April - July 2018
Volume 39

CARTAC NEWS

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An Overview of the May 2018 CARTAC Steering Committee Meeting

By Wendell Samuel, Programme Coordinator

The CARTAC's steering Committee Meeting held in Port of Spain on May 4, 2018 could prove to be a watershed for the regional technical assistance center. The meeting was held under the theme, "The role of CARTAC's technical assistance in building resilience in the Caribbean region". Facing a large financing gap in its budget for Phase V, that runs 2017-2022, the meeting recommended concrete proposals to help ensure the sustainability of the center and reorient its work to address emerging areas of technical assistance including resilience building, gender, correspondent banking relationships, cyber risks and crypto currencies.

CARTAC's work program and financing:

About 90 percent of the FY18 work program was delivered despite staffing issues and hurricane disruption. The main beneficiaries of CARTAC technical assistance (TA) were Barbados and Guyana, followed by St. Lucia and Jamaica. The administering of diagnostic tools PEFA (Jamaica and St. Lucia) and TADAT assessments (Barbados and Guyana) were significant achievements, while TA for trade facilitation in customs, strengthening statistical systems, developing macro prudential frameworks and assisting with Basel implementation were also featured. CARTAC also supported capacity development activities in emerging issues, such as inclusive growth, gender budgeting, fiscal resilience frameworks, building resilience to natural disasters, and post-disaster macro-frameworks.

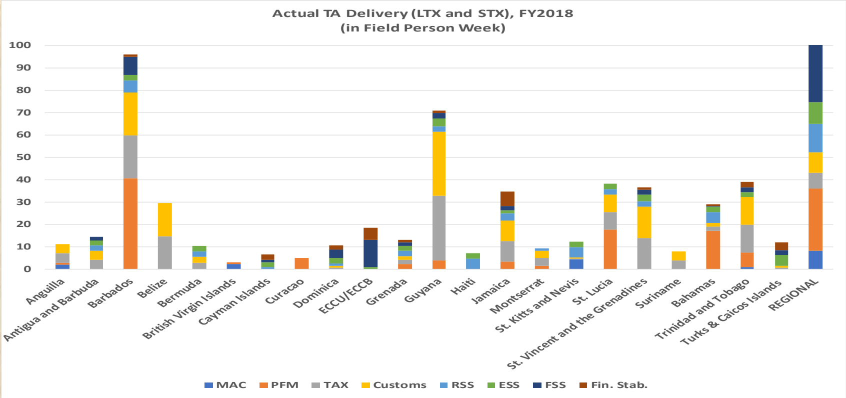
CARICOM Global Affairs Canada Affaires mondiales Canada UKaid

Going forward, budget constraints will reduce TA delivery in all sectors without an infusion of resources, particularly in undertaking diagnostic assessments like PEFA and TADAT which are very resource intensive. Budgetary scenarios requested by the Steering Committee show that the center would experience deficits from FY2019 onward, requiring significant cuts in TA delivery in the absence of additional resources. An additional US$5 million per year would be necessary to maintain the current activities and honor commitments in emerging areas.

