs Expert expected soon; Tax LTE Crawford to leave
- Office expansion, thanks to Barbados Government
- Outreach: Summer Interns (CCMF, Central Banks, UWI-Cave Hill); Financial Literacy
- Fundraising efforts intensified: need to clarify way ahead with CARICOM/10th EDF

Ongoing Challenges

- CARTAC's role as coordinator of TA in the region more visible/demanding than ever (SEMCAR, CLICO examples)
- Donors' interest in bilateral support with CARTAC implementation (PEFA/EU); funding (more later); mobilizing more resources
- IMF changes in TA: charging in 2010

Programme

- In general, CARTAC's activities continue to grow, last six month period showed a slight decline in overall projects reflecting staffing adjustments (Nov-Apr).
- Upcoming period (May-October) shows considerable up tick across the board as all sectors are in full swing: 2009 envisages a 20-25% increase over 2008

Macro: Work Ahead

- **Formal Training**
 - In-country course on *Macroeconomic Statistics for Economists* in Trinidad and Tobago
- **TA Missions**
 - Financial programming/capacity building across the ECCU, Trinidad and Tobago
 - Continue strategic meetings with senior Ministry of Finance officials to develop country-specific TA

Macro: Way Forward

Efforts continue to build skills and develop regional economists

- Organized attachments
- Expand the internship programme aimed at improving the analytical skills of economics graduates
- Enhance analytical skills of local policy teams by building capacity in economic analysis and reporting

Public Financial Management/Macro-Fiscal

- Conferences/Workshops: Pension Issues and Reform (St. Kitts); Strategic Budgeting
- Participation in meetings of donors or special interest groups (CAPFA, Accountants General)
- Fundamental PFM projects continue

PFM/MF: Work Ahead

- Refresher training in revenue forecasting and preparation of a Medium-Term Budget Framework
- Pension Reforms – Montserrat and St Kitts & Nevis
- Managing Fiscal Risks Associated with State Enterprises

PEFA Proposal

- A coordinated program of support- a coordinated IFI-donor integrated, multi-year program of PFM work that supports and is aligned with the government's PFM strategy
- A shared information pool – a framework for measuring results that provides consistent information on country PFM performance, including progress over time



PEFA/CARTAC

- We propose to convene a conference for training regional experts to conduct PEFA assessments (idea is being developed with SVG)
- Based on the training results, future PEFAS could be undertaken by Caribbean experts, supplemented by as needed. At present a number of donors are funding PEFAs in the region. This model is likely to reduce costs, improve results and increase regional ownership, any views on this?

Financial Sector: Ongoing

- Insurance supervision continues to receive top priority in capacity building
 - Regulators' meeting to discuss resolution strategies for Clico/British American
 - Workshop targeted at areas of risks in the region
 - Continued development of CAIR
 - Strong insurance supervisors (Jamaica and St. Lucia) assisting weaker supervisors

Financial Sector: More

- Credit bureau development program off to a strong start
- Soft Launch www.financialliteracycaribbean.com
- Progress on Single Regulatory Units in the ECCU continues
- Held a Crisis Preparedness Workshop for banking supervisors
- Credit unions supervision training held for T&T, Haiti, and The Bahamas

Financial Sector : Next

- More country specific work in development of insurance supervisory frameworks
- Addressing renewed interest in deposit insurance programs
- Education on development of pension fund supervisory frameworks
- An IT Examination Workshop and a Market Risk Workshop for banking supervisors

Capital Markets: Outcomes

- First TA projects completed:
 - comprehensive securities regulations for the Bahamas
 - CMD diagnostic study for Belize
- IMF Working Paper entitled “Ponzi Schemes in the Caribbean” co-authored with staff in MCM and WHD. (CARTAC CMD seminar in Montego Bay last October)
- CGSR annual conference and meeting; attachment of FSC Jamaica staff to TT National Financial Literacy Programme; training of ECSRC examiners at USSEC
- Completed fact-finding missions and introduced CMD capability (jurisdictions covering 16 member-countries)

