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CARTAC NEWS



CARTAC Steering Committee Meeting November 2019

By Wendell Samuel, Programme Coordinator

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The Mid-year Steering Committee (SC) meeting was held on November 14, under the theme ‘Results-based Management (RBM) Framework: Enhancing Traction of CARTAC’s Capacity Development Activities.’ In what would be his last meeting as Chairman of the SC Governor Gobind Ganga again commended the collective efforts of all stakeholders to help secure the funding for CARTAC’s Phase V. He noted that with the financing gap fully in the rearview mirror we can now focus on: (i) implementation of the work program; and (ii) aligning CARTAC’s medium-term activities with emerging country priorities. Over the medium term CARTAC needs to grapple with how to continue responding to emerging demand for TA in climate/resilience building, gender sensitivity, supervising cyber risks, regulating crypto currencies and withdrawal of correspondent banking relationships. At the same time, CARTAC must continue to deliver on its core mandates of revenue generation, public financial management, macroeconomic frameworks and statistics. He underscored that the region cannot afford to allow complacency to erode the gains achieved in financial sector supervision and stability which helped reduce

some of the extreme financial sector vulnerabilities that came to light following the collapse of CLICO, even as a large unfinished agenda of reforms remains to be completed. The Medium-Term External Evaluation now underway will help shed light on some of these tradeoffs.

For its part, CARTAC will continue implementing cost saving initiatives to help stretch the available resources, including online training, remote delivery of TA, selective grouping of countries for mini-workshops and utilizing in-kind contributions from the authorities. These initiatives will help the Center to satisfy more of the emerging demand without contracting resources to the core services provided.

In this vein, the first session of the meeting focused on how to better utilize the Results-Based Management (RBM) framework to improve the implementation of the TA delivered to member countries.

Eric Lautier, the guest speaker, outlined the RBM framework and discussed how it can be used as a tool to manage implementation of TA activities. He noted that the RBM framework can be used to give more clarity and transparency to capacity development activities, while providing a roadmap for the delivery of capacity development and a framework for prioritizing activities and enhancing collaboration between the CARTAC advisers and the authorities. He stressed that collaboration with the authorities is essential: in reviewing draft log frames; aligning milestones to be completed with the authorities' strategies and setting timelines for completion; as well as approving the log frames which will then become the basis for future TA requests.

Representing the development partners, Danny Quinn focused his remarks on the sustainability of the CARTAC model. Its implications for the future of CARTAC's work and the role of the RBM framework. Regarding sustainability he commended the efforts to secure funding to close the large gap that emerged in 2018. While these efforts were well appreciated the emergence of such a large gap points to the need to review the model at an early stage in order to avoid such difficulties in the future. Accordingly, development partners recommended that the theme for the next SC meeting should be 'What CARTAC Should Look Like in 2025'. In discussing the importance of the RBM framework development partners challenged CARTAC to do a better job at shining the light on the impact that CARTAC activities have on the region. This would help justify the financial contributions of partners and make it easier to secure future contributions.

These presentations were followed by robust discussions in the break out session in which participants provided ideas on how all stakeholders can work together to improve implementation and hence policy traction. Key takeaways are given below:

Addressing Implementation Challenges

- There should be an in-country, in-government coordinator responsible for reporting on all CARTAC projects to bolster accountability. The coordinator will monitor and report on the various CARTAC programs
- A strategic and operational plan should be developed which would identify the capacity needs, a plan of action for TA delivery, the outcomes, and the all stakeholders involved from the TA providers to in-country representatives.

- Public Service Commission Reform – The commission should play more of an oversight role and decisions on hiring and remuneration should be made at the FS/PS level. These reforms would be bolstered with champions at the Cabinet level and support from development partners.

The Role of RBM in Strengthening Country Ownership

- Constant monitoring of the requirements under the RBM framework is needed to ensure that projects do not fall-off the radar. Having adequate resources will help with disciplined implementation of project tasks.
- The effectiveness of the RBM framework in addressing the various implementation challenges would be helped with an in-country champion to ensure ownership of the process. All RBM outcomes must be realistic and manageable.