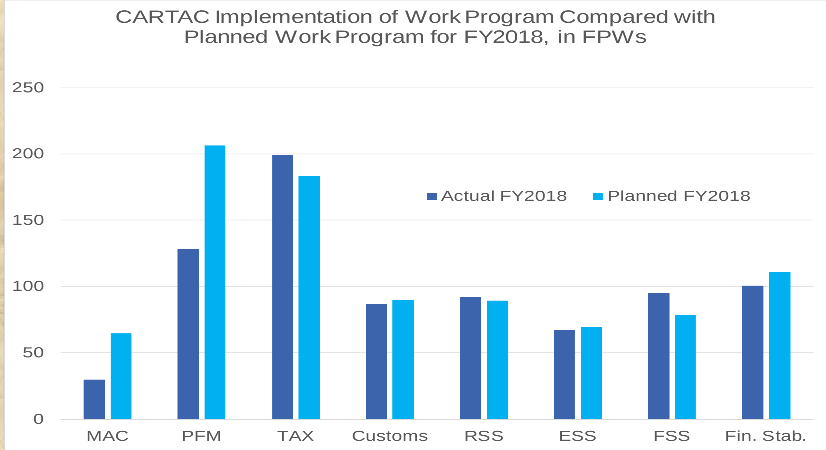
Members and donors' reactions

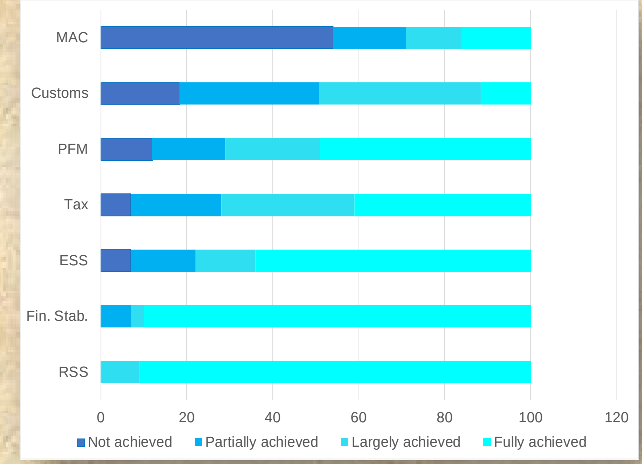
Member countries greatly appreciated the TA they have received from CARTAC, indicating that the Center provides an important regional public good and opportunities for peer-to-peer learning and networking. Members supported the proposed expansion in the Center's role into a climate and resilience workstream. In particular, stress testing of financial systems and fiscal frameworks for disaster and climate change risks, building capacity to access insurance and financial markets to manage disaster risks, and developing capacity to supervise risks associated with cyber security and crypto currencies are good value propositions. The meeting expressed concern about the potential implications of downsizing statistics and diagnostic programs in the light of existing data weaknesses, which could undermine policy making. Moreover, scaling back of PEFA assessments would create problems, especially as donors consider these assessments in providing funding.

TA Delivery by Country



TA Delivery by Program





Achievement of Milestones Across TA Programs

In a joint statement, the existing donor representatives (Canada, DFID, and EU) reaffirmed the overwhelming member-country support for CARTAC's work. They emphasized the vitally important service it provides the region, and their wish to see CARTAC continuing its work for the full duration of phase V. Given the financing gap for Phase V, they stressed the need to identify key priorities, increase cost-efficiency of CARTAC operations, and consider increased contributions from the beneficiary countries. DFID signaled that it will do everything possible to make increased contributions in its new spending round that starts in 2020 while noting that donors will be much more amenable to increasing their contributions if members also show a willingness to finance a larger part of the budget.

Recommendations to ensure sustainability

Following discussion during breakout sessions, a number of useful suggestions were made to mobilize funding and increase efficiency. These included: (i) a 50 percent increase in member contributions for the rest of Phase V; (ii) fact sheets and talking points for member countries to use in regional gatherings and bilateral/multilateral meetings with donors; (iii) contributions from central banks as well as Ministries of Finance; (iv) a larger contribution from the IMF given its stronger financial position; (v) a donor conference for existing and non-traditional donors; (vi) increased donor efforts to convey positive messages on CARTAC's role in the region; (vii) continued alignment of CARTAC activities with donor and country priorities and emphasis on results based management to highlight positive results; (vii) streamlining operations to prevent duplication with other TA providers and phase out "fading TA areas,"; (viii) greater use of peer-to-peer and online training.

Building resilience to natural disasters and climate change

Presentations by Inci Otker (WHD) and Matt Davies (FAD) made a case for the extension of (CARTAC) operations to address climate change and resilience building. The presentations discussed the work currently being done by the IMF on climate change and building resilience to natural disasters and how CARTAC TA can be used to more effectively adapt these initiatives to the member countries. The presentations also provided guidance on how these issues can be implemented in the work program going forward. This could be facilitated by establishing a workstream on climate change and resilience building. In this regard, CARTAC's work on helping countries to get basics of economic management right, would underpin technical assistance (TA) in the areas of assessing fiscal risk, building out fiscal resilience frameworks, establishing natural disaster funds, and public investment management assessments. In addition to providing an effective framework for implementation, the CARTAC model ensures wide regional ownership, as well as opportunities to exploit synergies with other CARTAC work programs. CARTAC must also maintain its flexibility to scale up TA rapidly to countries following natural disasters.

We wish to thank the Governor and staff of the Central Bank of Trinidad and Tobago for hosting the meeting, for the excellent logistical support, and for their warm hospitality in providing meeting participants with a taste of Trinidadian culture and cuisine.