Capital Markets: Current

- Demand for CMD TA continues to build; total requests outstanding cover 29 activities/projects
 - Effective regulatory framework – 24
 - Market factors – 5
- Focus On:
 - developing a regional cross-border takeovers protocol
 - enhancing the securities regulatory framework in the ECCU
 - developing stress testing framework for securities dealers in Jamaica

Capital Markets: Planned

- Development of regional mutual reliance and mutual recognition regime
- Enhance regional debt securities market in ECCU
- Revise regulation of collective investment schemes and develop regulation of hedge funds in Jamaica
- Development of procedure manuals for securities, insurance and pensions regulation in Jamaica (continued...)

Capital Markets: Planned

- Attachment of ECCU examiners at FSC Jamaica for hands-on training in on-site examinations
- Conduct regional survey of training needs of securities regulators and stock exchanges
- Provide additional TA to advise on selected elements of common securities legislation and regulations for the region



Tax & Customs: Regional

- CARICOM Tax Treaty Course
- CIDA / CARTAC Regional Revenue Administration IT System Study (Guyana / Suriname)
- CARTAC Customs Post Clearance Audit Manual and Course (Continued...)



Tax & Customs: Regional

- CARTAC Tax Audit Manual
- CARTAC Collections Enforcement Manual
- OECS Revenue Authority tool kit

Tax & Customs: Country

- CARICOM draft Customs Bill and Regulations – 4 countries
- VAT TA post-implementation – 3 countries
- VAT TA pre-implementation – 3 countries
- Full assessment missions – 2 countries
(continued...)

Tax & Customs: Country

- Audit Reforms TA – 4 countries
- Collection enforcement TA – 5 countries
- Customs Reform TA – 5 countries
- Development of Corporate Strategic Business Plan – 3 countries

Statistics: Prices

- Updating CPI market baskets and methods
 - 11 Countries with new Household Budget Surveys (8 ECCU plus Belize, Guyana, Suriname)
 - CPI Workshop June 15-26 in St. Lucia
- Introducing Export-Import Price Indexes
 - Improve national account deflators, inflation analysis, and terms of trade analysis
 - Projects ongoing in Anguilla, Bahamas, Barbados, Jamaica, Suriname, St. Kitts and Nevis, Trinidad and Tobago

Statistics: National Accounts

- Rebasings the national accounts in 7 ECCU member countries.
- Completing work on supply and use tables (SUTs) in Belize, and Trinidad & Tobago.
- Supporting the development of data compilation systems in the Cayman Islands, Guyana and Haiti.
- Development of short-term indicators of GDP and revisions to annual estimates in Barbados.

Budget

- 2008 was a record year for implementation over \$10 million in TA delivered (largest outturn in a single year for any RTAC!)
- 2009 could be larger (+\$12m), however budget will be constrained by available cash: EU/CARICOM funds will be pivotal to implement successfully

Budget Issues

- Factors driving the budget: large ongoing projects in Tax and Customs (+VAT evaluation)
- Increased demand across the board, most recently in Financial sector in response to the crisis
- Backstopping costs: support to IMF- FAD (not sustainable in the current funding model, PD anticipated through 2009)

Phase III Funding

- *Confirmed New money:* CDB (US\$600k); IDB (US\$650k); EU support for St. Vincent/Grenadines (Euro 500k); DFID (?)
- *Concern:* CARICOM is yet to advise on 10th EDF/EU
- *Overall:* Strong dependence on CIDA still
- *Members arrears:* Haiti to be resolved, other members need to be made current

Conclusion

- CARTAC's brand of TA remains in heavy demand, countries in crisis have critical needs (IMF supported programs emphasize need for TA)
- Budget is coming under strain, need to clarify CARICOM's commitment; adjust as necessary if resources not forthcoming.
- Way ahead will be focus of Mid-Term Evaluation to begin in July, Phase 4?



Discussion

Thank you!

<http://www.cartac.org>

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