Appropriate balance between different modes of TA delivery

- Peer to Peer associations are relevant for networking and sharing
- Workshops -Beneficial where countries are at similar levels and too large a group militates against effectiveness. In addition, a regional champion could help to secure success. Workshops are best constructed with the foregoing in mind.
- Bilateral – most relevant for and during actual implementation

At the conclusion of the meeting Governor Ganga handed over the Chairmanship of the CARTAC Steering Committee to Governor Timothy Antoine of the ECCB. Dr Ganga received much praise for his stewardship of CARTAC through a very difficult time and his efforts at streamlining the agenda to make it more focused while including greater country participation.



L-R: Timothy Antoine, Gobind Ganga, Wendell Samuel



Timothy Antoine and Gobind Ganga

CARTAC's Mission to The Bahamas: Assistance with 2019 Fiscal Strategy Report

By Embert St. Juste, Macroeconomics and Programming Analysis Adviser

The Ministry of Finance of The Bahamas requested CARTAC's assistance in preparing the 2019 Fiscal Strategy Report (FSR), which is a requirement of the recently enacted Fiscal Responsibility Act, 2018 (FRA). External support was considered beneficial by the authorities in assessing the macro-fiscal and debt sustainability issues arising from the severe impact of Hurricane Dorian, a category 5 storm, which caused significant damage to life, property and infrastructure on the nation's second and third largest economic centres—Grand Bahama and Abaco. In response to the request, CARTAC's Macroeconomic Adviser visited The Bahamas during the period October 14 to 25, 2019 to lend technical support.

The FRA, which was enacted in 2018, requires the government to submit the FSR for Cabinet's approval by the first Tuesday of November and for Parliament's approval by the third Wednesday of November, every fiscal year. The fiscal responsibility objectives contained in the FRA also require the government to reduce public debt to no more than 50 percent of GDP over the long term and to reduce the overall fiscal deficit to 0.5 percent of GDP from 2020/21 onwards.

Given the devastating effects of Hurricane Dorian, the government invoked the Exceptional Circumstances clause of the FRA which allows the government to temporarily deviate from the stipulated fiscal responsibility objectives. However, the government is required to develop a fiscal adjustment plan which essentially entails a strategic response aimed at rehabilitating the country and responding to the immediate and longer-term needs of its citizens while at the same time laying out a clear path towards meeting the objectives of the FRA.

Fiscal Adjustment Plan

The Government's fiscal adjustment plan was prepared against the backdrop of the recently announced plan in the 2019/20 budget statement, which targeted an improvement in the fiscal balance to a deficit of 1.0 percent of GDP in 2019/20, 0.5 percent in 2020/21 and 0.1 percent in 2021/22. However, given the destruction caused by Hurricane Dorian, and the preliminary assessment of the associated costs, both expenditures and revenue losses, the authorities projected a delay in the attainment of the original deficit target of 0.5 percent of GDP from 2020/21 to 2024/25.

Revenue losses estimated for both Abaco and Grand Bahama, coupled with slower growth are expected to reduce revenue collections over the next three years. Concurrently, outlays for social assistance, infrastructure rehabilitation, economic recovery and restoration programmes and other unrelated spending pressures will result in higher spending from 2019/20 to 2024/25. As a consequence, the budget deficits will widen and require new borrowings of an estimated \$1.3 billion over the next 6 years. In this context, the debt to GDP ratio is expected to peak at 66.2 percent by 2021, declining thereafter to 64.7 percent by 2024. Given the movements in debt, the mission assisted the authorities in examining debt sustainability trends over the medium term.

The fiscal adjustment plan was incorporated in the FSR and presented to Parliament by Peter Turnquest, Deputy Prime Minister and Minister of Finance on Wednesday November 20, 2019. The 51-page report will be published as mandated by the FRA and will form the basis for further engagement of the authorities with creditors and the general public as it lays out the government's strategic policy intentions in restoring fiscal prudence in the medium term.