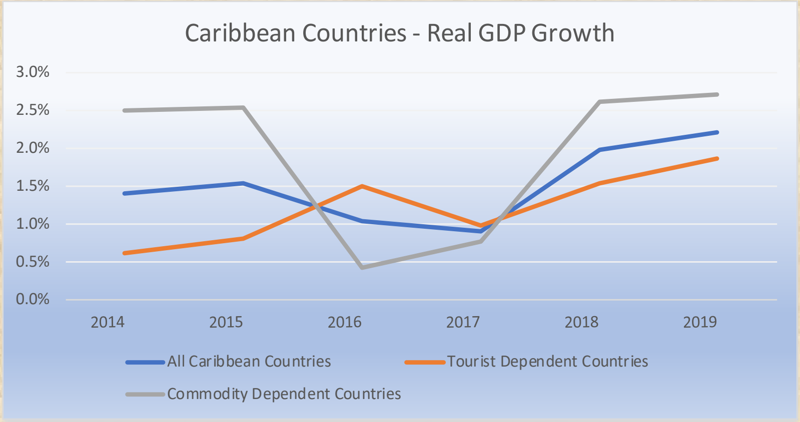
Recent Economic Performance and Medium-Term Prospects in Caribbean Economies

By Embert St. Juste, Macroeconomics Adviser

After the last five years of moderate growth, the medium-term prospects for Caribbean economies have improved on the basis of the upswing in the global economy and increases in commodity prices.

Recent Economic Performances

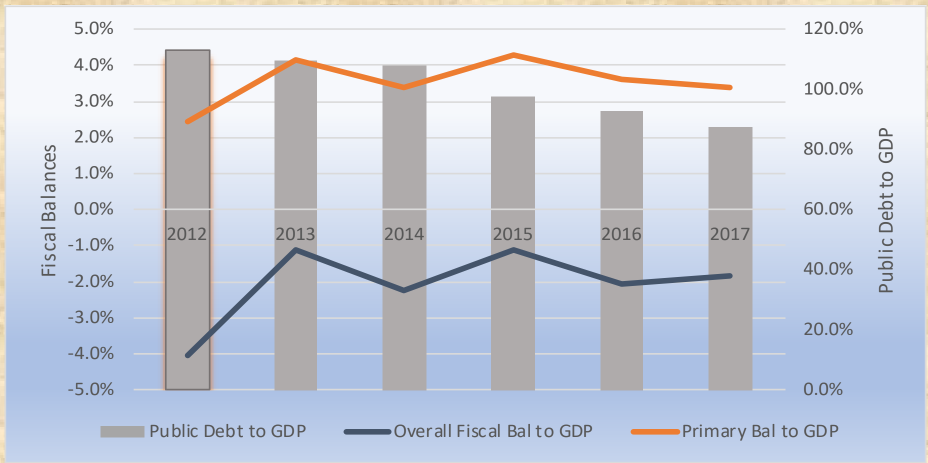
Real GDP growth over the five years ending 2017 averaged 1.3 percent for Caribbean countries of which the tourism dependent economies recorded growth of 0.8 percent and commodity exporting countries 2.0 percent. However, during the most recent period of 2016 to 2017, the growth pattern was reversed with the tourism dependent countries expanding by an average of 1.2 percent while the commodity exporters falling to 0.6 percent.



Source: World Economic Outlook, April 2018

The recent improved performances in tourism dependent economies were driven by strong growth in stay-over and cruise passenger arrivals, particularly in 2017, as the economies of the main tourism source markets improved. The US, which accounts for most of the stay-over and cruise arrivals, recorded a higher rate of growth of 2.3 percent in 2017 up from 1.5 percent in 2016. Some countries such as Jamaica, Barbados, Belize, St Lucia and St Kitts and Nevis had record number of visitors in 2017.

The commodity driven economies had mixed performances with recessions in Trinidad and Tobago and Suriname due to lower oil prices, while Guyana experienced a resurgence in growth owing in part to increased gold mining and investment in its newly discovered oil fields.



Source: World Economic Outlook, April 2018

The last five years have seen a significant shift in the fiscal performances of Caribbean governments. On average, the overall fiscal deficit improved from a high of 4.1 percent of GDP in 2012 to 1.8 percent in 2017. Likewise, the primary balance improved consistently from a surplus of 2.5 percent of GDP in 2012 to 3.4 percent in 2017. Consequently, the ratio of public debt to GDP has fallen markedly from an average of 112.9 percent five years earlier to 87.4 percent at the end of 2017.

Medium Term Prospects

Growth is projected to accelerate for the Caribbean region attributable to stronger external demand and elevated commodity prices.

Growth is projected to increase to an average of 2 percent during the 2018 to 2019 period supported by further increases in tourist arrivals and FDI funded investments, mainly in construction of hotels. Tourist arrivals data for some countries in the first quarter of 2018 seem to suggest another good year for the sector.

Growth is projected to return to the commodity exporting countries over the medium term on the back of higher energy and non-energy prices in 2018.

Supported by the higher growth and continued reforms, the fiscal position of Caribbean countries is expected to strengthen resulting in continued lowering of the debt to GDP trajectory.

Downside Risks and Policy Imperatives

The cyclical upswing in Caribbean economies associated with improving external conditions, coupled with stronger fiscal and structural reform measures have contributed to the recent turn-around in fiscal performances.

However, high levels of public debt remain a major source of vulnerability for Caribbean countries. Some countries such as Jamaica, Grenada and St Kitts and Nevis have undertaken debt restructuring which has resulted in lower debt to GDP ratios in these countries. Notwithstanding, high and growing debt ratios in some countries continue to be a major area of concern for other countries.

The perennial threats of hurricanes and other catastrophic weather events and their impact on Caribbean economies will always exist. The issue then is how to build resilience to mitigate the adverse impacts on the physical, economic and social infrastructure of the countries and to assist in quickly 'getting back on their feet'. A critical aspect of building resilience is to create fiscal buffers by generating fiscal savings to improve the ability of governments to get the country back to normal after a natural disaster from its own resources.

In recent time, greater focus has been placed on the need for fiscal responsibility legislation as part of the structural policy reform toolkit for strengthening resilience. Fiscal rules have been effective in other parts of the globe in curbing fiscal profligacy and enforcing fiscal discipline. This issue has been part of the policy discussions on how to make the gains in fiscal and debt sustainability in some Caribbean countries more widespread and longer lasting.

Conclusion

The need to further strengthen the policy making architecture in the Caribbean has been accentuated by the recent damaging impact of hurricanes and other climate related events. The stage has been reached where Caribbean governments need to seriously consider building fiscal buffers and to change the trajectory of public debt as critical elements of the resilience building efforts.

CARTAC: Helping Members with the Capacity to Compile External Sector Statistics

By Borys Cotto-Cobar, External Sector Statistics Adviser

Training is an essential component of the CARTAC capacity development program. As part of the CARTAC Work Program on External Sector Statistics for the Caribbean Region and with the support from the IMF's Statistics Department, a regional course on the compilation of balance of payments statistics was conducted in Castries, St Lucia, during March 19-23, 2018. The course was specifically designed for compilers who are gaining experience in compiling balance of payments statistics, given the staff turnover in compiling agencies in the region. Thirty-seven officials representing nineteen CARTAC members participated in the course. The course consisted of lectures covering the conceptual framework as presented in the *sixth edition of the Balance of Payments and International Investment Position Manual (BPM6)*. Special emphasis was given to more relevant topics for the Caribbean region. The course also included practical workshops and discussion sessions to reinforce participants' understanding of the *BPM6* conceptual framework and share experiences among compilers.

CARTAC/CAIR Workshop to Focus on Enhancing Domestic, Cross Border Supervision in the Insurance Sector

Excerpt taken from the St. Kitts & Nevis Observer, June 20, 2018

The Caribbean Association of Insurance Regulators (CAIR) is spearheading a three-day workshop at the St. Kitts Marriott Resort from June 20 -22 in collaboration with the St. Kitts and Nevis Financial Services Regulatory Commission (FSRC) and the Caribbean Regional Technical Assistance Centre (CARTAC) on "Enhancing Domestic and Cross-border Supervision and Stress Testing in the Insurance Sector."

President of CAIR Michele Fields said that the purpose of these types of workshops are designed to build capacity within regulatory authorities and that this year's focus will be on cross-border supervision to ensure the oversight of the companies within the Caribbean.

"We are grateful to CARTAC to lend support, both financial and in terms of resources to assist in building capacity amongst the regulatory bodies," she said. "We have to ensure that the mechanisms for cross-border supervision are robust."

Read the entire article here.

What's Happening?

Workshop Calendar (Aug - Oct 2018)

Public Finance Management
Mini Workshop (Group TA)
September 10-14, 2018
St. Lucia

Identifying Fiscal Risks
(Disaster Preparation and Mitigation Plans)
October 2018
St. Kitts and Nevis

Real Sector Statistics
Real Sector Statistics Planning Workshop
October 8-12, 2018
St. Lucia

Macroeconomics
Inclusive Growth
October 15-19, 2018
St. Lucia

Customs Administration
Extracting Data from ASYCUDA World
October 15-19, 2018
Dominican Republic

Save-The-Date

CARTAC MID-YEAR STEERING COMMITTEE MEETING AND DONOR CONFERENCE

November 1-2, 2018
Bridgetown, Barbados

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Upton, St. Michael, BB11103
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CARTAC Mission Schedule

CARTAC Mission Schedule (August - October 2018)

CARTAC's 22 Member Countries

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

"Supporting Economic Performance in the Caribbean by Strengthening Capacity"