The Bahamas: Pre and Post Hurrican Dorian Fiscal Summary (% of GDP)

	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
Revenue							
Pre-HD	18.9%	19.5%	19.5%	19.5%	18.8%	18.4%	18.6%
Post-HD	19.3%	18.8%	19.6%	19.9%	20.0%	19.8%	20.0%
Total Expenditure							
Pre-HD	20.5%	20.5%	20.0%	19.6%	18.9%	19.0%	19.0%
Post-HD	21.0%	24.1%	23.4%	22.1%	21.7%	20.7%	20.6%
Current Exp							
Pre-HD	18.8%	18.8%	18.3%	17.9%	17.2%	17.2%	17.1%
Post-HD	19.3%	21.1%	20.4%	19.8%	19.7%	18.8%	18.6%
Capital Exp.							
Pre-HD	1.7%	1.7%	1.8%	1.8%	1.7%	1.8%	1.8%
Post-HD	1.7%	3.0%	3.0%	2.3%	2.0%	1.9%	2.0%
Overall Balance							
Pre-HD	-1.7%	-1.0%	-0.5%	-0.1%	-0.1%	-0.6%	-0.4%
Post-HD	-1.7%	-5.3%	-3.8%	-2.2%	-1.7%	-0.8%	-0.5%
Interest Expense							
Pre-HD	2.6%	2.8%	2.5%	2.3%	2.3%	2.2%	2.1%
Post-HD	2.6%	3.0%	2.9%	2.8%	2.8%	2.8%	2.6%
Primary Bal.	0.9%	-2.4%	-0.9%	0.6%	1.1%	1.9%	2.1%
Nom. GDP							
Pre-HD	12,843.3	13,486.0	13,970.5	14,508.0	15,065.5	15,628.0	16,211.5
Post-HD	12,544.3	12,739.5	13,064.5	13,549.5	14,025.5	14,519.0	15,027.2



Deputy Prime Minister and Minister of Finance Peter Turnquest presenting the 2019 Fiscal Strategy Report to Parliament on November 20, 2019



(L-R) Lynsey Ward, Wendy Craig and Embert St Juste Authors of the 2019 Fiscal Strategy Report

Building Capacity of CPI Compilers in CARTAC Member States

By Zia Abbasi, Real Sector Statistics Adviser

CARTAC conducted a regional prices statistics workshop in Castries, St. Lucia, during September 30-October 4, 2019 on developing and reweighting the consumer price index (CPI) to strengthen the technical capacity of participating National Statistics Offices (NSOs) in updating and improving the quality of their CPI. Ms. Cointha Thomas, the Permanent Secretary of the Ministry of Finance made the opening welcome address, highlighting the importance of robust and timely CPI for use by economic and monetary policymakers.

This training workshop strengthened the capacity of price statisticians in member states to assess and adjust household budget survey (HBS) consumption expenditure data to produce new expenditure weights to update the CPI basket. A total of 39 statisticians from 21 member states and the ECCB participated in this training workshop. Messrs. Paul Armknecht and Walter Lane (IMF Experts) were the main presenters.

The workshop covered adjusting and improving the quality of the HBS data, updating the CPI basket, developing weights, and implementing price imputations and quality adjustment, and implementing compilation procedures recommended in the latest CPI Concepts and Methods Manual. Participants actively contributed to eight exercises designed to demonstrate the methodology to use when updating weights and compiling revised CPIs.

The participants agreed that the topics were appropriate, that the exercises were helpful in reinforcing the lecture materials, and that the lecturers were effective in their presentations. All the participants felt that the lecturers encouraged their discussion and participation and that the knowledge and skills gained were useful to their work.

The participants noted that the greatest risks related to updating the CPI are inadequate planning and inadequate budgets. Preparing for the HBS requires a minimum of two years to adequately plan for the survey and enough enumerators and laptops or tablets to complete the survey according to the plan. Often, the aim of obtaining good quality results is jeopardized by a lack of sufficient resources attached to the survey in a timely manner.

The closing panel discussion made several key recommendations for the member states starting to conduct the HBS, namely multiple tests of the questionnaires, continuous training and feedback for the enumerators, and continuous monitoring and editing of HBS data on a flow basis.

Participants are expected to apply the additional knowledge and skills acquired during the training when they return to work to rebase and improve the quality of their CPIs.

Some photographs of the workshop in session are shared next.



Developing Trusted Trader and Authorized Economic Operator Programs – A Regional Seminar

By Stephen Mendes, Custom Administration Adviser



A regional seminar/workshop at the WCO accredited Regional Training Center in Santo Domingo, Dominican Republic, during November 18 – 22, 2019, on developing Trusted Trader (TTP) and Authorized Economic Operator (AEO) Programs. Representatives from customs administrations in 22 CARTAC countries participated in the seminar which was facilitated by Stephen Mendes, CARTAC resident customs adviser, together with Jerry Wellens, a UK customs expert (STX), and Terence Leonard (UNCTAD Expert).

The implementation of trusted trader programs (TTP) and authorized economic operator schemes in the CARTAC region is low with only three countries having TTP schemes in place. One country, Jamaica, has an AEO program. The main reason for the low take-up rate seems to be a belief that security of revenue and trade facilitation are incompatible. It is certainly true that the main drivers for TTP/AEO implementation globally are increased supply chain security and trade development, and that countries with mature TTP/AEO schemes do not rely on customs revenue.

To address these issues CARTAC has developed a model that satisfies the need for revenue security by ensuring robust vetting of applicants and continuous background monitoring of the activity of members. This has been successfully implemented in Belize where imports by TTP members have increased by 30% and revenue from TTP members has increased by 50%. Key ingredients of this successful approach are effective risk management and post clearance audit (PCA).



The seminar outlined the CARTAC approach - with stress on the need for risk management, background monitoring and effective PCA intervention - and also heard from Barbados, Belize, Dominican Republic, Jamaica and Guyana customs on the schemes that they have implemented or are about to implement.

Terence Leonard, UNCTAD Expert, gave presentations on the UNCTAD/ASYCUDA World implementation of TTP's in the region and their approach to risk management.

Presentation to Caribbean Customs Law Enforcement Council Executive Committee Meeting

By Stephen Mendes, Customs Adviser

At the invitation of the Caribbean Customs Law Enforcement Council (CLEC) the Resident Customs Administration adviser made a presentation to the CCLEC executive committee meeting in Santo Domingo, Dominican Republic, on the work being done by CARTAC to develop TTP programs in the region. The presentation stressed the importance of both ongoing sound risk management and effective post clearance audit (PCA) as essential components to ensure that the twin objectives of trade facilitation and revenue optimization are not only possible but also achievable in the context of the Caribbean.

What's Been Happening?

Strengthening Climate Resilience Seminar for Small Island States
December 4-6, 2019, IMF HQ, Washington DC, USA



TRAINING IN QUARTER 1, 2020? *

PUBLIC FINANCIAL MANAGEMENT

Budget Preparation and Execution – Gender Budgeting Workshop

Internal Audit Workshop

CUSTOMS ADMINISTRATION

Regional Conference on Customs Capacity Building in Latin America

STATISTICS

National Accounts Workshop

FINANCIAL SECTOR SUPERVISION

Workshop on Regulatory and Prudential Framework

**Workshop locations and dates to be confirmed.*



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CARTAC's 23 Member Countries

Anguilla	Antigua & Barbuda	Aruba	The Bahamas	Barbados	Belize
Bermuda	British Virgin Islands	Cayman Islands	Curaçao	Dominica	Grenada
Guyana	Haiti	Jamaica	Montserrat	St. Kitts & Nevis	St. Lucia
St. Maarten	St. Vincent & the Grenadines	Suriname	Trinidad & Tobago	Turks & Caicos Islands	

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